



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

**M. Pearson
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the Devon &
Somerset Fire & Rescue Authority**

(see below)

**SERVICE HEADQUARTERS
THE KNOWLE
CLYST ST GEORGE
EXETER
DEVON
EX3 0NW**

Your ref :
Our ref : DSFRA/MP/SY
Website : www.dsfire.gov.uk

Date : 31 May 2022
Please ask for : Steve Yates
Email : syates@dsfire.gov.uk

Telephone : 01392 872200
Fax : 01392 872300
Direct Telephone : 01392 872329/07866
189042(m)

DEVON & SOMERSET FIRE & RESCUE AUTHORITY
(Ordinary Meeting)

Friday, 10 June, 2022

A meeting of the Devon & Somerset Fire & Rescue Authority will be held on the above date, **commencing at 10.30 am in the Committee Rooms, Service Headquarters** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

1 Apologies

2 Items Requiring Urgent Attention

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

PART 1 - OPEN COMMITTEE

3 Questions and Petitions from the Public

In accordance with [Standing Orders](#), to consider any questions and petitions submitted by the public. Questions must relate to matters to be considered at this meeting of the Authority. Petitions must relate to matters for which the Authority is responsible, or which affect the Authority. Neither questions nor petitions may require the disclosure of confidential or exempt information. Questions and petitions must be submitted in writing or by e-mail to the Clerk to the Authority (e-mail address: clerk@dsfire.gov.uk) **by midday on Tuesday 7 June 2022.**

4 Addresses by Representative Bodies

To receive addresses from representative bodies requested and approved in accordance with Standing Orders.

5 Questions from Members of the Authority

To receive and answer any questions submitted in accordance with Standing Orders.

6 Minutes of Committees

a Audit & Governance Committee (Pages 1 - 10)

The Chair of the Committee to **MOVE** the Minutes of the meetings held on 7 March and 10 May 2022 (both attached).

RECOMMENDATION that the Minutes be adopted in accordance with Standing Orders.

b People Committee (Pages 11 - 14)

The Chair of the Committee to **MOVE** the Minutes of the meeting held on 22 April 2022 (attached).

RECOMMENDATION that the Minutes be adopted in accordance with Standing Orders.

c Community Safety Committee (Pages 15 - 18)

The Chair of the Committee to **MOVE** the Minutes of the meeting held on 27 April 2022 (attached).

RECOMMENDATION that the Minutes be adopted in accordance with Standing Orders.

d Resources Committee (Pages 19 - 24)

The Chair of the Committee to **MOVE** the public Minutes of the meeting held on 18 May 2022 (attached).

RECOMMENDATIONS

- (a). that, in relation to the recommendation at Minute RC/21/28 (Provisional Financial Outturn 2021-22):

- (i). it be noted that, subsequent to reporting to the Resources Committee, an incorrect accountancy treatment has been identified of grants of £0.228m received in the 2021-22 financial year but which are still unapplied. The effect of correcting this is to reduce the indicative overspend (and call on the General Reserve Fund to address this) from £1.379m, as originally reported, to **£1.121m**. The resulting General Reserve Fund balance will then be 5.46% of the 2021-22 revenue budget (not 5.3% as originally reported);
- (ii). that, subject to (i) above, the recommendation be approved;
- (b). that the recommendation at Minute RC/21/29 (Revision to Capital Programme 2022-23 to 2024-25) be approved; and
- (c). that, subject to (a) and (b) above, the Minutes be adopted in accordance with Standing Orders.

7 Internal Audit Service Provision (Pages 25 - 56)

Report of the Director of Governance & Digital Services (DSFRA/22/13) attached.

8 Government White Paper "Reforming Our Fire and Rescue Service" (Pages 57 - 60)

Report of the Chief Fire Officer (DSFRA/22/14) attached.

9 Exclusion of the Press and Public

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

PART 2 - ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PRESS AND PUBLIC

10 Resources Committee 18 May 2022 - Restricted Minutes (Pages 61 - 62)

The Chair of the Committee to **MOVE** the restricted Minutes of the meeting held on 18 May 2022 (attached).

RECOMMENDATION that the Minutes be adopted in accordance with Standing Orders.

11 Red One Ltd. Annual General Meeting 2022 (Pages 63 - 64)

Report of the Clerk to the Authority (DSFRA/22/15) attached.

12 Red One Ltd. Governance Arrangements and Appointment of Independent Non-Executive Director (Board Chair) of Red One Ltd. (Pages 65 - 70)

Report of the Monitoring Officer and Clerk to the Authority (DSFRA/22/16) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:

Councillors Best, Biederman, Brazil, Chesterton, Clayton, Coles, Cook-Woodman (Vice-Chair), Drean, Hannaford, Hendy, Kendall, Kerley, Long, McGeough, Partridge, Peart, Power, Prowse, Radford, Randall-Johnson, Roome, Sellis, Shayer, Sully, Thomas and Trail BEM.

NOTES

1. **Access to Information**

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.

2. **Reporting of Meetings**

Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority.

Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.

3. **Declarations of Interests at meetings (Authority Members only)**

If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must:

- (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then
- (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest.

If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above.

Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation.

Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.

	NOTES (Continued)
4.	<p><u>Part 2 Reports</u></p> <p>Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.</p>
5.	<p><u>Substitute Members (Committee Meetings only)</u></p> <p>Members are reminded that, in accordance with Standing Orders, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.</p>
6.	<p><u>Other Attendance at Committees)</u></p> <p>Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.</p>

AUDIT & GOVERNANCE COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

7 March 2022

Present:

Councillors Healey MBE (Chair), Brazil, Napper, Prowse (Vice-Chair), Roome, Shayer and Randall-Johnson.

Apologies:

Councillors Dr. Buchan.

* **AGC/21/14** **Minutes**

RESOLVED that the Minutes of the meeting held on 28 October 2021 be signed as a correct record.

* **AGC/21/15** **Devon & Somerset Fire & Rescue Authority External Audit:**

a **External Auditor's Annual Report 2020-21**

Councillor Mark Shayer declared a personal, non-pecuniary interest in this item by virtue of his being an Authority appointed Non-Executive Director of Red One Ltd.

The Committee received for information the Annual Report on Devon & Somerset Fire & Rescue Authority's Value for Money (VFM) arrangements as submitted by the external auditor, Grant Thornton.

Under the National Audit Office Code of Practice, the external auditor was required now to consider whether the Authority had put into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in 2020-21 rather than giving a qualified/unqualified VFM conclusion.

The criteria under which the Authority's VFM arrangements were judged was:

- Financial sustainability;
- Governance; and
- Improving economy, efficiency and effectiveness.

The external auditor had to consider whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. There were no significant weaknesses identified in the Authority's arrangements in all three of the above areas but improvement recommendations were made as set out within the report circulated.

The external auditor reported that its work on financial sustainability had demonstrated that the Authority had a strong performance and that arrangements were in place for the delivery of savings. The key assumptions in the Medium Term Financial Plan had been reviewed, part of which was the Change & Improvement Programme which was delivering savings, with a good level of reserves in place. Reference was made to the position on the Authority's trading company, Red One Ltd. as the risk profile had changed as the company had evolved and appropriate governance needed to be in place for this, hence a recommendation that this should be included on the Authority's Corporate Risk Register.

