

MERSEYSIDE FIRE AND RESCUE AUTHORITY

25 JULY 2019

MINUTES

Present: **Cllr James Roberts (Chair)** Councillors Steff O'Keeffe, Barrington, Lisa Preston, Andrew Makinson, Les Byrom, Linda Maloney and Spurrell

Also Present:

Apologies of absence were received from: Cllr Coleman, Cllr Lesley Rennie and Cllr Jean Stapleton

7. CHAIR'S ANNOUNCEMENT

Prior to the start of the meeting, information regarding general housekeeping was provided by the Chair to all in attendance.

The Chair confirmed to all present that the proceedings of the meeting would be filmed and requested that any members of the public present who objected to being filmed, make themselves known.

No members of the public voiced any objection therefore the meeting was declared open and recording commenced.

1. Preliminary Matters

Members considered the identification of declarations of interest, any urgent additional items, and any business requiring the exclusion of the press and public.

Members Resolved that:

- a) no declarations of interest were made by individual Members in relation to any item of business on the Agenda
- b) no additional items of business to be considered as matters of urgency were determined by the Chair; and
- c) no items of business required the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information.

2. Minutes of the Previous Meeting

The Minutes of the previous meeting of the Policy and Resources Committee, held on 28th March 2019, were approved as a correct record and signed accordingly by the Chair.

3. THE ANNUAL GOVERNANCE STATEMENT 2018/2019

Members considered Report CFO/043/19 of the Director of Finance, concerning the Authority's revised 2018/19 Annual Governance Statement following comments received from external audit (Grant Thornton). This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practice, and in doing so presents an annual review of the effectiveness of the current arrangements.

Members were informed that the Authority is required to prepare an annual statement reviewing the Authority's governance and systems of internal control arrangements that were in operation during the year; and that the Annual Governance Statement meets that requirement.

Members were advised that the Authority's Audit Committee approved the 2018/19 Annual Governance Statement on 6th June 2019, which is attached at Appendix A. However, the Authority's external auditor – Grant Thornton, have requested the inclusion of a couple of paragraphs to confirm the view of those signing off the Statement, that:

- The Governance and Internal Control arrangements were fit for purpose and provided acceptable overall assurance; and
- The arrangements have been operating throughout 2018/19 and had provided an effective framework for identifying and dealing with any governance issues in the year.

Members were informed that the revised Annual Governance Statement is attached at Appendix B, which now includes the required statements requested by Grant Thornton.

Members Resolved that:

The revised 2018/2019 Annual Governance Statement, be approved.

4. REVENUE & CAPITAL OUTTURN 2018/19

Members considered Report CFO/037/19 of the Director of Finance, concerning the Authority's year-end financial position for 2018/19.

Members were informed that this report provides a summary of the outturn position in relation to the approved 2018/19 Revenue and Capital budget.

Members were provided with an overview of the report, which highlighted some background information on the 2018/19 budget plan and budget updates, approved throughout the year.

It was highlighted to Members that the revenue outturn position was a £0.826m net underspend, which as per the strategy approved at the 2019/20 Budget Authority meeting, will be utilised to fund an increase in debt payments, the minimum revenue provision, in order to free-up future years budget to increase spend on frontline services. Therefore, Members were informed that after increasing the minimum revenue provision by £0.826m, the overall revenue outturn position is consistent with the approved budget.

Members were advised that the report also provides an explanation on the major revenue variances for 2018/19, with a detailed analysis of the revenue outturn position provided at Appendix A.

Members were also informed that the report summarises the opening and closing position on earmarked reserves; and it was highlighted that the total committed earmarked reserves, have reduced by £2.651m, or 10%, in the year, with the general revenue reserve remaining unchanged at £2m.

The capital outturn position was also outlined to Members. They were informed that £3.838m of planned spend for 2018/19, has now been re-phased into 2019/20, with an explanation for the re-phasing provided within the report.

Questions were raised by Members, regarding the purpose of the Bellwin reserve; and the PFI reserve.

With regards to the Bellwin reserve, Members were informed that this is an amount which is set aside to support a major incident, such as large scale flooding, with any additional financial support, being provided by the Government.

In terms of the PFI reserve, Members were advised that the PFI Scheme runs up to 2038, but that the grant was paid upfront at the start of the scheme. Therefore, there will be an affordability gap for every year of the scheme, with the greatest gap being towards the end of the scheme. As such, the PFI reserve was created as a “smoothing reserve”, with funds being drawn down from the reserve each year, to fund the affordability gap.

Members Resolved that:

- a) the actual financial performance against the approved budget, after taking into account year-end reserve adjustments was a net revenue underspend of £0.826m, be noted.
- b) this underspend, be noted as having been used to increase the actual 2018/19 minimum revenue provision (debt repayment) as per our plans with the aim of freeing up future debt servicing budget to allow

reinvestment back into front line services, (this strategy was approved at the 2019/20 Budget Authority meeting).

