



**DRAFT Minutes of the Finance & Audit Committee held at 10:00 hours on
17 September 2020. This was an online meeting held in Microsoft Teams.**

These are draft minutes to be approved by the Finance & Audit Committee at its next meeting.

Members present:

Cllr Bob Jones (Chairman)
Cllr Abdul Amin
Cllr Paul Hilliard
Cllr Pip Ridout
Cllr Rebecca Knox (Observing)

Cllr Brian Mattock (Vice Chairman)
Cllr Richard Biggs
Cllr Peter Hutton
Cllr Ann Stribley

Officer attendance:

Chief Fire Officer, Ben Ansell
Head of Financial Services & Treasurer, Ian Cotter
Deputy Clerk & Monitoring Officer, Grace Evans
Director of Service Support, Assistant Chief Fire Officer (ACFO), Byron Standen
Director of People Services, Jenny Long
Head of Strategic Planning & Corporate Assurance, Jill McCrae
Head of Knowledge, Information and Communications, Vikki Shearing
Area Manager (AM), Andy Cole, Response Support, Response Development,
Resourcing & Review
Area Manager, Seth Why
Corporate Governance Manager, Nicki Whitehouse
Democratic Services Support, Steph Howard

Guests:

Michelle Hopton (Deloitte LLP)
Laura Wickes SWAP (South West Audit Partnership) Internal Audit Services

20/16 Welcome

20/16.1 The Chairman opened the meeting and welcomed attendees. He introduced himself and listed the Members and officers in attendance.

- 20/17 Apologies**
- 20/17.1 Apologies were received from Deputy Chief Fire Officer, Derek James and Director of Community Safety, ACFO Jim Mahoney.
- 20/18 Code of Conduct, Declarations of Interest and notifications of any other business**
- 20/18.1 The Chairman asked the meeting for any disclosures of pecuniary interests under the Localism Act. There were no disclosures.
- 20/19 Minutes of the Finance & Audit Committee meeting on 5 March 2020**
- 20/19.1 The Chairman asked Members to review and approve the minutes from the last meeting. Chief Fire Officer (CFO) Ben Ansell drew Members' attention to paragraph 20/08.2, which related to the on-call pay model and reported that, although there had been a delay due to the coronavirus pandemic, the model would be implemented in October. He then referred to paragraph 20/11.3 regarding an update of the Service's response to the recommendations from the report from Phase 1 of the Grenfell Tower Inquiry. He reported that as Members had requested, an update would be presented to the meeting of the Authority on 30 September 2020.
- 20/19.2 **RESOLVED: that the minutes be confirmed without amendment and signed by the Chairman as a correct record.**
- 20/20 External Audit Report (ISA260) 2019-20**
- 20/20.1 Michelle Hopton (Deloitte LLP) presented the report and gave an update on the audit. She reported that the work was progressing well, that the Finance team had worked hard to meet the deadlines and the accounts had been prepared well in advance of the statutory requirements. She explained some of the outstanding work in progress, which included that on pensions. Michelle Hopton explained that there had been two national pensions rulings post year end, but that these were not expected to have a material impact on the audit findings.
- 20/20.2 Members were referred to the testing described on page 10 of the report relating to property valuations and it was explained that the Authority had a five-year rolling rather than an annual programme of property valuations as had all local authority clients and as allowed by the Chartered Institute of Public Finance and Accountancy (CIPFA). Michelle Hopton explained that the risk of this is that some assets are not valued every year, but that this was a more cost effective approach. She reported that testing was complete in this area, with no issues found.

