

Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 11 MARCH 2020 at 10.00AM

**Present:** Councillors Brown, Carroll (part), Clare, Exon, Glover and Watson (Chairman)

**Officers:** J Thelwell (Chief Fire Officer), M Osborne (Deputy Chief Fire Officer), M Hemming (Director of Finance and Assets), G Britten (Director of Legal and Governance), C Bell (Head of Service Development), D Norris (Head of Service Delivery) S Harlock (Senior Auditor), A Kennett (EY), G Barry (Information Governance and Compliance Manager) S Gowanlock (Corporate Planning Manager) M Hussey (Principal Accountant) and K Nellist (Democratic Services Officer)

1 Member of the public

**Apologies:** Councillors Christensen, Cranmer and Minns

The Chairman announced that it was with great sadness that the Authority learned of the death of former Member Reg Edwards in the last week of February. Former Councillor Edwards served on the Authority from June 2006 to May 2007, and then was reappointed to the Authority in June 2008. He served on the Standards Committee for his first two years; then on the Overview and Audit Committee as well as the Standards Committee from June 2010 for two years. He then served on the Executive Committee from June 2012 until his retirement from the Authority in May 2014 when he stepped down from Milton Keynes Council.

A minute's silence was observed.

**OA33 MINUTES**

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 20 November 2019, be approved and signed by the Chairman as a correct record.

**OA34 RIPA POLICY (MINUTE OA39 – 090316)**

RESOLVED –

To note that there had been no covert surveillance conducted by officers since the last meeting of the Committee.

**OA35 INTERNAL AUDIT REPORTS**

**a) Internal Audit Report: Final Audit Reports**

The Senior Auditor began by giving Members a verbal update on the progress of the audit plan. For the 2019/20 plan there were four audits for completion. To date, two had been finalised, Cyber Security and Budget Monitoring and Forecasting, and two were at draft level, Core Financial Controls and Performance Management. These would be presented at the next Committee meeting.

The Senior Auditor advised that the purpose of this paper was to update Members on the findings of the finalised Internal Audit reports issued since the last Overview and Audit Committee meeting. The 2019/20 Budget Monitoring and Forecasting Audit had been finalised. The audit activity focussed on the following key control areas: Policies and procedures; budget setting and approval; adjustments; budget monitoring process; forecasting; reporting to management and support training for cost centre managers. The overall conclusion on the system of internal control being maintained was 'Substantial'.

RESOLVED -

That the recommendations raised in the finalised Internal Audit reports be noted.

#### **b) Internal Audit Report: Update on Progress of Audit Recommendations**

The Senior Auditor advised that the purpose of the paper was to update Members on the progress of implementation of audit recommendations made as at 14 February 2020. In total there was 34 recommendations to report on, the status of which were classified as follows, 25 (73%) were implemented, 5 (15%) were in progress and 4 (12%) were past the due date but in progress. There were no outstanding recommendations to bring to the attention of Members at this time.

A Member asked regarding an issue that had been outstanding since August 2017 and was advised that it was to do with the Fleet Management system 'Tranman' and reporting. A system upgrade in the early part of the upcoming financial year would address this issue.

A Member asked if three of the four outstanding actions would be completed by the end of this month and was advised that two of the three would be completed, but the Blue light Hub may take a little longer to settle final accounts.

RESOLVED -

That the progress on implementation of recommendations be noted.

(Councillor Carroll joined the meeting)

### **c) Internal Audit Report: Internal Audit Strategy and Annual Internal Audit Plan 2020/21**

The Senior Auditor advised that this report sets out the Internal Audit Strategy and the proposed Internal Audit Plan for 2020/21 for the approval of the Committee. There were no material changes from the strategy of previous years, however, there remained some flexibility through a small provision of contingency days to enable the Director of Finance and Assets to work with Internal Audit to direct the work to the most appropriate areas.

The Senior Auditor advised that the Strategy was for information purposes only as it was agreed last year that it did not need to be approved annually, but it sets out the regulations for Internal Audit and what its purpose was for compliance with regard to the public sector standards. Appendix A showed the Internal Audit Plan 2020/21 and the key audit objectives for each audit. The auditable areas for 2020/21 were Core Financial Controls; GDPR; Asset Management and the Resource Management System. Other audit areas were Contingency; Follow-up General and Corporate Work.