The Director of Governance & Digital Services responded that the move to an Annual Report was positive as this provided an extra strand of assurance on how Red One Ltd. was run. The Authority determined what arrangements were put into place for oversight of the company which was delegated to its Resources Committee to monitor currently. He acknowledged that the company had grown substantially, however, and that the responsibility for oversight may need to be reviewed. This would be explored in conjunction with the annual review of the Authority's constitutional arrangements in June 2022.

Reference was made to the issue of rising costs and whether this had been covered in the Medium Term Financial Plan. The Risk Manager responded that this had been recognised and that a risk was included (CRR074) in respect of supply chain disruptions.

b Value for Money (VFM) Extension Letter

The Committee received for information the extension letter submitted in accordance with the 2020 Code of Audit Practice, explaining the reasons for the delay in submission of the external auditor's Annual Report which was usually required by 30 September.

The National Audit Office had updated its guidance to permit a postponement of the completion of this work in view of the delays associated with the Covid-19 pandemic and the impact on the auditing of accounts. The Annual Report has been published now and this letter has been published alongside this for the purposes of compliance with the Code.

NB. Minute AGC/21/16(a) above also refers.

c Informing the Risk Assessment for Devon & Somerset Fire & Rescue Authority

The Committee considered the document "Informing the Audit Risk Assessment for Devon & Somerset Fire & Rescue Authority 2021/22" submitted by the external auditor, Grant Thornton. The risk assessment was required under the International Standards on Auditing as a mechanism for a two-way communication between the auditor and the Audit & Governance Committee to facilitate a constructive working relationship.

It was noted that the auditor was required to obtain an understanding of management processes and had looked at the Authority's oversight of the following areas:

- General enquiries of management;

- Fraud;
- Law and regulations;
- Related parties;
- Going Concern; and
- Accounting estimates.

This was pertinent as the Authority would be preparing Group Accounts for the first time in 2021-22.

Thanks were expressed to the external auditors at this point for the work that had been undertaken during difficult times in 2020 and 2021.

RESOLVED that the Audit Risk Assessment for Devon & Somerset Fire & Rescue Authority be approved.

NB. Minutes AGC/21/16(a) and AGC/21/16(b) above also refer.

* **AGC/21/17** **2022-23 Internal Audit Plan**

The Committee considered a report of the Director of Governance & Digital Services (AGC/22/1) setting out the proposed Internal Audit Plan for 2022-23.

The Committee noted that eleven audits were proposed for 2022-23 with a focus on the Authority's environmental agenda and the requirements of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

Attention was drawn to the position on fitness testing and whether the Committee could be assured that all Firefighters were being trained to the correct standard now. It was noted that there was assurance of this now and the Chief Fire Officer added that he was confident that the culture on fitness had improved across the organisation. The Chief Fire Officer was asked to confirm if HMICFRS had sent a letter to confirm it was content now with the fitness training in place within Devon & Somerset Fire & Rescue Service. It was noted that this letter had not been received but the Chief Fire Officer would be writing to HMICFRS again to seek the clarification required.

RESOLVED that the 2022-23 Internal Audit Plan be approved.

* **AGC/21/18** **Internal Audit Progress Report 2021-22: Quarter 3**

The Committee received for information a report of the Director of Governance & Digital Services (AGC/22/2) on the progress made against the approved Internal Audit Plan for 2021-22 as at Quarter 3 (October to December 2021).

The report provided information on:

- A request from Service Delivery for a change to the audit plan for 2021-22 to accommodate an audit of the Flexi Duty System which was achieved by deferring the application of learning audit to the start of 2022-23;
- An overview of the planned completion timescales for audits in 2021-22;

- Details of the audits completed and the assurance level given, including on the Light Support Fleet (limited assurance), fitness testing (reasonable assurance) and Station Compliance: Legionella Management (reasonable assurance);
- Audits ongoing which included Community Safety: Fire Prevention, Key Financial Systems and Personal Protective Equipment (amongst others);
- Details of audits not yet started including Working with Children and People and Fleet Management.

The report also covered the position on action tracking against existing recommendations. It was noted that there were 75 open items requiring actions of which approximately 20 were overdue. The audit work completed showed that some requirement was required in the systems of governance, risk management and control although the audit work undertaken was providing a reasonable level of assurance overall.

Councillor Randall Johnson (seconded by Councillor Prowse) **MOVED:**

“that the Committee was satisfied with the work undertaken and level of assurance provided and endorsed the audits undertaken under the Internal Audit Plan for 2021-22 to date”.

Upon a vote, this was **CARRIED** unanimously.

RESOLVED that the Committee was satisfied with the work undertaken and level of assurance provided and endorsed the audits undertaken under the Internal Audit Plan for 2021-22 to date.

* **AGC/21/19** **Corporate Risk Register**

The Committee received for information a report of the Director of Governance & Digital Services (AGC/22/3) that provided an update on the Corporate Risk Register. The Corporate Risk Register captured and described the most significant risks, both internally and externally, facing the Devon & Somerset Fire & Rescue Service (“the Service”), with a focus on cross-cutting risks and major projects.

The risk management process included the identification, assessment and recording of risks together with mitigating activities. The Service’s risk profile had changed since the previous report to the Committee on 28 October 2021. There were 18 risks entered with 2 risks escalated from the local risk register, 5 de-escalated to local and thematic risk and no risks closed. Of the 18 risks, 1 was a high risk and 17 were medium. In terms of the risks escalated, one was in respect of the shortage of Heavy Goods Vehicle drivers which had been incorporated within risk CRR074 in respect of supply chain issues. The second risk escalated (CRR079) was on the inability to provide assurance that Home Fire Safety data created, held and reported was correct which was a high risk.

In terms of horizon scanning, a meeting had been held with the Extended Leadership Team to discuss the key issues. The key risk identified for the future was on cyber attacks. The Risk Manager also confirmed that, following the points raised by the external auditor, Red One Ltd. had been added as a risk on the Corporate Risk Register.

The Committee expressed its thanks to the Risk Manager for the work undertaken on this and on addressing issues it had raised previously. The Committee was pleased to see that the Executive Board was considering the Corporate Risks on a regular basis.

NB. Minutes AGC/21/16 (a) and (c) above also refer.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 11.45 am

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AUDIT & GOVERNANCE COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

10 May 2022

Present:

Councillors Healey MBE (Chair), Brazil, Prowse (Vice-Chair) and Shayer.

Also in attendance:

Barrie Morriss (Grant Thornton – External Audit).

Apologies:

Councillors Parker-Khan and Roome.

* **AGC/21/20** **Minutes**

RESOLVED that the Minutes of the meeting held on 7 March 2022 be signed as a correct record.

* **AGC/21/21** **External Audit Plan for Year Ending 31 March 2022**

The Committee received for information a document provided by the external auditor (Grant Thornton) setting out an overview of the planned scope and timing of the statutory audit of the Devon & Somerset Fire & Rescue Authority's financial statements for the year ended 31 March 2022, for which the proposed audit fee was £47,280.

In discussing this item, the following points were noted:

- that the audit would be risk-based, with the significant risks identified in the document;
- that the audit of financial statements for 2021-22 would include Group Accounts for the first time. The external auditor was liaising with Red One Ltd. to clarify expectations;
- that the level of materiality for audit purposes had been assessed at 2% (circa. £1.8m).