- 20/20.3 The Chairman reported to the Committee that he had discussed the five-year rolling plan with Michelle Hopton, and she had agreed to change the level of management judgement on page 9 of the report from amber to green.
- 20/20.4 Michelle Hopton explained that no issues had been found in the review of completeness and cut-off of expenditure or of management override of controls.
- 20/20.5 Referring Members to pensions liabilities on page 14, Michelle Hopton reported that there had been another ruling in relation to the McCloud judgement, which could potentially mean over rather than under valuation and that the auditors were working through this, but with the assumption that any change would not be material. She explained that there had been an update on the Goodwin judgement, but again there was an expectation that this would not have a material impact on the accounts.
- 20/20.6 Michelle Hopton reported that detailed testing and a risk assessment around governance arrangements had found no cause for concern regarding the Value for Money conclusion.
- 20/20.7 In response to a Member's question, the Chairman explained that the issues in relation to the lease agreement for the use of the Charminster Depot was a legacy issue relating back to before 1997. Head of Financial Services & Treasurer, Ian Cotter confirmed that this was not a risk found in the audit but an observation. He confirmed that there was a lease in place, he is in contact with Dorset Council and he did not foresee a financial risk in relation to this issue.
- 20/20.8 **RESOLVED: Members reviewed the audit findings and noted the recommendations in the report.**
- 20/21 Statement of Accounts, Annual Governance Statement and Outturn Financial Performance 2019-20**
- 20/21.1 Ian Cotter gave a presentation to explain and support the report and its appendices. He explained that there was a need to amend the recommendation in the report due to the fact that the audit was not yet complete, in order for the Committee to approve the Statement of Accounts in principle and delegate authority to the Chairman to approve the final versions, subject to there being no material change to the version reported to the meeting.
- 20/21.2 Ian Cotter explained the elements of the Statement of Accounts and referred Members to the narrative report on pages 3-19, which included a comparison of the actual financial performance against the approved budget with an explanation of any variances. It also detailed capital spend, pensions and the borrowing position with commentary on future developments and finance. As required, there was also a commentary on the financial impact of the coronavirus pandemic.

- 20/21.3 Ian Cotter gave an overview of the Expenditure and Funding Analysis on pages 36-38 and reported a net underspend of £795k for the year with a net transfer from reserves of £185k.
- 20/21.4 Ian Cotter explained the changes since quarter 3 and drew Members' attention to paragraph 4.2.1 in the covering report regarding additional pensions costs of just over £200k in overpayments to pensioners. This money had been refunded to the Home Office Pension Fund. He explained that this was a legacy issue and discussions are ongoing regarding who pays for this. Ian Cotter explained that this would be discussed further with the Local Pension Board in October.
- 20/21.5 Ian Cotter reported that variations since quarter 3 also included £83k in respect of the VAT treatment related to the private use of emergency response vehicles where there was a grey area about how guidance should be applied. He explained that he is working with tax advisors to try and mitigate this cost.
- 20/21.6 £300k had been added to Ill Health Retirement Reserve to mitigate a financial risk and £500k to the Capital Replacement Reserve to help reduce future borrowing. In response to a Member's question, Ian Cotter explained that in cases of ill health retirement, the Authority makes a capital contribution of two or four times that persons salary, depending on the degree of ill-health suffered. He confirmed that having looked at a few recent cases where the Authority is obliged to pay, the current reserve and base budget provision would not be sufficient to meet known liabilities without the additional funding.
- 20/21.7 CFO Ben Ansell explained that due to changes to pension regulations, people were working longer, which meant there is potential to have more of these cases. He assured Members that the Service has strong and effective processes in place to determine ill health retirements, and importantly, measures in place to promote and support the health and wellbeing of our people.
- 20/21.8 Ian Cotter referred to the Movement in Reserves Statement on pages 41-44, which is an analysis of changes in reserves from year to year. He reported that usable reserves amounted to £17.7m, which is money that can be spent and unusable reserves, which are accounting reserves affected by pensions and capital and not available to spend, amounted to £509m. There had been an overall reduction in reserves and balances of £184k. General balances had increased to £2.8m, earmarked reserves showed a slight increase, and grant reserves had reduced by £0.5m.
- 20/21.9 Moving to the balance sheet on pages 45-46 the balance of Authority assets less liabilities was £491m. Property plant and equipment had increased as a result of capital spend of £3.4m. £1.049m of capital projects needed carrying forward to 2020-21 for completion. Borrowing amounts outstanding at the end of the financial year have increased, but the Authority was still 'under borrowed'.