The Senior Auditor took Members through Appendix B, the Audit Universe which showed all previous audit activity and assurance levels since 2012/13.

RESOLVED -

That the Internal Audit Strategy and Annual Internal Audit Plan be approved.

**OA36**

### **ERNST & YOUNG AUDIT PLAN 2019/20**

The External Auditor gave Neil Harris' apologies as he could not attend the meeting. Neil Harris was an Associate Partner at Ernst & Young and leads the Authority's core External Audit Team along with Alison Kennett. The External Auditor advised Members that the Audit Plan 2019/20 set out the plan of activity for Ernst & Young for their work in relation to the financial year 2019/20.

The External Auditor highlighted to Members the audit risks and areas of focus; for example, misstatements due to fraud or error, and that inappropriate capitalisation of revenue expenditure was a new risk for 2019/20. There were two inherent risks; Valuation of land and buildings and Pension liability valuations. Both were very similar, high valuation items. There were two other new inherent risks; Going concern, Compliance with ISA 570 and IFRS 16 – readiness assessment.

The External Auditor advised Members that for planning purposes, materiality for 2019/20 had been set at £1,074k and £195k for the pension fund. This represented 2% of the

Authority's prior year gross expenditure on provision of services and benefits payable respectively.

A Member asked what was meant by 'going concern' and was advised that it meant that when the accounts were produced each year, the Authority would continue year on year and would not fold or collapse, that was what the accounts were based on. The External Auditor needed to be assured that the Authority would not go bust or get the liquidators in.

A Members asked what IFRS 16 dealing with leases meant to the Authority and was advised that it was really to know where the Authority was leasing something with an operating lease which would then be recognised in the balance sheet. For the Authority it would include Unit 7, the building the meeting was taking place in, as it was paid for on an annual lease. The other one for the Authority would be vehicles that were leased and would need to show on the balance sheet, but it doesn't have a direct financial impact.

RESOLVED –

That the Audit Plan 2019/20 (Annex A) be noted.

**OA37**

**TREASURY MANAGEMENT PERFORMANCE 2019/20 – QUARTER 3**

The Principal Accountant advised Members that the report was being presented to provide the treasury investment position as at the end of the third quarter. The accrued interest for the first three quarters of 2019/20 was £150k, which was £37.5k higher than the budget for the period. The level of investments was currently at £14M, this was less than in previous years, due to a reduction in the reserve balance that was available. It was envisaged that the funds available for future years would be in line with the £14M. With the Bank of England announcing a cut in interest rates, the Authority's treasury advisers had given some guidance on how that would impact the Authority. They had suggested it would be a temporary measure, but would depend on the impact of the Coronavirus. The direct impact to the Authority would be a fall in interest rates in its current accounts. In future years this would impact the Authority's return on investments and would impact the budget for next year as well.

RESOLVED –

That the Treasury Management Performance 2019/20 – Quarter 3 report be noted.

**OA38**

**2018/19 STATEMENT OF ASSURANCE**

The Director of Legal and Governance advised Members that as stated in the executive summary of the cover report, the requirement to produce and publish an Annual Statement of

Assurance was introduced by the 2012 Fire and Rescue National Framework and maintained in the updated 2018 National Framework.

The format and content of the Statement was based on Government guidance published in 2013. Whilst a Statement of Assurance was essentially a statutory requirement, the Government Guidance gave the Authority discretion as to how, when and, by whom the Statement was signed off.

Everything in the Statement of Assurance Members would have seen before, as the Statement was intended to serve as an accessible overview of the outcomes of the assurance activities undertaken across the financial, governance and operational strands of the service.

In recent years the Authority had brought these statements to the November meeting of this Committee. However, officers were unable to do that for this financial year, due to the delay in the adoption of the audited statement of accounts which was often the last piece of the assurance jigsaw.

The Statement of Assurance covered the financial year 2018/19, so looked ancient given all that has happened since, in particular the HMI inspection and preparation of our new 2020-25 Public Safety Plan which was approved by the Authority at its February 2020 meeting. Substantive coverage of these elements would feature in the 2019/20 Statement.

Members would see that the updated positions relative to the previous year's statement were shaded grey in the attachment at Annex A; and that there were hyperlinks to the more detailed reports referenced in the document.

A Member asked if the other Thames Valley Fire and Rescue Services were recruiting apprentice firefighters and was advised that they were looking primarily at apprenticeships for support services, but not firefighters. They were maintaining a traditional model for their recruitment of firefighters.

