

SCRUTINY & AUDIT PANEL

Minutes of the meeting of the SCRUTINY & AUDIT PANEL held at Council Chamber, County Hall, St Anne's Crescent, Lewes, East Sussex, BN7 1UE at 10.00 am on Thursday, 11 November 2021.

Present: Councillors Maples (Chair), Azad, Lambert, Redstone, Scott and Theobald.

Also present: M O'Brien (Deputy Chief Fire Officer), L Woodley (Legal Advisor), D Savage (Assistant Director Resources/Treasurer), J Knightly (Principal Accountant, East Sussex County Council), L Ridley (Assistant Director Planning & Improvement) S van der Merwe (EY, External Auditor), Helen Thompson (EY, External Auditor), J Olliver Payroll, Pensions & HR Assurance Manager and E Simpkin (Democratic Services Officer)

22 Declarations of Interest

Councillor Redstone made a personal, non-prejudicial interest as a Member of the East Sussex County Council Pension Committee.

23 Apologies for Absence

There were none.

24 Notification of items which the Chair considers urgent and proposes to take at the end of the agenda/Chair's business items

The Chair announced that the meeting would be paused at 11:00 to observe the 2 minutes silence to mark Remembrance Day.

As it was Deputy Chief Fire Officer (DCFO) Mark O'Brien's last Scrutiny & Audit Panel meeting before his retirement the Panel recorded its thanks to the DCFO for his support, diligence and contributions over the years. The Panel wished the DCFO all the best for his retirement.

The Chair also drew Members' attention to the draft Member Code of Conduct which had been circulated to all Members via email for comment. The final Code of Conduct would be presented for decision at the December Fire Authority meeting, along with other Constitutional matters. It was noted that the draft should have been presented to Scrutiny & Audit Panel prior to consideration by the Fire Authority, however timescales meant this was not possible on this occasion and therefore the Panel was being consulted outside of the meeting. The Panel also noted that changes to the Financial Regulations had been delayed and would be presented to the Fire Authority at its February 2022 meeting.

25 Minutes of the last Scrutiny & Audit Panel meeting held on 28 September 2021

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RESOLVED: That the minutes of the Scrutiny & Audit Panel meeting held on 28 September 2021 be approved as a correct record and signed by the Chair.

26 Callover

Members reserved the following items for debate:

- 27 External Auditor's Audit Results Report (ISA 260) and Statement of Accounts 2020/21
- 29 Corporate Risk Register Review Quarter 2 2021/22
- 30 Performance Report for Quarter 1 2021/22
- 31 2020/21 Annual report of East Sussex Fire and Rescue Service's (ESFRS) Local Firefighters' Pension Board
- 32 Member Attendance 2020/21

27 External Auditor's Audit Results Report (ISA 260) and Statement of Accounts 2020/21

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) which presented the results of the External Auditor's Audit Results Report (ISA 260). It was noted that the External Auditor, EY had completed its audit of the Authority's financial statements for the year ended 31 March 2021 and expected to issue an unqualified audit opinion on the financial statement. Since the Auditor presented to the Panel on 28 September 2021, the following issues had been identified:

- IAS19 report for Fire Fighters Pension Scheme – the service cost was underestimated due to the actuary excluding the allowance for future injury awards which required an adjustment of £767,000.
- IAS19 report for Local Government Pension Scheme – in the previous report, the actuary used the provisional asset value (the assets) despite the Service choosing the option to use final figures. The updated report now uses the final asset value figure which has resulted in an increase in asset values of £334,000.

The Authority's financial statements had been updated to reflect technical accounting adjustments which did not impact on the general fund. Officers were pleased to report that EY had made no recommendations for improvement as a result of its audit and raised no specific issues which required a response in the Letter of Representation. The ISA 260 confirmed that the Authority had proper arrangements in place for securing value for money.

