Minutes of the meeting of the Essex Fire Audit, Governance & Review Committee, held on Wednesday, 18 January 2017

Present:

Councillor John Knapman Chairman
Councillor M Hoy
Councillor N Hume
Councillor M McEwen
Councillor C Seagers
Councillor J Ware-Lane
Councillor A Watkins
Councillor R Woodley

The following Officers were present in support throughout the meeting:

Adam Eckley	Acting Chief Fire Officer and Acting Chief Executive
Mike Clayton	Finance Director and Treasurer
Dave Bill	Director of Prevention, Protection and Response
Mark Stagg	Director of Transformation
Tracy King	Assistant Director of Business Planning and Performance
Lucy Clayton	Performance Analyst
Shirley Jarlett	Clerk and Monitoring Officer to Essex Fire Authority
Roy Carter	Service Solicitor and Deputy Clerk and Deputy Monitoring Officer to Essex Fire Authority
Daniel Harris	RSM UK (Internal Auditors)
Martina Lee	Ernst & Young LLP (External Auditors)
Fiona Lancaster	Committee Officer (Essex County Council)

Apologies for absence were received from Councillors A Turrell (Vice-Chairman), D Blackwell, I Henderson, P Honeywood, J Huntman, V Metcalfe and A Wood

1 Declarations of Interest

The Chairman reminded Members that they should declare any interests at this

point or during consideration of the appropriate agenda item.

2 Minutes (part I)

The minutes of the meeting held on 5 October 2016 were agreed as a correct record and signed by the Chairman.

3 Draft Budget for 2017-18

The Committee considered report EFA/004/17 by the Finance Director and Treasurer which provided the Committee with:

- The draft revenue and capital budgets for the Authority for 2017/18;
- Information on the budget and business planning process; and
- Information on the formula grant settlement, share of national non-domestic rates, council taxbase and collection account for 2017/18.

The Committee was reminded that following the decision of the Fire Authority in June 2016 to support Option 2 of the Service change options the budget had been prepared showing figures for a Council Tax increase of 1.99%.

The following points arose from consideration of the report:

- Members noted that on 11 January 2017 the EFA Policy and Strategy Committee had approved the draft budget for submission to the full Fire Authority.

- The efficiency plan, approved by the Authority in September 2016 for the period to 2019/20, had been submitted to Government and accepted so there was certainty around the funding levels up to 2019/20. The final figures for 2017/18 were expected to be confirmed in early February 2017.

- The Committee acknowledged that it remained in the best interest of the Fire Authority to continue to participate in the pooling arrangements relating to national non-domestic rates.

- The proposed increase for the Authority of 1.99% was the highest allowed within the anticipated Government threshold of Council Tax at 2% for 2017/18.

- There was a year end forecast of £17.0m of useable reserves, and no changes to the ear-marked reserves were proposed.

- A provision of £715k had been made to allow for a possible pay increase of 1%.

- The increase in numbers of on-call firefighters and their activity levels had led to an additional £700k of unplanned expenditure in 2016/17. This had now been budgeted for in 2017/18.

- Potential savings from collaboration work with Essex Police had not been included in the budget for 2017/18, as officers were not in a position to

anticipate these.

- The Committee was reminded that the replacement of the service workshops project was currently paused, but that provision had been made for this within the budget. Members expressed some concern about the dangers of pausing the project for too long and the increased risks associated with the poor state of the buildings.

- The Committee noted that the Fire Authority still expected to retain separate accounts and assets under any future joint Police and Fire governance arrangement.

- The effect of extra housing/increased population was considered each year as part of the strategic assessment of risk.

- The Committee considered the levels of reserves and there was broad agreement with the parameter range and the expected need to use these to help balance future budgets. Reserves could be used instead of borrowing and incurring high interest charges. With regard to the reserves policy, the Committee suggested that the Authority could investigate investing in other financial vehicles, such as property funds, in order to yield better returns.

- The Committee indicated that it was satisfied with the prudent approach taken with the budget, and noted that this reflected the future needs of the Fire Authority to maintain a balanced budget by 2019/20.

Resolved:

That the draft budget for 2017–2018 be noted.

4 Budget Review

The Committee considered report EFA/006/17 by the Finance Director and Treasurer which reported on expenditure against budget as at 30 November 2016 and identified major variances to the budget for the period.

The following points arose from the Committee's consideration of the report:

- The Committee noted the overall underspend on employment costs for the period.

- The Committee noted the overspend with on-call firefighter expenditure as a result of the increased numbers and activity levels. The new allocation system had increased the number of call outs, and an additional £700k had been allocated to this budget area as the effect of the removal of some of the whole-time appliances had also been predicted.