- 20/21.10 In response to a Member's question about whether the Service was looking at the impact of coronavirus now and the future in respect to changes in working, Ian Cotter explained that there had been immediate savings, for example in mileage and fuel and that officers were looking at what is sustainable in the future, including office space. He reported that a Strategic Finance Update paper would be presented to the Authority at its meeting on 30 September and that over the next few months work would continue as officers look to address how future budget deficits would be managed. He confirmed that this will be a feature of a Members' seminar in December and the budget setting process for 2021-22 and future years.
- 20/21.11 CFO Ben Ansell further explained that whilst the Service was making some short-term savings, there were also some additional costs related to coronavirus. He told the Committee that Her Majesty's Chief Inspector of Constabulary and Chief Inspector of Fire & Rescue Services, Sir Thomas Winsor had been commissioned by the Home Secretary to undertake an inspection of all English fire and rescue services, focussed on their response to and continual managing of matters relating to coronavirus. This will pick up both the operational and the broader response. The Service will be inspected in October 2020 and the results provided in a letter to the Chair of the Authority and the Chief Fire Officer which would be in the public domain.
- 20/21.12 The final part of the presentation looked at the Annual Governance Statement. Ian Cotter explained that the Annual Governance Statement follows CIPFA/SOLACE framework, is linked to the Corporate Governance Policy and reviewed by internal and external audit. It lists the Service's strategic risks, and these will need to be up to date at the point that the document is formally signed.
- 20/21.13 **RESOLVED: Members approved the Statement of Accounts in principle and delegated authority to the Chairman to approve the final versions, subject to there being no material change to the version reported to the meeting.**
- 20/21.14 **RESOLVED: Members approved the carry forward of £1.049m for capital projects not completed in 2019-20.**
- 20/22 Internal Audit Annual Report and Opinion 2019-20**
- 20/22.1 Laura Wickes (South West Audit Partnership) presented the report. She drew Members' attention to the scope of the work and how the audit opinion supports the Annual Governance Statement. She explained that it was based upon work done during the year, any advisory or consultancy work they had done and assurances from other providers such as Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).
- 20/22.2 Laura Wickes reported that an adequate opinion had been provided and that no significant corporate risks had been identified by internal audit. Management had been responsive to all recommendations made during the year.

20/22.3 Laura Wickes reported that SWAP had aligned their assurance processes with the CIPFA definitions and that a quality assessment on their processes had been carried out in February, the results of which can be provided to Members if required.

20/22.4 **RESOLVED: Members considered and noted the findings of the Internal Audit Annual Report 2019-20.**

20/23 Internal Audit Quarterly Report - Quarters 1 and 2

20/23.1 Laura Wickes presented the report and drew Members' attention to page 3 of the appendix, a summary of the progress of the audits and their assurance opinions. She reported that there had been no partial opinions, four adequate and two substantial. She took the Committee through the good practice identified, findings, recommendations and management responses for each audit. Members discussed the opinion rating of the information security audit and were assured by Laura Wickes that the rating was 'high adequate' and that the recommendation made had been completed. CFO Ben Ansell explained that this was not an area of concern but is an area of focus for the Service.

20/23.2 The Chairman congratulated officers on the results of the audits for quarters 1 and 2.

20/23.3 **RESOLVED: Members considered the findings of the audits and approved the management responses.**

20/24 Internal Audit Progress Report

20/24.1 The Head of Strategic Planning and Corporate Assurance, Jill McCrae, presented the report and explained that there had been some impact of the coronavirus pandemic on implementation of recommendations, but was pleased to confirm that a large number had been completed. She took Members through appendix A to the report and confirmed that the on-call pay model referred to on page 2 would be implemented on 5 October 2020 and that the recommendations relating to procurement cards on pages 7 and 8 would be completed by 31 October 2020.