The Panel queried how the materiality assessment had been decided upon. EY explained that their standard methodology was to overall planning

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materiality at 2% of gross expenditure (£1.05m) and performance materiality at 75% of overall planning materiality (£0.790m). The threshold for reporting of misstatements to the Authority was £52,000.

The Panel also asked about the pension scheme deficit increase. The ADR/T explained that the liabilities covered both the Firefighter Pension Scheme and the Local Government Pension Scheme. Each year actuaries were commissioned to assess liabilities which varied from year to year. The ADR/T reassured Members that due to the public nature of the Fire Authority and the schemes the pension related deficits did not impact either on council taxpayers or on the going concern basis of the accounts.

Members asked about the large reserves and how this compared to the reserves held by other Fire Authorities. The ADR/T informed the Panel that there was information on reserves available through data collected by the Home Office and the Fire Services Finance Network. The ADR/T added that the Authority was currently holding relatively large reserves, however, this was in-line with the current reserves policy and most had been earmarked for the delivery of capital programme projects, investment in IT and Project 21. Uncommitted reserves were in the region of £2million.

Recognising the delays to capital projects, Members asked whether any contingency had been made for price increases. The ADR/T responded that there was some provision for inflation had been made within the budgets for capital schemes. If inflation exceeded those provisions then the Service would explore options for containing the pressure within the overall scheme budget, reprioritising across schemes or seeking approval for increases in scheme budgets. Current levels of supply chain disruption had increased the risk of increases in scheme costs. The improvements to Hove Fire Station were currently out for tender which would give a good indication of price increases in the market. Discussion was also had over environmental considerations of projects. It was noted that the Estates Strategy Delivery Board was very much aware of the issues and were ensuring that opportunities for environmental, sustainable improvements were being realised whenever possible however, it also was important to recognise that many of the station improvements were in order to ensure the health and safety of staff and this needed to remain the priority.

The Panel thanked EY for their report and attendance.

RESOLVED: That the Panel:

- i. notes the External Auditor's Audit Results Report (ISA 260);
- ii. authorises the Assistant Director Resources / Treasurer and the Panel Chair to sign the formal letter of representation to the External Auditor; and
- iii. approves the 2020/21 Statement of Accounts for publication.

28 Contract Standing Orders - Waivers Summary July 2020 to Date

The Panel received a report from the ADR/T which apprised the Panel of the waivers granted in the 2020/21 financial year and in 2021/22 to date, as required by Contract Standing Order 7.4.

The Panel noted that the Treasurer, after consultation with the Procurement Manager, Deputy Monitoring Officer and the Chair had approved a total of five waivers from July 2020 to date. Each was considered on the basis that the Authority could achieve value for money, were below the threshold of the Public Contract Regulations 2015 and therefore subject to internal governance arrangements only. No waivers were granted on the basis of expediency alone. In the main, the waivers were granted in order to secure best value, to leverage efficiencies via standardisation and to mitigate limited market options and/or any risk to supply, including those resulting from the impact of the Covid 19 pandemic, particularly where the ability of potential bidders to adequately conduct site visits was impeded.

RESOLVED: That the Panel notes the report.

29 Corporate Risk Register Review Quarter 2 2021/22

The Panel received a report from the ADR/T which provided the latest quarterly review of the Corporate Risk Register. It detailed the business risks identified, and how they had or were being mitigated. It was noted that two separate risks relating to effective workforce planning (Q1 CR4 and CR11) had been amalgamated within CR4 as they both in effect related to the same risk. One new corporate risk Grenfell Tower Public Inquiry – non-compliance (CR16) had been recommended for inclusion on the Register and was currently a red rated risk.

The Panel asked about the progress being made with the two red rated risks; CR14 Health & Safety Non-Compliance and CR16 Grenfell Tower Public Inquiry – Non-compliance with Phase 1 recommendation. The DCFO explained that with regard to the Health & Safety non-compliance, an action plan was in place and it was expected that a large number of outstanding issues would be resolved before the next risk register review in December. He also confirmed that good progress being made with the Grenfell action plan.