The Member also asked if other fire and rescue services were recruiting apprentice firefighters and was advised that there were other services that were doing similar but different schemes. The framework was a national framework, but there were different models within the framework. There were a number of different models that achieve the same aim. The Authority was also working with Thames Valley Police attending recruitment fares etc.

The Chief Fire Officer advised Members that collaboration across the three Thames Valley Services was going very well. There was one Thames Valley Fire Control, fire engines were being purchased together with the same equipment on them and the three services had just committed to buying the same breathing

apparatus sets together. At the end of three years, Members would see an alignment of operational procedures, training and all equipment.

RESOLVED –

That the 2018/19 Statement of Assurance be approved for signature by the Chairman of the Overview and Audit Committee and the Chief Fire Officer.

**OA39 BUSINESS AND SYSTEMS INTEGRATION PROJECT: CLOSEDOWN**

The Head of Service Development gave Members the Programme Manager's apologies as she was on leave. The Business and Systems Integration Project started in mid-2015 and the current programme Manager started in October 2015. The purpose of the role was to deliver the objectives of the business case which was to integrate a range of its current data systems and to deliver greater efficiency, accuracy, currency and immediacy of the Authority's information.

Key activities that would be taking place up to 31 March would be subject to a complete evaluation to review what had been delivered versus the business case. This was the closing down paper and a further report would be coming back to the Committee at its next meeting.

Vision integration testing was getting underway and there would be a handover to business as usual for the Resource Management System and the Premises Risk Management System.

The Head of Service Development advised Members that the HMI Report under innovation and efficiency highlighted "We found the service has introduced an effective business and systems integration project (BASI). This replaces several disjointed systems and has streamlined processes across the service including finance, payroll, HR, fleet, assets and the premise risk management system."

RESOLVED –

That the report be noted.

**OA40 CORPORATE RISK MANAGEMENT**

The Corporate Planning Manager advised Members that there had been some significant changes across the range of risks contained in the Corporate Risk Register since Members were last updated in November last year.

The staff availability risk, in particular, had been updated to take in the outcome of the employment tribunal hearing of 18 December 2019 and the potential implications of this on the Authority's retirement profile and workforce planning, notably the

potential increase in numbers of staff retiring in the period to March 2022. The Authority had already elevated this risk to red RAG status before the last Overview and Audit Committee meeting in anticipation of this. It remains at this status, not least because, and in addition, the Authority had another factor that had the potential to significantly affect staff availability across all parts of the Service over the next few months in the form of the Covid-19 virus. In this regard officers had already activated the pandemic planning and business continuity management processes and were taking steps to mitigate the impact of this risk on operations.

The Head of Service Development advised Members that the service was continuing to run its Pandemic Management Group (PMG). The focus was on how does the service look to plan, prepare and position itself best to continue to deliver a service. The meetings were twice weekly, and tie into the Local Resilience Forum.

Members were updated by officers on the arrangements in place for dealing with the Covid-19 pandemic.

The funding and savings risk also remained at Red RAG status given the outcomes of the recent HMICFRS inspection which found that the Authority was underfunded, the reduction in flexibility to increase Council Tax without holding a referendum from 3% to 2% and continued uncertainties over long-term funding for the Authority. Also, at this point, it was not known what the fiscal effect of disruption caused by the Covid-19 outbreak would be, but when Members look at the impact on the financial markets it was anticipated that it would be more than negligible and may have local as well as national dimensions.

Turning to the information security risk, Members would see updates in the risk register relating to disruption to the ICT network which resulted from a server failure (not an external source). This would be mitigated by the migration to cloud hosting. However, the Authority remained alert to potential threats from external sources and, in this regard, Members may have seen coverage in the media of the ransomware attack on Redcar and Cleveland Council's IT systems on 8 February 2020 which affected delivery of services to 135,000 residents and was serious enough to warrant investigation by the National Crime Agency and the National Cyber Security Centre.

The Information Governance and Compliance Manager advised Members that it was not clear if all the services Redcar and Cleveland Council provided to the community were available. Their systems were unavailable for about three weeks.

Finally, the Corporate Planning Manager advised Members that they would see that the 'Brexit' risk had been re-defined and re-scored following the UK's withdrawal from the EU's political structures on 31 January. It now referred to the "Risk of physical

disruption to Service operations due to no, or insufficiently comprehensive, agreement covering future UK relations with the EU.”

