

Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 27 JULY 2016 at 10.00 am

Present: Councillors Brunning, Clarke OBE, Exon, Glover, Huxley, Mallen, Watson and Wilson

Officers: M Osborne (Deputy Chief Fire Officer), D Sutherland (Director of Finance and Assets), L Swift (Director of People and Organisational Development), J Parsons (Head of Service Development), M Hemming (Deputy Director of Finance and Assets), A Hussain (Technical Accountant) M Gibb (Internal Audit Manager), S Gowanlock (Corporate Planning Manager), A Carter (BASI Project Manager), C Newman (Performance Information Coordinator), M Ella (Geo-Spatial Mapping Officer), T D'Souza (Information Officer), G Barry (Information Governance and Compliance Manager), M Grindley (Ernst & Young), D Guest (Ernst & Young), S Wilson (Ernst & Young) and K Nellist (Democratic Services Officer)

Apologies: Councillor Teesdale

OA01 ELECTION OF CHAIRMAN

(Councillor Mallen presiding)

It was moved and seconded that Councillor Watson be elected Chairman of the Committee for 2016/17.

RESOLVED –

That Councillor Watson be elected as Chairman of the Committee for 2016/17.

OA02 APPOINTMENT OF VICE-CHAIRMAN

It was moved and seconded that Councillor Clarke OBE be appointed as Vice-Chairman of the Committee for 2016/17.

RESOLVED –

That Councillor Clarke OBE be appointed as Vice-Chairman of the Committee for 2016/17.

OA03 MINUTES

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 9 March 2016, be approved and signed by the Chairman as a correct record.

OA04 INTERNAL AUDIT REPORTS

a) Internal Audit Report: Final Audit Reports

The Internal Audit Manager advised that the purpose of this report was to update Members on the findings of the finalised Internal Audit reports issued since the last Overview and Audit Committee meeting.

There was one report, the administration of the Firefighters' Pension Scheme which was transferred from Buckinghamshire Council Pensions Team to West Yorkshire Pension Fund effective from 1 April 2016. The adequacy of controls for governance and transfer of the pension data risks were reviewed. Two issues were raised one being medium priority and one low priority.

A Member asked if Buckinghamshire County Council, as stated in their agreement, had charged for any substantial extra work. Members were advised that there was a software provider charge, but Buckinghamshire County Council had not charged for any additional costs.

RESOLVED –

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

b) Internal Audit Report: Update on Progress of audit recommendations

The Internal Audit Manager advised that the purpose of this report was to update Members on the progress of the implementation of audit recommendations made as at 6 June 2016.

In total there were 52 recommendations to report on, 45 had been fully implemented, 5 were on track but not yet due and 2 were not implemented and the due date revised. There were 3 recommendations that had not yet been fully implemented, but had been progressed.

There were no outstanding recommendations to bring to the attention of Members at this time and Internal Audit continued to actively monitor implementation of all outstanding recommendations throughout the year.

A Member asked if the HR People Management audit had now been completed. Members were advised it would be completed in September 2016 following a further consultation throughout the service and a rigorous review by Healthy and Safety.

A Member asked who Redkite were. Members were advised that Redkite was the company that provided the asset management system.

RESOLVED –

That the progress on implementation of recommendations be noted.

c) Internal Audit Report: Annual Audit Report

The Internal Audit Manager advised that the purpose of this report was to present the draft Annual Audit Report to Members.

The Chief Internal Auditor's opinion was that the Fire Authority's system of internal controls and risk management facilitates the effective exercise of the Authority's functions and this provided a reasonable level of assurance.

During 2015/16 there had been continued improvement to the system of internal control through the on-going development of policies and procedures covering the key control processes. This demonstrated a positive direction of travel towards robust and effective internal control and risk management that would facilitate the effective exercise of the Authority's functions.

A Member asked if the Authority could improve on a reasonable level of assurance. Members were advised that reasonable assurance was as good as it would get for an annual audit opinion as only a limited amount of work would be undertaken in a year (100 days a year).

A Member asked if this report was available to the public. Members were advised that it was part of the Annual Governance Statement and would be published on the website.

RESOLVED –

That the contents of the Annual Report are reviewed and noted.

OA05

ANNUAL GOVERNANCE STATEMENT 2015/16

The Deputy Director of Finance and Assets advised Members that the purpose of this report was to present the 2015/16 draft Annual Governance Statement for approval. This contained the progress on the implementation of the recommendations of the 2014/15 Annual Governance Statement and highlights recommendations for 2016/17.

RESOLVED –

1. That the draft Annual Governance Statement be approved as amended.
2. That the progress on the implementation of recommendations of the previous Annual Governance Statement be acknowledged.