5. statement of accounts 2018/19 - authorisation for issue

Members considered Report CFO/043/19 of the Director of Finance, concerning the audited 2018/19 Statement of Accounts.

Members were informed that the Authority is required to prepare a set of financial statements in a format that is set out under the relevant Accounting Codes and Standards. They were advised that the Statement of Accounts attached to the report as Appendix A, presents the required Authority core financial statements for 2018/19, having regard to the various codes and regulations.

Members were advised that the Authority has a statutory duty to approve and sign-off for publication, the Statement of Accounts for the previous year, before the 31st July of the following year. They were informed that this report, presents the 2018/19 Statement of Accounts for Members consideration and requests that Members approve the statement and sign it off for publication.

Members were also informed that they would normally receive a report from the Authority's Auditor – Grant Thornton, outlining their findings from their audit work on the financial statements and value for money review, however Grant Thornton feel that a full property valuation must be carried out to confirm the figures in the financial statements, before they can finalise their opinion.

Members were advised that after speaking to colleagues in other fire and rescue authorities and local authorities, it would appear that a number are facing similar challenges from their auditors this year, as auditors have sought greater assurance around figures within the financial statements.

Members were advised that any amendment to property values as a result of the valuation exercise, will have no impact on the outturn to budget position reported in the previous report.

Some background information to the four core financial statements; and a summary of the 2018/19 key movements and significant changes to the previous year's figures, were also highlighted to Members.

Members were advised that the Codes and Regulations require a number of notional accounting entries and adjustments that are significant in value, to be included in the Statement of Accounts, such as a depreciation charge. As they are notional in nature, they do not form part of the costs that must be funded by the Authority's approved general fund budget. It was highlighted to Members that the 2018/19 neutral general fund outturn position, reported in the previous outturn report, becomes a £79.6m adverse variance under the Statement of Accounts code and regulations.

It was clarified to Members that the report is requesting that they note the draft Letter of Representation, attached to the report as Appendix B, which simply states that the Director of Finance and the Chair of the Committee, are not aware of anything that would alter the information contained in the Statement of Accounts. Once Grant Thornton have completed their audit and issued an opinion, their audit review report, a final statement of accounts; and a Letter of Representation, will come back to Members for sign-off.

Questions were raised by Members around the concerns of the auditors in relation to the property valuation; and why they were not satisfied with the professional opinion of the current valuers.

Members were advised that the auditors issue was around timescales not the valuers; and the only way that the auditors would be assured, was for a full property valuation to be undertaken. Members were informed that a tender process will therefore be undertaken for this work, which will stipulate that following the initial valuations, the appointed valuer will conduct a review of at least 20% of the property portfolio each year, over a 4 year period; and provide detailed evidence regarding the valuations. They were informed that due to issues within the private sector, the auditors are now seeking greater assurance from public authorities regarding this matter, despite those issues not being applicable to the public sector. Members were informed that Officer's main concern around this, is that taxpayer's money will have to be used to pay for the additional valuations required by the auditors. Members were informed that a number of other FRA's and local authorities are experiencing the same issues.

Members were advised that another matter causing the auditors concern, is around the McCloud pension's case; and significant resources have been required to ensure they are provided with sufficient information to assure them.

Members requested that when the report comes back to Members for final sign-off, confirmation is provided as to whether the auditors are satisfied with the proposal to carry out a 20% rolling re-valuation over the next four years, up to 2022/23, in order to satisfy the auditor about any movement in property valuations; a full re-valuation will be carried out in 2023/24.. Officers advised that when the report comes back to Members, the auditors will be in attendance to present the report; and Officers will ensure that those matters are addressed by the auditors.

Further questions were raised by Members with regards to the fact that some of the larger local authorities have their own internal valuers; and whether an agreement could therefore be put in place within the City Region regarding the sharing of resources.

Members were informed that some discussions had commenced around this; and the potential to buy-in this resource in the future, would be explored.

Members Resolved that:

- a. The unaudited Statement of Accounts 2018/19 attached as Appendix A to this report, be approved and authorised for issue.
- b. The audit opinion follow, once the updated asset valuation has been completed and shared with the External Auditor.
- c. The draft letter of representation in relation to the unaudited 2018/19 accounts, attached as Appendix B, be noted.
- d. Once Audit have finalised their work, it be noted that an audited statement of accounts and letter of representation will come back to Members for approval.

6. CAD-MIS Upgrade Plan 2019

This minute contains EXEMPT information by the virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Close

Date of next meeting Thursday, 19 December 2019