* **AGC/21/22** **Draft 2021-22 Annual Statement of Assurance**

The Committee considered a report of the Director of Governance & Digital Services (AGC/22/4) to which was appended the draft Annual Statement of Assurance for 2021-22.

The Statement had been prepared to comply with the requirements of the Accounts and Audit (England) Regulations 2015 (as amended) and the latest edition of the Fire and Rescue National Framework for England. The Statement examined and provided commentary on organisational systems of internal financial control, corporate governance and operational assurance.

In debating the report, the following points were made:

- that the Devon & Somerset Fire & Rescue Service had fared particularly well in the specific inspection undertaken by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services into the fire service response to the COVID pandemic and that this could be referenced in the Annual Statement of Assurance; and
- that the reference on page 26 of the draft Statement that "The Service uses an agency to draft and check recruitment adverts to ensure they don't inadvertently obstruct applications from people from under-represented groups" could be further clarified.

RESOLVED that, subject to inclusion of the amendments as indicated, the draft Annual Statement of Assurance 2021-22 as appended to report AGC/22/4 be approved in principle and submitted to the External Auditor alongside the draft financial statements for the same financial year.

* **AGC/21/23** **Internal Audit 2021-22 Year-end Report**

The Committee received for information a report of the Director of Governance & Digital Services (AGC/22/5) on the closing internal audit annual report for the 2021-22 financial year. The report detailed progress made against the approved internal audit plan for that year together with additional review work undertaken.

Two risk-based amendments had been made to the internal audit plan to include the following two audits requested by Service Delivery:

- audit of the flexi-duty system; and
- organisational safeguarding assurance report.

Some six audits had been completed and the report also included the outcome of work during 2021-22 in relation to the National Fraud Initiative.

Based on the completed audit work to date, Internal Audit expressed a reasonable level of assurance in the systems in operation within the Devon & Somerset Fire & Rescue Service. Generally, there was a sound system of governance, risk management and controls in place. Where weaknesses had been identified, management had agreed the findings and/or recommendations or accepted the associated risks. All audit reports included an action plan, with a designated responsible officer and timescales for completion, to address issues identified.

Having debated the report, the Committee expressed its satisfaction with the level of assurance as identified.

* **AGC/21/24** **Authority Policy for Regulation of Investigatory Powers Act (RIPA) 2000 - Review**

The Committee received for information a report of the Director of Governance & Digital Services (AGC/22/6) on operation by the Authority of its policy as required by the Regulation of Investigatory Powers Act (RIPA) 2000. The policy maintained by the Authority accorded with both the legislation and all current Codes of Practice. Since the last report in July 2021, there had been no use by the Authority of powers under RIPA.

* **AGC/21/25** **Draft Forward Plan**

The Committee received for information a report of the Director of Governance & Digital Services (AGC/22/7) to which was appended an indicative forward plan for submission of items to future meetings of this Committee during the forthcoming 2022-23 municipal year.

* **AGC/21/26** **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of representatives from the Devon Audit Partnership and Barrie Morriss [Grant Thornton]) be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the following paragraphs of Part 1 of Schedule 12A (as amended) to the Act, namely:

- Paragraph 3 (information relating to the financial and business affairs of any particular person – including the authority holding that information); and
- Paragraph 4 (information relating to consultation or negotiations or contemplated consultation or negotiations in connection with a labour relations matter arising between the Authority or a Minister of the Crown and employees of or office holders under the Authority).

* **AGC/21/27** **Internal Audit Service Provision**

(An item taken in accordance with the provisions of Section 100A(4) of the Local Government Act 1972 during which the press and public (with the exception of representatives of the Devon Audit Partnership and Barrie Morris [Grant Thornton]) were excluded from the meeting).

The Committee considered a report of the Director of Governance & Digital Services (AGC/22/8) on the outcome of an internal review into and options for the provision of the internal audit function for the Devon & Somerset Fire & Rescue Service. Options for provision as outlined in the report included:

- co-sourcing/partial out-sourcing;
- internal sourcing;
- outsourcing;
- membership of a partnership shared-service arrangement with the Devon Audit Partnership as a non-voting partner; and
- membership of a partnership shared-service arrangement with the Devon Audit Partnership as a full partner.

Each of these had been considered with reference to quality and cost of service.

The report outlined relevant legal considerations in relation to the preferred option, as supported by the Service Executive Board, to enter into a partnership shared-service arrangement with the Devon Audit Partnership as a full partner.

RESOLVED that the Committee supports, in principle, membership by the Authority of the Devon Audit Partnership (DAP) shared service arrangement as a full, voting partner, subject to:

- (a). final approval by the Authority following consideration of a full business case at the Authority ordinary meeting scheduled for 10 June 2022; and
- (b). confirmatory legal advice on any terms proposed for the Deed of Variation required for joining the Partnership.

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 2.00 pm and finished at 3.12 pm

PEOPLE COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

22 April 2022

Present:

Councillors Clayton (Vice-Chair)(in the Chair), Best, Bown, Brazil, Hannaford, Peart and Randall-Johnson (vice Thomas).

Apologies:

Councillor Thomas.

* **PC/21/15** **Minutes**

RESOLVED that the Minutes of the meeting held on 27 January 2022 be signed as a correct record.

* **PC/21/16** **Application for Retirement and Re-employment**

The Committee considered a report of the Director of Finance, People & Estates (PC/22/4) on a request for retirement and re-employment. The Authority's approved Pay Policy Statement 2022-23 required that all such requests from Station Manager to Area Manager (or non-uniformed equivalent) be approved by this Committee.

The Executive Board had already considered and approved the request in principle.

RESOLVED that the request as outlined in report PC/22/4 and summarised below be approved on the basis of a twenty four month fixed-term contract.

Role	Position	Station/Dept.
Group Manager	National Resilience Manager	Station 60

* **PC/21/17** **People Strategy Update**

The Committee received for information a report of the Director of Finance, People & Estates (PC22/5) on development of the next iteration of the Service People Strategy for the period 2022-26.

The new Strategy would align to and build on the revised workplace commitments developed by staff for the previous Strategy and the People Pillar of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

The report identified a number of key themes and workstreams likely to feature in the new Strategy, including:

- Living our ethics and values;
- From communities to communities;
- Safe, happy and healthy at work;
- Future leaders; and

- Working smarter

A final draft of the Strategy would be submitted to a future meeting following staff consultation.

* PC/21/18

Recruitment & Workforce Diversity Annual Report 2021

The Committee received for information a report of the Director of Finance, People & Estates (PC/22/6) on the publication for 2021-22 on information relating to the makeup of the Devon & Somerset Fire & Rescue Service (the Service) in terms of protected characteristics, including gender, disability, ethnic group, religion and sexual orientation. The annual publication of such information, required to demonstrate compliance with the public sector equality duty, was required by the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

The report identified that, during the last twelve months, the Service had undertaken a significant recruitment effort which included opening the Wholetime process to external applicants for the first time since 2017.