3. That the priorities for 2016/17 be agreed as amended.

OA06

AUDIT RESULTS REPORT

The External Audit Manager advised Members that the Audit Results report was a summary of work that had been completed for the 15/16 financial statements.

The External Audit Manager advised Members that the Audit had been finalised over the last month and there were some aspects that had been updated since the report was produced. The External Audit Manager confirmed that an unqualified audit opinion on the financial statements would be issued, along with the Whole of Government Accounts. Once submitted, the Audit Certificate on completion of the Audit would also be issued.

The External Audit Manager explained to Members that there were four significant risks to the statement identified, Milne v GAD, Joint Control, risk of management of override and value for money risk. All risks had been reviewed and assessed and there were no matters to report from this work.

The External Audit Manager informed Members that, as they were aware, the current statutory deadline for the submission of audited accounts was 30 September, however, for the accounting year 2017/18 this would move to 31 July. He wanted to formally thank the teams for all their hard work in achieving this already for 2015/16.

A Member asked how the Auditors had significantly reduced the risk of disclosure error with regard to Milne v GAD. Members were advised that as the sum involved had been paid and the resulting grant received there was no impact to the accounts and no real risk to the pension fund itself.

A Member asked if there was an opinion on the adequacy of our internal audit arrangements and the Annual Governance Statement. Members were advised that the External Auditors do not carry out a detailed review of internal audit however, if there were concerns they would be raised. Only some aspects of the Annual Governance Statement were reviewed in any detail.

RESOLVED –

That the contents of the report be noted.

OA07

LETTER OF MANAGEMENT REPRESENTATION 2015/16

The Committee considered the Letter of Management Representation to Ernst & Young to be signed by both the Director of Finance & Assets and the Chairman of the Committee in order for the audit opinion and conclusion to be issued.

There was also a letter from the Chairman to Ernst & Young to provide them with assurance as to how the Overview and Audit Committee get assurance from the Management of the Authority.

RESOLVED –

That the Letter of Representation for the Authority be signed by the Director of Finance & Assets and the Chairman of the Committee.

OA08

ADOPTION OF THE AUDITED STATEMENT OF ACCOUNTS

The Director of Finance and Assets thanked Ernst & Young for helping the Authority to get to the excellent position of closing the statement of accounts early this year.

The Technical Accountant also thanked the Auditors and advised Members that the audit process had gone very smoothly this year and as previously mentioned, the statutory requirement was changing and the Authority would need to close its accounts and have them audited by 31 July for all financial years from 2017/18 onwards.

The Technical Accountant brought to Members attention an additional note that had been added to Item 30 - Events after the Balance Sheet Date. This was events that had taken place after the statement of accounts had been produced. The key event that took place was the EU Referendum on 23 June 2016, in which the UK public voted to leave by 52% to 48%. Since the Referendum there had been a volatility in the stock markets, exchange rates and interest rates, and some of the movements could potentially impact materially on amounts disclosed in the financial statements. The areas that it could potentially impact on were the value of land and buildings, the fair value of long term borrowing, the liability related to defined pension schemes and possibly unusable reserves. However, due to the recentness of the event, and the complexity and uncertainty of negotiating an exit, no estimate could be made of the value of the financial impact at this stage.

A Member asked a question concerning the calculation of depreciation on land and buildings. Members were advised that the Authority had to revalue assets to reflect market conditions (i.e. movement in prices) but also depreciate assets to reflect usage (i.e. as the building got older it would need repairs and that had to be reflected). The land and buildings were valued separately. Land does not depreciate, but is periodically revalued (which could be up or down depending on market conditions).

A Member asked should the Authority be concerned regarding the deficit on the provision of services which for 2015/16 amounted to £12.036m and for 2014/15 was £8.810m. Members were advised that it was not something to be concerned about as there

were a number of factors to consider, not just what had been spent on services. There were other adjustments that had to be made, there was a net decrease in reserves for the general fund throughout the year and a lot of that was adjustments made to the capital financing requirement, as detailed in the paper presented to the Executive Committee in November 2015.

A Member asked how much bonus over and above the salary was paid to the Chief Fire Officer in the previous year 2014/15. Members were advised that the 'other payments' included bonus and exit packages. The previous Chief Fire Officer had left the Authority within 2014/15 so some of that amount would be retirement benefits. The Director of Finance and Assets would forward a copy of a response to the same enquiry raised in relation to 2014/15 to both the Member raising the issue as well as the Chairman of the Committee.

RESOLVED –

That the Statement of Accounts for the financial year ended 31 March 2016 be signed by the Chairman of this Committee.

