

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



Minutes of a Meeting of the Essex Fire Authority Audit, Governance & Review Committee held on Wednesday 15 July 2015 at 2.00pm

Present:

Councillor C Guglielmi	Chairman
Councillor A Bayley	
Councillor I Henderson	
Councillor P Honeywood	
Councillor M McEwen	
Councillor J Moyies	
Councillor C Seagers	
Councillor A Turrell	
Councillor J Ware-Lane	

The following Officers were present in support throughout the meeting:

Adam Eckley	Acting Chief Fire Officer
Dave Bill	Assistant Chief Fire Officer - Operations
Mike Clayton	Finance Director and Treasurer
Lindsey Stafford-Scott	Director of Human Resources and Organisational Development
Shirley Jarlett	Deputy Clerk and Monitoring Officer
Daniel Harris	Baker Tilly (Internal Auditors)
Jennifer Reid	Secretary to the Committee

1. Apologies for absence

Apologies for absence were received from Councillors J Knapman, M Hoy, G Butland and M Coxshall. Councillor Guglielmi chaired the meeting and welcomed the new members of the committee.

2. Minutes

The minutes of the meeting held on 22 April 2015 were agreed as a correct record and signed by the Chairman.

3. Declarations of Interest

The Chairman reminded Members that they should declare any interests at this point or during consideration of the appropriate agenda item.

4. Audit Recommendation – Report on Progress Against Action Plans

The Committee considered report EFA/056/15 by the Finance Director and Treasurer which provided an update on progress against the action plans developed by the Service in response to audit reports.

Officers explained that the delayed implementation of some of the recommendations relating to HR transactional processes was due to the introduction of the new Call Management system. This would be in place by September 2015 and a further update would be provided at the next meeting of this Committee.

In response to questions regarding delays in implementing some of the recommendations relating to Communications, officers confirmed that the Head of Corporate Communications had resigned after a period of illness and recruitment was underway. Interim arrangements included support from Andy Allsopp, Head of Communications and Marketing, Essex County Council and officers were confident the recommendations would now be progressed, with an update to be brought to the next meeting of this Committee.

Resolved:

That the progress made against the action plans developed by the Service in response to audit reports be noted.

5. Audit Reports July 2015

The Committee considered report EFA/057/15 by the Finance Director and Treasurer, presented by Daniel Harris of Baker Tilly, which provided internal audit reports on Business Planning, Risk Management and Follow Up of Previous Internal Audit Recommendations. These were the final three reports from the 2014/15 plan agreed by this Committee in March 2014.

Members noted the Audit Conclusion of Reasonable Assurance with regard to Business planning and the five recommendations. The Finance Director and Treasurer confirmed that all recommendations had been accepted and would form part of this year's action plan. All recommendations would remain on the plan until completed and would also form part of the annual review by Baker Tilly.

Members expressed serious concern at the Audit Conclusion of No Assurance with regard to Risk Management and gave detailed consideration to why this had occurred. The Finance Director and Treasurer informed the Committee of a number of staffing issues that had hampered performance in this area and of action that was being taken to address them. Some progress had been made, and he reassured the Committee that all the Audit recommendations would be

implemented. He also advised that the finding of No Assurance had not impacted on the overall audit conclusion that the Authority had adequate risk management arrangements in place. (Minute 6 below refers.)

Members noted the Audit Conclusion of Reasonable Progress with regard to the Follow Up of Previous Internal Audit Recommendations. The report looked at five audits with a total of 25 recommendations, of which 6 were not yet due.

The following information was provided in response to Members' questions:

- Of the 19 recommendations due, 12 have been implemented and one is on-going, leaving 6 recommendations not implemented.
- The conclusion of Reasonable Progress required 51-75% of the overall number of recommendations to be fully implemented and 75% of medium recommendations to be in the process of implementation.
- Recommendation tracking is undertaken by Essex Fire Authority. However, Baker Tilly have identified 7 recommendations that have been restated and differ in status to that reported on the tracker. In four of these instances the Auditor was not supplied with sufficient evidence to conclude that the recommendation had been completed.
- Recommendation tracking by Essex Fire Authority does not request evidence of completion of implementation as requested by the Auditor.
- On occasion recommendations are not completed due to a change in the control.