The report identified key findings from the data but more significantly identified specific initiatives to improve recruitment, diversity and inclusion, including:

- fully embedding the National Fire Chiefs' Council Code of Ethics within the Service;
- a Connecting the Community project to increase visibility of the Service as an "Employer of Choice" for under-represented groups;
- instigation of a "Critical Friend" group from senior community leaders of under-represented groups to assist Executive Board in strategic development;
- the provision of long-term mentoring for all new recruits to support development and progression;
- improving the update of exit interviews and the accurate recording of reasons for leaving;
- enabling the better monitoring of leaving trends;
- ensuring the removal of all bias from employee application material; and
- monitoring all recruitment processes for adverse impact in relation to ethnic minority background and people of colour.

The Director of Finance, People & Estates added that the Service was currently developing a Diversity and Inclusion Action Plan which would be reported to a future meeting.

In debating the report, Members questioned the appropriateness of some of the terms used ("people of colour"; "LGB" instead of "LGBT"). The Director of Finance, People and Estates indicated that this would be explored further and amendments made as necessary to the final version of the report prior to publication.

Members also commented on Devon County Council Race Equality Audit Project Team report on “Understanding and Addressing Structural Racism in Devon County Council”. It was felt that this report could assist the Service in addressing diversity and inclusion issues moving forwards.

Having debated the report, the Committee expressed its encouragement for the work being undertaken by the Service to address diversity and inclusion and indicated its support for any collaborative/partnership efforts by the Service to seek to secure best practice in this area. The Committee would also welcome further progress reports in due course.

* PC/21/19

Performance Monitoring Report 2021-22 - Quarter 4

The Committee received for information a report of the Director of Finance, People & Estates (PC/22/7) detailing performance as at Quarter 4 of 2021-22 against those Key Performance Indicators agreed by the Committee for measuring progress against the following three strategic priorities as approved by the Authority:

- 3(a). Ensure that the workforce is highly trained and has the capability and capacity to deliver services professionally, safely and effectively;
- 3(b). Increase the diversity of the workforce to better reflect the communities we serve, promoting inclusion and developing strong and effective leaders who ensure that we have a fair place to work where our organisational values are a lived experience; and
- 3(c). Recognise and maximise the value of all employees, particularly the commitment of on-call firefighters, improving recruitment and retention.

In particular, the report provided information on performance against each of the following key measures:

- operational core competence skills (beathing apparatus; incident command; water rescue; safety when working at heights or in confined spaces; maritime; driving; and casualty care);
- workforce planning;
- health and safety (accidents [including near misses]; personal injuries; vehicle incidents);
- sickness and absence (including mental health) for wholetime, on-call, support, Control and casual staff, by type of sickness;
- fitness testing;
- diversity;
- promoting inclusion, developing strong leaders, living Service values and being a fair place to work;
- grievance, capability and disciplinary issues;
- recruitment and retention (including Pay for Availability benefits); and
- employee engagement.

The report also identified Service performance when benchmarked against national statistics relating to sickness, annual personal injuries, annual vehicle incidents and RIDDOR (injuries, diseases and dangerous occurrences) reportable events.

In debating the report, the following comments were made:

- the significant improvement in core competence maintenance for water rescue was acknowledged. It was clarified that there were different levels of competence involved with this measure, with all operational staff having basic water safety competence, with some specialist teams having higher water rescue competence;
- that, while there was no requirement for the Service to report on sickness absences due specifically to COVID, it would be beneficial to maintain a general awareness of this. The Service had in place measures to mitigate against any detrimental impacts from COVID on prevention, protection and response activities;
- that a Level 3 (highest level) investigation was in train for the rope “near miss” incident and that, pending the outcome of this investigation, all static ropes had been removed from use to mitigate any further risk;
- that, while there would always be a degree of subjectivity in determining whether the causes of stress were work or non-work related, the Service procedures in place were sufficiently robust to ensure that decisions on this were not made arbitrarily and that the culture enabled staff to express concerns and access appropriate support;
- that, due to timing issues, national average figures for sickness absence were not available for this report but would be included in the next report; and
- that significant progress had been made to address the “cause for concern” on firefighter fitness identified following the 2019 Service inspection by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and that this “cause for concern” would be removed, formally, in the published findings from the 2021 inspection.

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 11.55 am

COMMUNITY SAFETY COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

27 April 2022

Present:

Councillors Chesterton (Chair), Biederman, Corvid, Radford (Vice-Chair), Randall-Johnson (vice Parker-Khan) and Redman.

Also in attendance in accordance with Standing Order 39:

Councillor Coles.

Apologies:

Councillors McGeough and Parker-Khan.

* **CSC/21/16** Minutes

RESOLVED that the Minutes of the meeting held on 9 February 2022 be signed as a correct record.

* **CSC/21/17** Strategic Priority 1 and 2 Performance Measures: Quarter 3 2021-22

The Committee received for information a report of the Director of Service Delivery (CSC/22/6) on performance by the Service in Quarter 3 of the current (2021-22) financial year against those Key Performance Indicators (KPIs) associated with the following two Strategic Priorities as approved by the Authority for 2021-22 (Minute DSFRA/21/ refers):

Strategic Priority 1: “Our targeted prevention and protection activities will reduce the risks in our communities, improving health, safety and wellbeing and supporting the local economy”; and

Strategic Priority 2: “Our operational resources will provide an effective emergency response to meet the local and national risks identified in our Community Risk Management Plan”.

The performance status of the Service KPIs was based on the following criteria:

Succeeding	The KPI was achieving its target
Near Target	The KPI is less than 10% away from achieving its target
Needs Improvement	The KPI is at least 10% away from achieving its target

In summary, the report identified that Quarter 3 performance against the KPIs was:

	Succeeding	Near target	Needs improvement
Priority 1	11	7	1
Priority 2	8	5	0

The Priority 1 KPI needing improvement related to the number of home fire safety visits completed, which varied from target by 31.6% (9,236 completed visits against a year-to-date target of 13,400). The report identified the main factors behind the ability to deliver the expected level of productivity, together with actions intended to secure performance improvement.

In debating the report, the following points were raised:

- that finalised data for quarter 4 reporting would be submitted to the next meeting. Analysis of the raw data, though, showed some improvement for the number of home fire safety visits completed, which should see performance at 82% (14,800 visits) against the full-year target of 18,000 visits;
- measures to improve home fire safety visit performance included targeted leaflet drops by wholetime crews, with a home fire safety visit subsequently booked if requested;
- the Service continued with “hot strike” leaflet drops for those areas where a fire had recently occurred;
- the Service also undertook seasonal fire safety campaigns (e.g. barbecue safety in summer; bonfire safety in November; candle safety at Christmas);
- that, in setting targets for prevention work, it was necessary to balance quantity with quality. In general terms, prevention activities were targeted at those groups identified as being most vulnerable;
- that targets set were based on capacity to deliver during a normal year. The COVID pandemic had, however, impacted on reaching targets set for the last two years.

The Committee commented that it would be helpful if:

- a report could be submitted to a future meeting of this Committee specifically on home fire safety visits (targeting; processes involved etc.); and
- information could be presented to a future Members’ Forum meeting on the impact of the implementation of Pay for Availability on appliance availability across the area served.

* **CSC/21/18** **Risk-Based Inspection Programme**

The Committee received for information a report of the Director of Service Delivery (CSC/22/7) on the risk-based inspection programme used by the Devon & Somerset Fire & Rescue Service (the Service) to enforce the requirements of the Regulatory Reform (Fire Safety) Order 2004 (the Order).