20/24.2 **RESOLVED: Members reviewed and approved the progress made.**

20/25 Financial Monitoring Report Quarter 1

- 20/25.1 Ian Cotter reported that revenue and capital spend was expected to be below budget. He explained that coronavirus had not had a significant short-term negative financial impact on the Authority, but that there were expected to be impacts in the medium-term, for example cost rises in areas such as property repairs and maintenance. He reported that the bigger financial impact to the Authority was likely to be related to council tax and business rates funding. Ian Cotter confirmed that this will be discussed in the Strategic Finance Update that he would present to the Authority at its meeting on 30 September 2020. Ian Cotter explained that the Service was making short-term savings, where it could, to help mitigate against forecast deficits in future years.
- 20/25.2 Ian Cotter reported that a Covid funding grant of £1.3m had been received and that officers are currently forecasting £800k of this to be spent by the end of the year. One-off cost savings have been seen in areas such as staff vacancies and the purchase of smoke alarms, where the Service has been unable to fit as many as usual. He explained that there are likely to be some sustainable savings such as fuel and mileage costs from the new ways of working.
- 20/25.3 The major incident at Wareham Forest had cost just over £500k, mainly in additional staffing resources. Ian Cotter reported that officers are in discussion with Ministry of Housing, Communities and Local Government (MHCLG) and the Home Office to try and recover some of this cost, possibly via the Bellwin scheme.
- 20/25.4 The out-turn for capital financing for last year was lower than originally planned and this would lead to a short-term savings in the capital financing requirements of £180k this year.
- 20/25.5 £400k of Protection funding has been received from the Home Office to respond to the recommendations arising from the Grenfell Tower Inquiry and the related reports. Ian Cotter informed Members that this was good news, but that it was only one off funding for 2020-21 and care was needed in the way this was committed.
- 20/25.6 CFO Ben Ansell explained that the Protection funding was in two parts. £89k was for the one-off specific purpose for the provision of smoke hoods on fire engines. The other funds are for broader fire safety activities arising not only from Sir Martin Moore-Bick's report on the Inquiry, but also Dame Judith Hackitt's review into building regulations and fire safety. It is known that there will be a larger fire and rescue service involvement in this area and a requirement to grow fire safety teams. CFO Ben Ansell explained that there was a challenge in terms of recruiting and training these staff, which can take up to two years to reach competency. He reiterated that the funding was welcomed but only one-off. Discussions continue through the National Fire

Chiefs Council with the Home Office to try and get this funding into base budget.

- 20/25.7 Ian Cotter drew Members' attention to section 4 of the report looking at capital and explained that there is a revised Capital Programme of just under £7.4m for the year. Coronavirus has had an impact on delivery of estates projects, but the Service is looking to complete the majority of the 2019-20 plan this financial year and the 2020-21 projects will be deferred until next year.
- 20/25.8 The vehicle programme has been reduced and is being further reviewed in light of the new ways of working. Of the 19 fire engines on order, 10 are expected to be delivered this year with the remaining to be delivered in 2021-22. A new Capital Programme will be presented to Members as part of the budget setting process.
- 20/25.9 Ian Cotter summarised by saying that overall, there was positive financial picture, but a tougher time is expected in future, and that officers would keep Members up to date moving forwards.
- 20/25.10 **RESOLVED: Members noted and commented upon the current financial position as at 30 June 2020.**
- 20/26 Performance Report Quarter 1**
- 20/26.1 Jill McCrae took Members through Appendix A, an update on the performance for priorities 4 and 5. She reminded the Committee that the Service's performance management arrangements had now been aligned to the HMICFRS methodology.
- 20/26.2 Jill McCrae referred Members to KLOE 6 on page 2 regarding the Service's business continuity arrangements. She reminded Members that the internal auditors had awarded a substantial assurance opinion on this area and that the Service was already in a good place before the pandemic. She reported that an annual plan of exercises was in place which included areas such as cyber-attacks and severe weather, and that the Service had experienced real events over the past years.
- 20/26.3 ACFO Byron Standen referred Members pages 2 and 3 of the appendix that related to procurement. He explained that the Service was participating and influencing at national level. Some procurements had been delayed during the pandemic, but these had now been caught up. ACFO Byron Standen reported that personal protective equipment had been provided to staff including workplace and fleet technicians as per Government guidance so that work was able to continue on fleet and estates. With regards to ICT, he reported that during the pandemic, it had had been proved that the Authority's investment in ICT had helped to exploit opportunities and maintained functions throughout.