OA09 TREASURY MANAGEMENT PERFORMANCE 2015/16 – QUARTER 4

The Director of Finance and Assets advised Members that this was the Quarter 4 Treasury Management performance report for 2015/16. The accrued interest earned for the year of 2015/16 was £173k, which was £73k higher than the budget for the year and £36k higher than the total interest earned in the previous year.

RESOLVED –

1) That the Treasury Management Performance 2015/16 – Quarter 4 report be noted.

OA10 CORPORATE RISK MANAGEMENT

The Corporate Planning Manager advised Members that this report provided an update on the current status of identified corporate risks. Risk registers were maintained at project, departmental and directorate levels. Corporate risks were those that had been escalated from these levels for scrutiny by the Strategic Management Board (SMB), because of their magnitude, proximity or because the treatments and controls required significant development.

The Corporate Planning Manager advised Members that the Corporate Risk Register was last reviewed by the Strategic Management Board (SMB) on 5 July 2016, no changes to the risk assessments were recommended at that point, or risks identified for escalation from directorate risk registers. The only exception

was the funding and savings risk, which SMB recommended to be kept under close scrutiny in light of the outcome of the European Union Referendum conducted on 23 June 2016 and any implications for public finances arising from this.

A Member asked why the Thames Valley Control Room 'buddy' was North Yorkshire Fire and Rescue Service. Members were advised that the Authority did not want to use another service in the south due to possible spate conditions across the region, and to have a more remote buddy made sense from a resilience perspective. Members were reminded there was also a secondary control room facility at Kidlington.

RESOLVED –

That the status report on identified corporate risk at Annex C be reviewed.

OA11

**BUSINESS AND SYSTEMS INTEGRATION PROJECT:
PROGRESS REPORT**

The Head of Service Development introduced the report and advised Members that the project was progressing well, within budget and timescales.

The BASI Project Manager advised Members that the Finance System would be supplied by Capita and the HR and Payroll Systems would be supplied by Capita in partnership with Midland HR. This would allow the Authority to move away from SAP and offer staff a user friendly, modern system. The contract had been executed and payment would be split over 20 milestones based on delivery and sign off by the project board.

Premises Risk Management had now been awarded but was in a ten day stand still so information regarding the supplier could not be disclosed.

The Chairman asked that for the next update there was information on the project overview milestones.

A Member asked if the purpose behind the project was to be more efficient and to make financial savings. Members were advised that yes it was, although there would be no savings as yet, as the project was still in the implementation phase, but pay back would be four to five years.

A Member asked when a contract was transferred to a supplier, how the Authority monitored the supplier's risk of failing. Members were advised that within the contract there would be service level agreements (SLAs) and these would be monitored through monthly account meetings. Also, there would be financial indicators that would let the Authority know if there was a risk.

RESOLVED –

That the report be noted.

OA12

BALANCED SCORECARD REPORT 2015-16

The Head of Service Development advised Members that this report provided an annual review of performance against the outcome measures specified in the Authority's 2015-20 Corporate Plan. It covered performance over the period 1 April 2015 – 31 March 2016. The balanced scorecard showed:

- progress towards achievement of our key strategic aims and focused on prevention, protection and response along with overall financial performance.
- the 2015-16 report also included performance benchmarks against comparable fire and rescue services that make up our family group (i.e. of similar size, demographics and geography).
- the Authority was a very cost effective service and the prevention activity helped reduced the demand on the service.
- average attendance times had improved for a second year reversing the previous trend and were in contrast to a trend of increasing attendance times nationally.

The Chairman asked that the difference sources of data be clarified for future reports.

A Member asked with so many houses being built in the area over the next few years, would attendance times rise. Members were advised that at present this did not seem to be the case as demand was changing. Automatic Vehicle Location System (AVLS) also meant that by deploying the most appropriate appliance based on actual location, significantly improved response times.

A Member asked how the High Wycombe positive hours crewed car scheme worked. Members were advised that working with SCAS and their risk and demand profile, the service provided a vehicle operating out of High Wycombe Fire Station with a member of staff crewing that vehicle on a paid by hour basis. SCAS pay the Authority to provide this facility for them.

A Member asked how the comparison groups with other fire and rescue services were chosen. Members were advised that it was a designated 'family group' that the Home Office created which brought together a number of fire and rescue services of similar size, number of staff, population, graphical area etc. in order to provide benchmarking.

RESOLVED –

That the Committee acknowledge the out-turn performance against the outcome measures specified in the Corporate Plan 2015-20.

OA13

DATE OF NEXT MEETING

The Committee noted that the next meeting of the Committee would take place on Wednesday 14 September 2016 at 10.00am.

THE CHAIRMAN CLOSED THE MEETING AT 11.55AM

DRAFT