The risk-based inspection programme sought to target the highest risk premises within Devon and Somerset against which to undertake fire safety audits, using staff trained in line with the national competency framework. Normal risk premises also had an inspection regime using a fire safety check which could be undertaken by appropriately trained staff.

While there was currently no national definition for a “high-risk” premise, the Service had re-defined what it considered to be “high-risk” by using various data sources and risk attributes. The current Service definition for a high-risk premise, which informed the risk-based inspection programme, was:

‘Buildings identified as Category 1 “Higher Risk” are more likely to have vulnerable occupants, through unfamiliarity and/or their mobility. They are likely to have evacuation methods consisting of stay put, delayed, or phased/progressive strategies.

Any fire safety failures or lack of compliance places occupants at significant risk due to the critical reliance on the building design and management of any evacuation strategy. Buildings that have the potential to cause significant harm and/or large loss of life in the event of fire, including indirectly due to community impact/loss, will be our highest priority’.

The types of Category 1 (Higher Risk) premises were identified in the report and included:

- premises used for sleeping/residential of 6 or more storeys;
- very large commercial premises (15,000sq.m or over);
- all hospitals;
- care homes; and
- significant sleeping accommodation providers (e.g. hotels; boarding and guest houses).

With the exception of hospitals (which were inspected annually), all other Category 1 (Higher Risk) premises would be inspected initially every three years, reducing to annual inspection once recruited inspecting officers achieved competence.

The report identified Fire Safety Inspection Officer development and competency requirements alongside the expected number of inspections to be undertaken in each year and some of the potential risks and challenges that could impact on delivery.

The risk-based inspection programme was complemented by a communications strategy and compliance education on the requirements of the Order. The Service would be seeking to introduce a more comprehensive compliance education strategy during 2022-23.

* **CSC/21/19** **Prevention - Children and Young People**

The Committee received for information a report of the Director of Service Delivery (CSC/22/8) on core, prevention-based, engagement activities of the Devon & Somerset Fire & Rescue Service (the Service) for children and young people. These were focussed on the following areas:

- education in schools to promote fire and road safety;
- Fire Cadet and Academy programmes;
- “Out of the Blue” courses; and
- fire setter intervention programmes.

The elements of each of these activities, together with the delivery mechanisms, was detailed in the report. Delivery against each of the activities would be reviewed during 2022 to ensure alignment with the approved Community Risk Management Plan and the Service delivery plan 2021-23.

The Committee acknowledged the considerable voluntary effort required for the successful delivery of many of these initiatives and asked that their appreciation of the work of all involved be placed on record.

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

18 May 2022

Present:

Councillors Peart (Chair), Coles, Drean (Vice-Chair), Long, McGeough and Thomas.

Apologies:

Councillors Chesterton

* RC/21/27 Minutes

RESOLVED that the public Minutes of the budget meeting held on 8 February 2022 be signed as a correct record.

RC/21/28 Provisional Financial Outturn 2021-22

The Committee considered a report of the Director of Finance, People & Estates (RC/22/8) on the draft financial outturn position for 2021-22 against agreed financial targets, together with explanations of major variations. It was indicated that spending would be £1.379m over budget, net of transfers to earmarked reserves as noted in the report, equivalent to 1.86% of the total budget.

There had been some significant challenges during the 2021-22 financial year, most notably the nationally agreed pay awards (1.5% to firefighters and 1.75% to support staff), the cost of which to the Authority was in the region of £0.800m and which were previously not budgeted for in light of the Government's expectation that there would be a public sector pay freeze in that year.

The majority of the balance of the overspend related to an expedited implementation of the new Pay for Availability pay system introduced for on-call firefighters and aimed at securing Service improvements.

The figures as presented were subject to external audit of the financial statements for the year.

RESOLVED

- (a). that the Authority be recommended to approve that the provisional overspend against the 2021-22 revenue budget of £1.379m be met by a transfer from the General Reserve;
- (b). That, subject to (a) above, the following be noted:
 - (i). The draft position in respect of the 2021-22 Revenue and Capital Outturn position, as indicated in report RC/22/8;

- (ii). That the net overspend figure of £1.379m was after the removal of the Pensionable Allowances Provision (£0.409), which was deemed no longer required, together with a transfer of £2.013m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised as per Appendix C of the report.

RC/21/29 **Revision to Capital Programme 2022-23 to 2024-25**

The Committee considered a report of the Director of Finance, People & Estates (RC/22/9) on a proposed revision to the Capital Programme and associated Prudential Indicators 2022-23 to 2024-25, as approved by the Authority at its budget meeting on 19 February 2022 (Minute DSFRA/21/39(b) refers).

The proposed revision would allow for an amount of money not spent in 2021-22 to be carried forward to 2022-23. This would not require any adjustments to the Authority's external borrowing requirement but it was noted that, while the Authority had not borrowed any external funding in the last ten years, the Capital Programme would, unless otherwise adjusted, require further borrowing from 2024-25.

RESOLVED that the Authority be recommended to approve the revised capital programme and associated prudential indicators for 2022-23 to 2024-25, as set out report RC/22/9 and summarised in the tables at Appendices A and B respectively to these Minutes.

* **RC/21/30** **Treasury Management - Quarter Four and Annual Report 2021-22**

(Adam Burleton [Link Group] in attendance for this item).

The Committee received for information a report of the Director of Finance, People & Estates (RC/22/10) on the performance of the Authority's borrowing and investment activities during the 2021-22 financial year as compared to the treasury management strategy adopted. Such reporting was required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

The report highlighted that no prudential indicators had been breached and that a prudent approach had been taken in relation to investment decisions, with priority being given to liquidity and security over yield.

Despite uncertainties in the aftermath of the 2008 financial crises and unusual Brexit conditions, the Authority returns were above the benchmark returns for short-term investments (the London Inter-Bank Bid Rate three-month rate).

* **RC/21/31 Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of representatives of Red One Ltd.) be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

* **RC/21/32 Restricted Minutes of the meeting held on 8 February 2022**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public (with the exception of representatives from Red One Ltd.) were excluded from the meeting).

RESOLVED that the Restricted Minutes of the budget meeting held on 8 February 2022 be signed as a correct record.

* **RC/21/33 Red One Limited Financial Performance 2020-21: Quarter 4**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public (with the exception of representatives from Red One Ltd.) were excluded from the meeting).

The Committee received for information a report of the Chief Executive and the Finance Director of Red One Ltd. on the financial performance of the company during the 2021-22 financial year.