- Expenditure relating to premises and equipment usually occurred in

September and March.

- The forecast was better than previously expected.
- The Director of Prevention, Protection and Response would provide a report on cross border arrangements.

Resolved:

1) That the position on the Authority's income and expenditure at 30 November 2016 compared to the updated budget be noted;

2) That the capital expenditure spend against budget for the period to 30 November 2016 be noted; and

3) That the details of cross border charges be noted, and that for subsequent years, an annual report would be provided to the Audit, Governance and Review Committee.

5 Audit Recommendation - Report on Progress Against Action Plans

The Committee considered report EFA/007/17 by the Finance Director and Treasurer which provided an update on progress against the action plans developed by the Authority in response to audit reports. Items marked as completed in the previous quarter's report had been deleted from the table included with the report.

In presenting the report, the Finance Director and Treasurer commented on the IT General Controls and Purchase of New Appliances which showed that action plans were not on track. He explained that the recruitment of a new ICT Security Officer had been unsuccessful. Some consultancy support had been allocated to this area, but had been insufficient to help complete the outstanding actions in 2016. He also commented on the revised date relating to the Purchase of New Appliances which had occurred as a result of the National strategy being under review.

Resolved:

1) That the report be noted, and in particular, the reasons given for the revised action deadline dates in relation to IT General Controls and the Purchase of New Appliances.

2) That the Finance Director and Treasurer would investigate the possibility of providing a report on Complaint handling targets.

6 Audit Reports

The Committee considered report EFA/008/17 by the Finance Director and Treasurer which presented for review the following three internal audit reports and the Annual Audit Letter from the External Auditors, Ernst and Young LLP:

- Risk Protection Pool
- Communication and Engagement - draft report
- HR Training and Development - draft report
- Annual Audit Letter (external auditor report)

Daniel Harris, RSM UK, introduced the key findings of the Risk Protection Pool report and the Committee noted the Audit Conclusion of Reasonable Assurance. One medium priority issue had been identified and resolved regarding retention limits on motor claims.

The Committee noted the Audit Conclusion of Reasonable Assurance with regard to Communication and Engagement. In the light of the six actions identified that needed to be addressed, the Members indicated that the agreed management actions were reasonable. A report on these issues would be given at the next meeting.

In the light of identified HR Training and Development issues that needed to be addressed urgently, the Committee questioned whether the implementation dates were reasonable. In response, the Director of Transformation reported that the procurement and implementation of a new HR management system would rectify the issues, together with the appointment of a new staff member Collette Black to lead on this area.

Members noted that locating historical records to evidence the completion of Phase one firefighter training (reference 1.7) was challenging, but would be dealt with much faster with the new HR system. The Committee was reassured that a process was in place for recording details of temporary/agency staff training activities, and that all new staff had formal inductions.

The Committee was reminded that clarity would be provided on the role of managers across the Authority by the end of June, and any development needs identified then.

Annual Audit Letter

Martina Lee, Ernst & Young LLP, reminded Members that the Annual Audit Letter was a summary of the key issues arising from their audit relating to the year ended 31 March 2016.

Resolved:

1) That the internal audit reports be noted.

Some concerns were raised regarding the delivery time-frame of HR Training and Development actions, and in particular to reference 1.7 on Phase One firefighter training records, which could be dealt with sooner than December 2017.

2) That the Annual Audit Letter from Ernst & Young LLP be noted.

7 Internal Audit Progress Report

The Committee considered report EFA/009/17 by the Finance Director and Treasurer which provided an update by RSM UK on progress against the internal audit action plan, attached to the report as an appendix.

Members noted that the No Assurance opinion issued on HR Training and Development could potentially impact on the year end conclusion, depending upon the outcomes of the remaining 2016/17 audits. The results of the follow up work planned for early April would also be taken into account.

The report was otherwise **noted.**

8 Corporate Risk Register

The Committee considered report EFA/011/17 by the Finance Director and Treasurer which reviewed the corporate risk register for the Fire Authority identifying the potential causes and impact of the risks, together with the current status of associated controls. The EFA Policy and Strategy Committee had referred this item to the Audit, Governance and Review Committee for review, before its submission to the full Fire Authority on 15 February 2017.

The Committee commented on the risks associated with joint Police and Fire governance in Essex, and on particular risks for the Fire Authority itself. For example, the impact of delays to projects such as the building of new service workshops.

Resolved:

1) The Finance Director and Treasurer to update the Organisational Infrastructure risk (page 149 of the agenda pack) to reflect the risk of Police and Fire collaboration delaying the closure of the workshops project.