- 20/26.4 Jill McCrae explained that the Strategic Assessment of Risk referred to on page 5 had been published in April 2020 and this was helping to develop the Community Safety Plan for 2021.
- 20/26.5 Ian Cotter reported against KLOE 7 on page 7 and explained that deficits were forecast going forward and that work is going on internally and to influence national debate. More information would be provided at the Authority meeting on 30 September in a Strategic Financial Update.
- 20/26.6 Director of People Services, Jenny Long reported on KLOE 8, supporting and developing people on page 9. She explained that the Service had good health and wellbeing arrangements and that support and information had been increased during the pandemic. Jenny Long explained that unfortunately our workplace gyms had been closed during this period and therefore fitness tests were not carried out. However other support was available to staff to maintain and improve sickness. Sickness had reduced during the period, with long-term remaining the biggest factor, except in corporate departments.
- 20/26.7 Jenny Long reported the performance against KLOE 9 on page 13 and explained that although training had been reduced, the Service had been able to carry out the vast majority of risk critical training. She explained that it was now necessary to pick up areas such as recruitment and driving. CFO Ben Ansell explained the importance of training and the fact that risk critical training continued in a socially distanced way. He explained that he had not wanted to send people into risk environments where they were not competent, and that staff had been reassured by that approach.
- 20/26.8 Head of Knowledge, Information and Communications, Vikki Shearing, reported on KLOE 10 on page 14 and explained that the internal communications and engagement plan focuses on seeking feedback from staff. She explained that the usual arrangements had been revisited and that an intense programme had continued into quarter 2, which was monitored by the coronavirus working strategy. More regular Question Times and telephone sessions had been held with the Corporate Management Team. A working from home survey had provided good feedback about the amount the support the Service was providing to staff. She reported that the Chief Fire Officer's workplace visits had now recommenced.
- 20/26.9 Jenny Long reported that recruitment activity had restarted in July. She explained that social media activities had been increased and had helped with positive attraction work in readiness for wholetime recruitment.
- 20/26.10 Jenny Long reported that a number of corporate inductions had been run on-line and had been well received. Although the new 1:1 review process had been postponed, it had been launched on 1 July had had been very well received. The new promotion process was launched on 1 August with high levels of applications. Jenny Long explained that there had been some innovative changes to incident command, using remote assessments. She reported that this could be a future way of working to save time and travel.

- 20/26.11 Jill McCrae reported on performance against KLOE 13 on page 23 of the appendix and explained how the work done to align the Service's performance management arrangements to the Inspectorate's methodology, provided good evidence of the ability of the Authority to scrutinise performance against the Effectiveness, Efficiency and People pillars. She explained that the Annual Report for 2019-20 would be presented to the Authority at its meeting in September along with the Statement of Assurance.
- 20/26.12 Vikki Shearing referred Members to page 25 of the appendix reporting a decrease in the number of Freedom of Information Requests with an 88% compliance rate with just two being overdue. There had been a 100% compliance rate with Data Protection information requests. Vikki Shearing reported that there had been a reasonably low number of security incidents, which were generally phishing incidents. The Service was monitoring cyber-attacks on a weekly basis.
- 20/26.13 The Chairman, on behalf of the Committee congratulated the work that officers had been doing.
- 20/26.14 **RESOLVED: Members reviewed and approved the Performance Report for quarter 1, as detailed in Appendix A.**

20/27 Strategic Risk Register

- 20/27.1 Jill McCrae took Members through appendix A to the report. She referred to page 3, risk number 413 relating to the coronavirus pandemic and reported that this risk would be broadened to incorporate the impacts of Brexit, severe weather, a second wave of the pandemic and the flu season. Moving to risk number 006 regarding finance, she reported that the score had been slightly increased. In response to a Member's question about whether the mitigations were fully reflected in the paper, Ian Cotter explained that officers were doing everything they could but were not in control of funding in the future and that there was external uncertainty. CFO Ben Ansell confirmed that there was a great deal of coordinated activity, both locally and nationally, under each bullet point for the mitigations listed against this risk.
- 20/27.2 **RESOLVED: Members reviewed the strategic risks and mitigations set out in Appendix A.**
- 20/28 Date of next meeting**
- 20/28.1 The Chairman confirmed the date of the next Finance & Audit Committee meeting as 4 December 2020.

The meeting closed at 12.08.

Signed: _____