* **DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 11.23 am

**APPENDIX A TO THE MINUTES OF THE RESOURCES COMMITTEE
MEETING 18 MAY 2022**

PROJECT	2022/23	2022/23	2023/24	2024/25
	£000	£000	£000	£000
	Approved Budget	Revised Budget	Budget	Budget
Estate Development				
Site re/new build	0	693	4,700	0
Improvements & structural maintenance	3,923	3,957	2,600	900
Estates Sub Total	3,923	4,650	7,300	900
Fleet & Equipment				
Appliance replacement	3,861	4,593	4,500	2,400
Specialist Operational Vehicles	820	820	6,000	2,200
ICT Department	250	317	0	0
Fleet & Equipment Sub Total	4,931	5,730	10,500	4,600
Optimism bias Sub Total	(1,800)	(1,800)	(1,800)	2,500
Overall Capital Totals	7,054	8,580	16,000	8,000
Programme funding				
Earmarked Reserves:	4,189	5,715	12,417	900
Revenue funds:	1,500	1,500	2,300	2,300
Borrowing - internal	1,365	1,365	1,283	1,370
Borrowing - external	0	0	0	3,430
Total Funding	7,054	8,580	16,000	8,000

**APPENDIX B TO THE MINUTES OF THE RESOURCES COMMITTEE
MEETING 18 MAY 2022**

PRUDENTIAL INDICATORS	INDICATIVE INDICATORS				
	2022/23	2023/24	2024/25	2025/26	2026/27
	£m Estimate	£m Estimate	£m Estimate	£m Estimate	£m Estimate
Capital Expenditure					
Non - HRA	8.580	16.000	8.000	6.600	6.400
HRA (applies only to housing authorities)					
Total	8.580	16.000	8.000	6.600	6.400
Ratio of financing costs to net revenue stream					
Non - HRA	3.80%	3.48%	3.52%	3.82%	3.52%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000
Non - HRA	24,264	23,771	26,743	28,910	31,087
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	791	656	509	349	182
Total	25,055	24,426	27,252	29,259	31,269
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(610)	(628)	2,825	2,008	2,010
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(610)	(628)	2,825	2,008	2,010
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,071	25,553	28,638	30,549	33,335
Other long term liabilities	947	823	681	527	359
Total	27,018	26,376	29,319	31,076	33,693
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	24,857	24,364	27,301	29,104	31,780
Other long term liabilities	907	791	656	509	349
Total	25,765	25,155	27,957	29,613	32,130
Maximum Principal Sums Invested over 364 Days					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2022/23		
Under 12 months	30%	2%
12 months and within 24 months	30%	4%
24 months and within 5 years	50%	13%
5 years and within 10 years	75%	1%
10 years and above	100%	80%

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Agenda Item 7

REPORT REFERENCE NO.	DSFRA/22/13
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	10 JUNE 2022
SUBJECT OF REPORT	INTERNAL AUDIT SERVICE PROVISION
LEAD OFFICER	Director of Governance & Digital Services
RECOMMENDATIONS	<p><i>(a). that the decision of the Audit & Governance Committee on 10 May 2022 to support, in principle, Authority membership of the Devon Audit Partnership (DAP) shared service agreement as a full, voting, partner be noted; and</i></p> <p><i>(b). that the Authority approves such membership, subject to confirmatory legal advice on the terms of any Deed of Variation required to facilitate membership.</i></p>
EXECUTIVE SUMMARY	<p>Internal Audit provides an essential independent assurance function for the Service. The Head of Organisational Assurance commissioned an internal review of the Internal Audit function in 2021. The outcome of this review, coupled with the invitation from Devon Audit Partnership (DAP) to join the Partnership, has created an opportunity to review the provision of internal audit for the Devon & Somerset Fire & Rescue Service (the Service).</p> <p>The business case submitted as Appendix A sets out the options for delivery of internal audit.</p>
RESOURCE IMPLICATIONS	As set out in the appended outline business case.
EQUALITY RISKS AND BENEFITS ANALYSIS	ERBA completed and submitted as Appendix B to this report.
APPENDICES	<p>A. Internal Audit Service Provision Full Business case.</p> <p>B. ERBA</p>
BACKGROUND PAPERS	<p>Local Government Act 1972</p> <p>The Devon & Somerset Fire & Rescue Authority (Combination Scheme) Order 2006 (as amended)</p>

1. OPTIONS AND PROPOSAL

- 1.1. The Devon & Somerset Fire & Rescue Service (the Service) has five models of internal audit provision to choose from:
- Co-sourcing/partial out-sourcing: A blend of resources from within the Service and a third-party provider of internal audit services. This is the model currently in operation.
 - Internal Sourcing: Resources provided solely by the Service.
 - Outsourcing: Resources provided entirely by a third-party provider of internal audit services.
 - Membership of a Partnership shared service arrangement with Devon Audit Partnership as a “non-voting” partner.
 - Membership of a Partnership shared service arrangement with Devon Audit Partnership as a “full partner”.
- 1.2. Each of these models has been considered with reference to quality and cost of service in an outline business case.
- 1.3. The full business case was considered by Executive Board on 21 April 2022. The Executive Board decision was to recommend support for Service internal audit provision by a shared service arrangement with the Devon Audit Partnership (DAP), facilitated by the Authority becoming a full, voting partner of DAP, for the following reasons:
- Enhanced quality of service.
 - Reduced risk in that internal auditors will be qualified and / or professionally supervised, will be maintaining their continuing professional development and there will be greater ability to flex resource to address absence or independence issues.
 - Reduction in internal full time equivalent staff.
 - Financial savings in the region of £13,000 per annum (full year effect).
- 1.4. This issue (including the full Business Case now attached) was considered by Audit & Governance Committee on 10 May 2022. The Committee resolved to support, in principle, membership by the Authority of the Devon Audit Partnership subject to final approval by the full Authority at this meeting and to confirmatory legal advice on any terms proposed for the Deed of Variation that would be required for joining the partnership (Minute *AGC/21/27 refers).
- 1.5. Further to Audit & Governance Committee in principle decision, the DAP Partnership Board meeting on 23 May 2022 recommended that the DAP Partnership Committee support an application by the Authority.

2. LEGAL CONSIDERATIONS

- 2.1. DAP is established as a joint committee under Section 101 of the Local Government Act 1972. This Section applies expressly to this Authority by virtue of the Combination Scheme Order establishing the Authority. Consequently, the Authority has the legal power to enter into the arrangement with the Devon Audit Partnership. This will require, however, a Deed of Variation to the original Partnership Agreement. Legal advice will be sought as to any such proposed Deed of Variation to support any final decision on entering the partnership arrangement.

3. PROPOSED NEXT STEPS

- 3.1. Subject to the approval of the Authority, the DAP Partnership Committee will determine the application from the Authority to join Devon Audit Partnership as a voting partner at its meeting on 12 July 2022.

MIKE PEARSON

Director of Governance & Digital Services

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**DEVON &
SOMERSET**
FIRE & RESCUE SERVICE

Internal Audit Service Provision

Full Business Case

This document provides EB with a number of options for consideration to determine the future model for provision of Internal Audit Services within DSFRS.

Proposal Sponsor: Mike Pearson, Director of Governance & Digital

Author: Julie Morgan, Head of Organisational Assurance

Release: Draft

Version: 1.0

05/04/2022

Project Path

- Internal review of Internal Audit
- Full Business Case with recommended option to EB
- Approval from Fire Authority to proceed

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Document history

Version	Date	Changes	Author
0.1	05/04/2022	Draft FBC for consideration by EB	Julie Morgan

1. Executive Summary

Internal Audit provides an essential independent assurance function for the Service. The Head of Organisational Assurance commissioned an internal review of the Internal Audit function in 2021. The outcome of this review, invitation from Devon Audit Partnership (DAP) to join the Partnership and the resignation / transfer of both job share Corporate Assurance Managers has created an opportunity to review how the Service provides its corporate assurance and internal audit activity. This business case addresses the options for delivery of internal audit. A second options paper will be presented to EB to consider the future structure and role of the Assurance Team.