Members requested that recommendations categorised as not having been implemented are returned to the tracker with narrative explaining why this has occurred. Of particular importance are those recommendations where the reasons for the control have changed or those which are now unnecessary.

Resolved:

1. That the internal audit reports on Business Planning, Risk Management and Follow Up of Previous Internal Audit Recommendations be noted.
2. That recommendations categorised as not having been implemented by the auditor are returned to the tracker with narrative explaining why they have not been implemented, with this information to be included in future reports.

6. Annual Internal Audit Report

The Committee considered report EFA/058/15 by the Finance Director and Treasurer, presented by Daniel Harris of Baker Tilly, which presented the Annual Internal Audit Report - Year ended 31 March 2015.

Members noted the overall Green (positive) opinion relating to governance and the overall amber (positive) opinions relating to risk management and the control environment.

Mr Harris confirmed that the overall opinion relating to risk management was informed not only by the review of risk management processes as reported elsewhere on the agenda for this meeting (minute 5 above refers) but also by four internal audits (Budget Setting and Control, Fleet Management, Performance Management, Business Planning) which provided assurance on strategic risks and resulted in positive assurance opinions. These influenced the overall opinion that strategic risks are being managed effectively.

The following information was provided in response to Members' questions:

- All recommendations from the reviews in 2014/15 had been accepted.
- Essex Fire Authority requests the Auditor to examine areas of potential risk.
- The internal audit service provided by Baker Tilly was designed to conform to the Public Sector Internal Audit Standards (PSIAS). An external review had been commissioned in 2011 and a further review would take place in 2015/16, in line with PSIAS requirements.
- The Acting Chief Fire Officer confirmed that risk management initiatives were being delivered.
- The need to provide more robust assurance to the Committee regarding actions being taken was acknowledged.
- The period covered by the audit had been affected by exceptional levels of staff sickness and by strike action.

Resolved:

That the contents of the report be noted.

7. Annual Review of Governance Statement

The Committee considered report EFA/059/15 by the Finance Director and Treasurer which sought the review and agreement of the schedule setting out how the Authority meets the principles of the Local Code of Corporate Governance and determination as to whether an effective system of internal audit had been in place during the year to 31 March 2014. The Committee was also asked to approve the Annual Governance Statement.

Noting that there had been no review of the effectiveness of the Audit, Governance and Review Committee in the last year, (although attendance at meetings was reported annually to the Fire Authority), Members considered whether further work on reviewing the Committee's effectiveness should be undertaken. It was agreed that Members would benefit from further development, and that action should be taken to identify their training needs.

Cllr Turrell abstained from approving the Annual Governance Statement.

Resolved:

1. That the schedule setting out how the Authority meets the principles of the Local Code of Corporate Governance be agreed.

2. That the system of internal audit in place during the year to 31 March 2014 be determined as effective.
3. That the Annual Governance Statement be approved
4. That the Director of Human Resources and Organisational Development circulate a training needs analysis to members of the Committee prior to the next meeting and liaise with Democratic Services at Essex County Council regarding the provision of any training required.

8. Dates and Times of Future Meetings

The Committee considered report EFA/060/15 by the Committee Services Manager (presented by Cllr Guglielmi), which informed the Committee of future meeting dates. Further to comments made by Members at the meeting of Essex Fire Authority on 10 June, the report proposed that future meetings be held in the morning, with a start time of 10am.

Resolved:

1. That the dates of future meetings of the Committee be noted as follows:

2015

7 October

2016

20 January

20 April

13 July

5 October*

2017

18 January*

19 April*

12 July*

* provisional date

2. That future meetings of this Committee commence at 10am.

9. Budget Review May 2015

The Committee considered report EFA/061/15 by the Finance Director and Treasurer which reported on expenditure against budget as at 31 May 2015 and identified major variances to the budget for the period.