As Members were aware, the UK was now in a transitional period which would expire on 31 December of this year. During this period, the UK was treated in the same way as Member states and was required to continue following EU law.

However, the risk of disruption to UK trading and other relations with EU countries remains, pending and dependent on the nature of any future agreement reached with the EU. However, we have, for the time-being reduced the risk probability score to 3 (Green RAG status), given that proximity of risk has receded and pending further information as to progress with trade and other future EU relationship negotiations.

RESOLVED –

1. That the status report on identified corporate risks at Annex C be reviewed and approved.
2. That comments be provided to officers for consideration and attention in future updates/reports.

#### **OA41**

#### **LOCAL PENSION BOARD UPDATE – MARCH 2020**

The Head of Service Development advised that this paper was being presented to inform the Committee of the work undertaken by the Local Pension Board (of which he was the Chairman), for Buckinghamshire and Milton Keynes Fire Authority. The Pension Regulator was keen to make sure that pension schemes within the UK were run properly and can provide secure benefits for their members upon retirement.

The Head of Service Development advised Members that the Board maintained a risk register, which was discussed and reviewed at each meeting. There was one identified ‘red’ risk which was as a consequence of the recent Court of Appeal ruling on the McCloud/Sargeant cases. It was determined that the transitional provisions introduced in 2015 to the Firefighters’ pension schemes resulted in direct age discrimination.

RESOLVED –

That the report be noted.

#### **OA42**

#### **HMICFRS ACTION PLAN**

The Head of Service Delivery gave Members a verbal update on the HMICFRS inspection report received by this Service on 17 December 2019. The report was presented to the Authority at an Extraordinary Meeting on the 23 January 2020, also attended by our HMICFRS Service Liaison Lead, Paul Kay.

Application of the inspection methodology resulted in judgements against three pillars; effectiveness (risk, prevention, protection, response and civil emergencies), efficiency and people. This Service was judged as requiring improvement for the effectiveness and efficiency pillars, and good for the people pillar.

In the report Inspectors highlighted eleven areas for improvement and one cause for concern, accompanied by two recommendations. The current Fire and Rescue Service National Framework issued under Section 21 of the Fire and Rescue Services Act 2004, to which the Authority must have regard when carrying out its functions, states as follows at paragraph 7.5 'Fire and rescue authorities must give due regard to reports and recommendations made by HMICFRS and, if recommendations are made, prepare, update and regularly publish an action plan detailing how the recommendations are being actioned. If the fire and rescue authority does not propose to undertake any action as a result of a recommendation, reasons for this should be given.'

Accordingly a report was taken to the Authority on the 12 February outlining the approach to achieving that requirement, and at that meeting agreed that the HMICFRS Inspection Findings Action Plan be approved and progress against the Action Plan be reported regularly to the Overview and Audit Committee, and onwards to the Fire Authority.

Since that meeting, ongoing activity across the Service had led to further development of the Action Plan and an internal improvement plan. The Action Plan would be presented to this committee and would show progress against all eleven areas for improvement and both recommendations. Interestingly, the recommendations relate to having capacity and capability to support activity in the Public Safety Plan and, consulting with the people of Buckinghamshire and Milton Keynes on options to have the most effective and efficient response against the financial environment in which it operates.

The purpose of the improvement plan was to address the finer detail contained in the inspection report, at individual department level. All improvement activity would be monitored through existing oversight structures. A fuller report of improvement activity against the Action Plan, would be reported at the next Overview and Audit Committee meeting.

The Head of Service Delivery advised Members that another element of the HMICFRS inspection methodology included a staff survey, and for those services achieving a response rate over 25%, the survey results were shared. We achieved a response rate of 33% (160 respondents). The results would be considered alongside the recent Culture survey results. A further staff survey would be carried out ahead of the next inspection.

The Inspection dates for next year had now been released. The Service remains in tranche 3. Discovery week would be June 2021 and July 2021 for fieldwork. Officers continue to meet on a regular basis with Paul Kay, our Service Liaison Lead, to talk through developments and discuss progress.

**OA43**

**FORWARD PLAN**

The Chairman brought the Forward Plan for future Overview and Audit Committee meetings to the attention of Members.

RESOLVED –

That the Forward Plan be noted.

THE CHAIRMAN CLOSED THE MEETING AT 11.34 AM

DRAFT