The Service has five models of internal audit service delivery to choose from:

- Co-sourcing / partial out-sourcing: A blend of resources from within the Service and a third-party provider of internal audit services. This is the model currently in operation.
- Internal Sourcing: Resources provided solely by the Service.
- Outsourcing: Resources provided entirely by a third-party provider of internal audit services.
- Membership of a Partnership shared service arrangement with Devon Audit Partnership as a “non-voting” partner.
- Membership of a Partnership shared service arrangement with Devon Audit Partnership as a “full partner”.

The Public Sector Internal Audit Standards (PSIAS) set basic principles for carrying out internal audit in the UK public sector and establish a framework for providing internal audit services. The PSIAS require that internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications. Internal auditors must also enhance their knowledge, skills and other competencies through continuing professional development. In addition, the PSIAS require that engagements must be properly supervised to ensure that objectives are achieved, quality is assured and staff are developed.

The Audit & Review Manager(s) and Corporate Assurance Manager(s) are not professionally qualified for their roles. Whilst the Head of Organisational Assurance is qualified, there is no capacity within that role to effectively manage the internal audit function and continued management oversight at this level in the management structure is not desirable; ideally internal audit would be professionally managed at the Corporate Assurance Manager level. In order to bridge the capacity and capability gap, professional supervision days are now procured from DAP but this

support has limitations and erodes the audit delivery days that the Service has budgeted to procure from DAP.

If the internal audit service was retained partially or wholly in house, in order to secure compliance with the PSIAS, the Service would need to develop and invest in a Quality Assurance Improvement Programme. This includes an internal improvement plan, self-assessment every 2-3 years against the PSIAS and then a formal external review commissioned in 5 years.

The internal audit team is very small, but effective delivery of their role requires expertise in a growing range of specialist skills such as IT audit, data analytics and in-depth knowledge of different regulatory regimes. It can be difficult and expensive to recruit, retain and invest in people with specialist skills. The impact of financial pressures in the short to medium term risks a reduction in professional training, continuing professional development or reduction in the DAP contract which would have a detrimental impact on the volume and/or quality of internal audit work that the Service is able to provide and therefore on the annual Head of Internal Audit opinion.

Each of the service delivery models has been considered within this business case with reference in particular to quality and cost of service.

Options 1 and 2 which facilitate the retention of an in house service in whole or in part are considered to be untenable because even if they had the benefit of investment of money and time they are unable to effectively deliver the requirements of a professional internal audit service because of the size of the team.

This business case recommends approval of option 5, membership of the DAP Partnership shared service arrangement as a “voting” partner. This option addresses the concerns identified with the current arrangements, will deliver enhanced quality of service and at reduced cost. This option also offers benefits in addition to those presented through outsourcing or membership of DAP as a “non-voting” partner.

2. Introduction

2.1 Background

The Institute of Internal Auditors (IIA) defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

The IIA's three lines model, illustrated on page 5, explains how key organisational roles work together to facilitate strong governance and risk management.

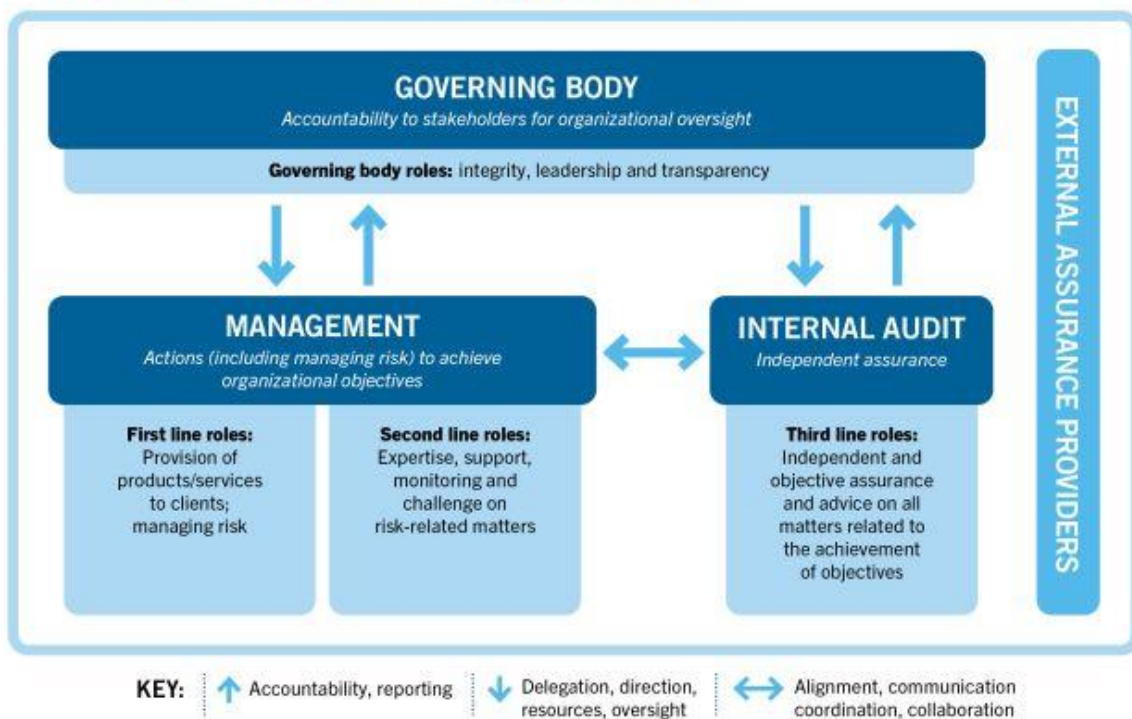
Management functions undertake action to achieve organisational objectives. The 'first line' (team / department) identifies risks and improvement actions, implements

controls, reports on progress and provides management assurance. The ‘second line’ (e.g. Health & Safety Team, Risk Management and Information Governance) provides expertise, support, monitoring and challenge to the first line.

Internal Audit is an independent ‘third line’ function reporting directly to the highest point of authority in the organisation (the governing body - audit committee), providing advice, insight, and continuous improvement, but at the same time supporting management in their role. Because of internal audit’s independence from management, the assurance it provides carries the highest degree of objectivity and confidence beyond that which those with first and second line roles can provide to the governing body, irrespective of reporting lines. To enable the internal audit function to effectively fulfil this role, it needs to have the right skill sets, practices, tools and technology.

The governing body, typically, the board and its sub-committees is accountable to stakeholders for organisational oversight.

The IIA’s Three Lines Model (2020)



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The Head of Organisational Assurance commissioned an internal review of the Internal Audit function in 2021. The outcome of this review, invitation from Devon Audit Partnership to join the Partnership and the resignation / transfer of both job share Corporate Assurance Managers has created an opportunity to review how the Service provides its Corporate Assurance and Internal Audit activity.

The Service has five models of internal audit service delivery to choose from:

1. Co-sourcing / partial out-sourcing: A blend of resources from within the Service and a third-party provider of internal audit services.
2. Internal Sourcing: Resources provided solely by the Service.
3. Outsourcing: Resources provided entirely by a third-party provider of internal audit services.
4. Membership of a Partnership shared service arrangement with Devon Audit Partnership as a “non-voting” partner.
5. Membership of a Partnership shared service arrangement with Devon Audit Partnership as a “full partner”.