2) The Finance Director and Treasurer to update the Organisational Learning & Knowledge Management risk (page 155 of the agenda pack) in relation to training and its potential negative impact on the overall year end Internal Audit conclusion.

3) That the report be otherwise **noted**.

9 Organisational Performance Report

The Committee noted report EFA/005/17 by the Director of Transformation which provided an overview of the Authority's performance for the 12 month period to 30 November 2016.

The Assistant Director of Business Planning and Performance and the Performance Analyst gave a presentation on the progress that had been made since the last meeting to develop a more meaningful set of key performance indicators (KPI's) and reporting timetable.

The following points arose from the Committee's consideration of the report and presentation:

- The 'traffic light' colour coding scheme needed adjustment, or could be replaced by a scheme which showed the direction of travel such as that being used by Thurrock Council.

- Failed targets should be shown first.

- Comparisons against the previous year's targets were useful, but the failures needed explanations so that Members could understand what was happening with these issues.

- The need for flexibility, so that some targets could be closed down if they became irrelevant during the year.

- Members expressed concern that the metrics used in the report were misleading and had led to negative comments in the media.

- The Director of Prevention, Protection and Response confirmed that domestic fire incidents had increased and that he was exploring the issue to understand the trend in Essex, which was not currently in line with the national trend.

- It would be useful to see the alignment of national trends against all objectives/targets.

Resolved:

1) That a copy of the slideshow presentation be circulated to Committee Members and uploaded onto the website.

2) Committee members to submit any further feedback on the changing report performance arrangements to the Director of Transformation/team.

10 Programme 2020 - 6 month review

The Committee received report EFA/010/17 by the Acting Chief Fire Officer and Acting Chief Executive (presented by the Finance Director and Treasurer) which provided an update on the progress of Programme 2020.

Significant activity was underway and the progress of the Appliance removal and employee relocation project had run smoothly and was expected to close in February 2017. There had already been a positive impact on appliance availability as a result.

The On-call conversions project in Clacton was progressing well and a good relationship had been established with Tesco who had agreed to expand the pilot to other local stores once the initial two employees had reached Phase 2.

The Committee acknowledged the results and the report was **noted**.

11 Mid-Year Treasury Management report

The Committee received report EFA/012/17 by the Finance Director and Treasurer which provided a review of the Authority's performance in the first eight months of 2016/17 against a set of treasury management and capital financing indicators approved by the Authority in February 2016.

The Finance Director and Treasurer confirmed that the Authority had not yet been asked by central government to pay the amount due to the government for pension injury payments. The Committee was reminded that the Authority had made a provision for this, and a response had been promised by the end of the financial year.

The Committee noted that the Authority did not expect to borrow from the Public Works Loan Board (PWLB) in the next few years.

Resolved:

1. That the treasury management position for 2016/17 be noted; and

2. That the performance against the treasury management indicators for 2016/17 be noted.

12 Review the regular and standing reports that are presented to EFA meetings and committees

The Finance Director and Treasurer reported that the EFA Policy and Strategy Committee had agreed at its November meeting to refer this item to the Audit, Governance and Review Committee. By way of information, the 2016-17 work programme report had been circulated.

The Committee indicated that it was satisfied with the work programme and felt that it had sufficient flexibility to request extra reports for meetings if required, and to input into how performance information was presented.

13 Safeguarding Action Plan

The Committee received report EFA/013/17 by the Director of Prevention, Protection and Response which provided an update on progress made following an independent safeguarding review commissioned in February 2016, and details of the draft action plan for standards assessed as 'not fully met' following completion of a Section 11 Audit in September 2016.

Members noted the steps taken since the review, including the recruitment of a Deputy Safeguarding Manager in October 2016 and the introduction of an e-learning training programme for all staff. Staff needed to know when to refer issues and understand the high levels of risk if they worked on their own with vulnerable residents.

The report was **noted.**

14 Date of Next Meeting

Members noted that the next meeting of the Committee would take place on Wednesday 19 April 2017 at 10.00 am.

15 Exclusion of the Press and Public
Resolved:

That having reached the view that, in each case, the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following items of business on the grounds that it involved the likely disclosure of exempt information as specified in paragraphs 1 and 4 of part 1 of Schedule 12A of the Local Government Act 1972.

[The External Auditor, Martina Lee, together with Officers Glenn McGuinness, Assistant Director of Finance, Tracy King and Lucy Clayton, left the meeting at this point].

16 Minutes (part II)
The confidential appendix to the minutes of the Audit, Governance and Review Committee held on 5 October 2016 was agreed as a correct record and signed by the Chairman.

The meeting closed at 1.15 pm.

Signed……..
(Chairman)

Date……..