The Panel queried CR4 Effective Workforce Planning and whether officers were confident in its rating as a yellow risk. The DCFO responded that Senior Leadership Team was comfortable with the current assessment of the risk and the risk mitigations which would continue to be reviewed on a quarterly basis and revised if necessary.

Members asked whether there had been an assessment of how the Service's risk register compared to that of other fire services. The ADR/T responded

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that he was not aware of any comparison and that each risk register was specific and pertinent to each individual service.

RESOLVED: That the Panel notes and approves the Q2 Corporate Risk Register including updates made since Quarter 1.

30 Performance Report for Quarter 1 2021/22

The Panel received a report from the Assistant Director Planning & Improvement (ADP&I) which presented a summary of service performance for quarter 1 2021/22 compared to quarter 1 2020/21 and the projected end of year results 2021/22. The report contained information against 21 indicators. It was noted that due to the national pandemic, the Service had adapted new models of service delivery including telephone home safety visits and business safety audits. The direction of travel indicators in these areas were not comparable therefore had not been included in the report.

The ADP&I confirmed for the Panel that it was thought that the increase in false alarm calls attended in quarter 1 2021/22 compared to that in quarter 1 in 2020/21 was due to firms reopening following the national lockdown.

Members asked why there were no comparison figures available for item 14 of the performance statistics for commitment 1: delivering high performing services which related to 70% of the first arriving appliances at any incident from an 'On-Station response' within 10 minutes. The ADP&I explained that an upgrade to the electronic incident report system (eIRS) meant that it was not currently possible to access past data. There was no comparison with other services available as each had individual attendance standards. The ADP&I confirmed that retrospective information against national average attendance times would be available. A full narrative explanation of this would be provided in 2nd quarter report.

The Panel also asked about the increase in accidental dwelling fires (ADFs). The ADP&I explained that there had been a very small increase increase of 4 ADFs against the same period in the previous year, however numbers were still at their lowest since recording started. The number of accidental dwelling fires decreased during the pandemic lockdown.

Discussion was had over the reduction of Automatic Fire Alarms (AFAs). The DCFO reminded the Panel of the focus on the reduction of AFAs as part of agreed Integrated Risk Management Plan and in response to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services inspection findings. From April 2022 the Service would no longer be responding to AFAs from low-risk commercial premises during working hours. An extensive engagement piece with businesses to communicate this change in policy was ongoing.

RESOLVED: That the Panel:

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1. considered the performance results and progress towards achieving the Service's purpose and commitments as contained in appendix 1 to the report; and
2. considered the performance results and remedial actions that have been taken to address areas of under performance in the Fire Authority's priority areas.

31 Annual report of East Sussex Fire and Rescue Service (ESFRS) Local Firefighters' Pension Board

The Panel received a report from the Assistant Director People Services which informed the Panel of the matters considered by the Pension Board during 2020/21.

The Panel asked whether the issues surrounding the Firefighters' Pension Scheme and the modified 2006 Scheme Members incorrect taper dates and contributions which were caused by an East Sussex County Council payroll error (paragraph 4.8 page 189 of the report) had been resolved. The Payroll, Pensions & HR Assurance Manager confirmed that all corrections and retrospective adjustments would be complete by end of the financial year. The matter was being monitored via the Pensions risk register.

RESOLVED: That the Panel notes the annual report of the Firefighters' Pension Board for 2020/21.

32 Member Attendance Annual Report

The Panel received a report from the Senior Democratic Services Officer which reported Member attendance at formal Fire Authority meetings, community events and Member briefing/development events for 2020/21.

The Chair thanked Members for their attendance.

RESOLVED: That the Panel noted the Member attendance for 2020/21.

The meeting concluded at 11.13 am

Signed

Chairman

Dated this

day of

2022