In introducing the report, the Finance Director and Treasurer highlighted a small overall underspend on staffing costs, with a combination of an underspend for whole time fire-fighters and an overspend on support staff pay.

In response to members' questions regarding staffing, the following information was provided:

- Overspend on support staff is being addressed by review with budget holders and virements relating to individual projects. There is no intention of using reserves.
- The numbers of Watch Based Fire-fighters is below the Optimum Rider Resilience Level but above the Critical Minimum Rider Requirement.
- The Optimum Rider Resilience Level was originally agreed by the Policy and Strategy Committee in 2011 and reduced and approved last year. The level is based on all watches at full strength.
- There are no plans to recruit whole time fire-fighters.
- An on-going project relating to heavy duty pumps will reduce watches from 15 to 12, thereby releasing 24 people (equivalent to a full cohort of new recruits).
- Ongoing staffing numbers will be addressed through the 2020 project.
- There are 67 members of staff aged over 50 with more than 25 years of service but only 4 with over 30 years of service.
- A formal transfer process and more flexible working patterns have been introduced.

The Finance Director and Treasurer outlined the capital spend to date. The largest item included is £3.7m for new appliances. This is to replace 42 appliances, from a fleet of 75, that have come to the end of their lifetime based on reliability and value for money. The old appliances will be sold on directly by EFA, not through EFA (Trading) Ltd, meaning profit will come directly to EFA. The capital spend also includes £290K for Solar Panels, a project approved by the Policy and Scrutiny Committee which is estimated to realise £200k in savings this year. Any risks of underspend due to areas of Capital expenditure suspended until the completion of the 2020 project will be reported to the meeting of Policy and Scrutiny Committee in September 2015.

In response to questions regarding EFA (Trading) Ltd, the Finance Director and Treasurer confirmed the Authority has £120k invested in the trading company at present. EFA (Trading) Ltd has an annual turnover of between £500-£600k and all profits go to an endowed fund to support community safety projects.

Resolved:

1. That the review of income and expenditure against the budget be noted.
2. That the actual position with regard to capital expenditure be noted.

10. Treasury Management Report Outturn 2014-15

The Committee considered report EFA/061/15 by the Finance Director and Treasurer which provided a review of the Authority's performance in 2014/15 against a set of treasury management and capital financing indicators approved by the Authority in February 2014. The indicators are intended to demonstrate that capital investment plans are affordable and that consequential borrowing will be based upon sound treasury management strategy.

The Finance Director and Treasurer confirmed that the Capital Financing Requirement is higher than estimated in 2014/15 due to the impact of personal injury claims and that the Authority has remained well within the operational and authorised limits regarding External Debt during 2014/15. The Finance Director and Treasurer referred to the overall debt plan and confirmed there was no financial advantage in early repayment of loans.

Members were asked to note the financial implications outlined in Appendix A to the report.

Resolved:

1. That the treasury management outturn position for 2014/15 be noted
2. That the performance against the capital financing indicators for 2014/15 be noted.
3. That the financial implications outlined in Appendix A to report EFA/061/15 be noted.

11. Organisational Performance Report June 2014 to May 2015

The Committee considered report FP/062/15 by the Director of Human Resources and Organisational Development which provided an overview of the Service's performance for the period June 2014 to May 2015.

In introducing the report, the Director of Human Resources and Organisational Development advised the Committee that some of the indicators were based on annual data so were not reported and some indicators were still under development.

Members reviewed the information provided concerning performance against success measures, and received updates on actions taken or proposed in response. The following information was provided in response to issues raised:

- A community safety project is undertaking work to reduce kitchen fires, which comprise 61% of Accidental Dwelling Fires (ADF).
- Although new response standards are currently under consultation, the information reported against under Objective 2 continues to reflect the previous standards.
- Response times have been affected by challenges with the control system and the changes between systems. Data relating to call handling has been manually captured which may affect accuracy. A significant improvement in this area is expected by the time of the next report.
- Wholetime Turnout continues to be affected by health and safety issues and differences between night and day shifts. This indicator remains under review.

- A new process for Appraisals has been introduced and a significant improvement in this area is expected by the time of the next report.
- There are no financial implications as a result of performance measures not being met.

It was agreed that the Director of HR and OD provide an update on response time performance to the Committee prior to the next meeting

In response to a comment regarding fitting of safety measures, the Director of Human Resources and Organisational Development confirmed that the Assistant Chief Fire Officer, Safer Communities would be presenting a separate report at the next meeting of this committee.

The Assistant Chief Fire Officer, Operations confirmed that he was confident that, with regard to the mobility system, all incidents were being captured and any issues were reported in the weekly update.

Resolved:

1. That the report be noted.
2. That the Director of Human Resources and Organisational Development report back to members of the Committee with an update on performance on response times prior to the next meeting.
3. That the Committee receive a report on fitting of safety measures from the Assistant Chief Fire Officer, Safer Communities at the next meeting.

12. Pension Governance and Administration

The Committee considered report FP/063/15 by the Director of Human Resources and Organisational Development which provided information to Members regarding the governance of pension arrangements within the Authority and an update regarding the changes to the pension arrangements for Firefighters which were introduced in April 2015.

In introducing the report, the Director of Human Resources and Organisational Development highlighted the following key points:

- The Fire Service is the scheme employer for five pension schemes
- James Durrant had been appointed to a new permanent role of Pensions Manager from 2 March 2015.
- The Firefighters Pension Scheme 2015 came into effect on 1st April 2015 and the scheme was successfully implemented in a tight timescale of 2 weeks. The Chairman, endorsed by members, requested that thanks be passed to the HR, Payroll and IT teams involved in this.
- The Authority contracts with the Essex Pension Fund to provide the administering arrangements for the Fire Pension Schemes. The Service Level Agreement has been reviewed and the contract updated to ensure

continuing good value for money. Essex Pension Fund also provides the administration for the Local Government Pension Scheme.

- Since January, Essex Fire Authority has hosted and chaired four meetings of the Eastern Region Fire Officers Pension Group
- The Pensions Manager for the Fire Authority has become a member of the national technical working group for the Firefighter Schemes.
- KPMG will conduct an external audit of pension arrangements within the Authority and will report to this Committee.

Further discussion took place around the introduction of Pension Boards for all Public Sector Pension Schemes in April 2015. Members were asked to note the draft Terms of Reference for the Pension Board of Essex County Fire and Rescue Service set out in Appendix 1 of the report. It was noted that this Committee would retain governance of the Scheme and the Pension Board would provide a scrutiny role. The Director of Human Resources and Organisational Development confirmed that agreement would be sought to co-opt the Pensions Manager onto the Board to provide advice. It was also confirmed that the Pensions Manager had been elected to the LGPS Local Pension Board

Resolved:

That the report be noted.

13. Programme 2020 - Update Report

The Committee considered report FP/064/15 by the Acting Chief Fire Officer which provided an update on the work Programme 2020 and provides a forward view of planned work and deliverables. The Director of Human Resources and Organisational Development introduced the report and highlighted key activities to date which included briefings to Essex MPs and presentation of the Integrated Risk Management Planning (IRMP) process to the Chief Fire and Rescue Adviser and the Fire Minister.

The Director of Human Resources and Organisational Development gave a brief overview of responses to the consultation to date and confirmed this closes during September, when a report will be brought to the EFA meeting in October.

Resolved:

That the report be noted.

14. Date of Next Meeting

Members noted that the next meeting of the Committee would take place on Wednesday 7 October 2015 at 10:00am.

Note from Secretary

Following the meeting it was confirmed that an extraordinary meeting of the Essex Fire Authority would be taking place on Wednesday 7 October 2015 at

10:00am. The next meeting of this Committee would therefore take place at
11:00am or on the rising of that meeting, whichever was the later.

15. Urgent Business

There was no urgent business.

The meeting closed at 16:20pm

Signed.....

Chairman
7 October 2015