Please note, in all the options outlined above the word “resources” includes the people, processes, methodologies, technologies and tools required to carry out the internal audit service.

Irrespective of the model chosen, management must retain responsibility for the systems of internal control and the Audit & Governance Committee must retain oversight of the Internal Audit function. This includes approval of the internal audit objectives and/or strategy and any performance measures.

2.2 Key objectives

The key objective of this business case is to set out the risks and benefits for each of the models available for the delivery of an internal audit service and to make a recommendation on the preferred option.

2.3 Project scope

The current Internal Audit arrangements are as follows:

- One Full Time Equivalent (FTE) Audit & Review Manager, Grade 7 on a 2 year Fixed Term appointment covering the secondment of one permanent FTE to Her Majesty’s Inspectorate of Constabulary and Fire until 28 February 2023.
- One FTE Internal Auditor Grade 5 on a 2 year Fixed Term appointment to 15 November 2023.
- Outsourced Internal Audit provision with Devon Audit Partnership: 67 days provided annually with the flexibility to increase/decrease internal audit days as required (existing contract due to expire March 2023). Note that increasing day rate costs have reduced this provision to 63 days for 2022/23.

The post in scope for consideration for TUPE (transfer of undertakings) transfer is the substantive Audit & Review Manager. The revenue budget associated with this post and provision of the DAP contract is within scope for this proposal.

The FTE Internal Auditor Grade 5 on a 2-year Fixed Term appointment is considered out of scope. This post is funded through the Earmarked Reserves to enhance our assurance capability so will be retained to support the internal assurance team.

3 Strategic case

3.1 The strategic context

The Corporate Assurance and Internal Audit team provide an essential assurance function for the Service.

Assurance is an objective review of evidence for the purpose of providing an independent assessment on governance, risk management and control processes. It is a positive declaration intended to give confidence. In other words, assurance is having the insight to know:

- how you are doing in terms of what you should be doing (compliance); and
- how you are doing in terms of what you want to be doing (objectives).

3.2 The case for change

An internal review of the Internal Audit in house team has been undertaken over the past year to:

- ensure that the team is appropriately qualified;
- establish whether the existing size of the internal audit service is sufficient to meet the Service's needs;
- review compliance with professional standards;
- appraise different models of service delivery; and
- consider the use of audit management software.

The outcome of this review has established that:

- The team is not appropriately qualified. The team will need significant investment in training and development to address this.
- The Service would need to develop and implement a training and development plan and Quality Assurance and Improvement Programme to work towards compliance with the relevant professional standards.
- There are five different models of service delivery that have been considered which are assessed within this paper.
- The use of technology would undoubtedly support delivery of a more efficient and effective service. Outsourcing or Partnering would immediately address this since internal audit providers tend to already be using audit management software.

It is not possible at this stage to determine whether the existing size of the assurance and internal audit teams is sufficient to meet the Service's assurance needs; this is considered within the options to be reviewed for the future of the Assurance Team which will be the subject of a separate paper to EB.

The Public Sector Internal Audit Standards (PSIAS) set basic principles for carrying out internal audit in the UK public sector and establish a framework for providing internal audit services. The PSIAS require that internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications. Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. The PSIAS also require that engagements must be properly supervised to ensure that objectives are achieved, quality is assured and staff are developed.

The Audit & Review Manager(s) and Corporate Assurance Manager(s) are not professionally qualified for their roles. Whilst the Head of Organisational Assurance is qualified, there is no capacity within that role to effectively manage the internal audit function and continued management oversight at this level in the management structure is not desirable; ideally internal audit would be professionally managed at the Corporate Assurance Manager level. In order to bridge the capacity and capability gap, professional supervision days are now procured from DAP but this support has limitations and erodes the audit delivery days that the Service has budgeted to procure from DAP.

If the internal audit service was retained partially or wholly in house, in order to secure compliance with the PSIAS, the Service would need to develop and invest in a Quality Assurance Improvement Programme. This includes an internal improvement plan, self-assessment every 2-3 years against the PSIAS and then a formal external review commissioned in 5 years.

The internal audit team is very small, but effective delivery of their role requires expertise in a growing range of specialist skills such as IT audit, data analytics and in-depth knowledge of different regulatory regimes. It can be difficult and expensive to recruit, retain and invest in people with specialist skills. The impact of financial pressures in the short to medium term risks a reduction in professional training, continuing professional development or reduction in the DAP contract which would have a detrimental impact on the volume and/or quality of internal audit work that the Service is able to provide and therefore on the annual Head of Internal Audit opinion.

3.3 Devon Audit Partnership

Devon Audit Partnership (DAP) provides Internal Audit, Risk Management and Counter Fraud services. DAP is a non-profit shared service arrangement, founded in April 2009, that was set up by Devon, Torbay and Plymouth Local Authorities constituted under section 20 of the Local Government Act 2000.

Torrige District Council joined as a non-voting member, and as a full member from April 2017. Mid Devon District Council joined as a non-voting member during 2017/18 and became a full member from April 2018. South Hams and West Devon Councils joined as non-voting members in September 2019. North Devon joined as a full member in April 2020.

Devon County Council acts as host to the Partnership, and provides services such as payroll, insurance, HR and legal services

The governance arrangements consist of a Partnership Committee and a Partnership Board. The Partnership Committee consists of two members from each partner council (i.e. Plymouth, Torbay, Devon, Torridge and Mid Devon) with two invited members from South Hams and West Devon. The two members are generally the Chair and Vice Chair of the partner Audit Committee. The Terms of Reference for the Partnership Committee are to:

- Receive and consider reports from the Management Board, the Head of Internal Audit Partnership, External Audit and the Host Council.
- Approve the annual accounts of the Partnership.
- Approve the budget in respect of the Audit Partnership functions.
- Approve the future appointment and dismissal or removal of the Head of Internal Audit Partnership.
- Approve changes to the Partnership Client base, trading agreements, charging policies and other necessary matters pertaining to the future operations of the Partnership.
- Resolve any disputes that are still unresolved after reference to the Management Board.

The Chair of the Partnership rotates annually, with each partner taking its turn to be Vice Chair and then Chair.

The Partnership Board consists of the Section 151 Officer from each partner (i.e. Plymouth, Torbay, Torridge, Devon, Mid Devon, North Devon, South Hams, West Devon) plus the Head of Partnership. The Terms of Reference for the Partnership Board are to:

- Recommend the budget subject to Partnership approval
- Approving all changes to budgets subject to the approval of the Partnership where appropriate.
- Receiving and approving performance reports from the Head of Internal Audit Partnership.
- The carrying out of any Performance Reviews.
- Setting and reviewing the performance of the Partnership.
- Resolving Disputes.
- Accommodation responsibility

The Head of DAP delivers the objectives and targets set by the Board and Committee and manages the operation of the Partnership.

The Partnership is supported by a formal agreement between the partner councils. This provides for Devon Audit Partnership to undertake internal audit for each of the partners over a seven-year period, with a review of arrangements taking place after five years (next due 2022). Where relevant, agreements are in place for the provision of counter fraud and risk management services. The partnership agreement has a “rolling” element i.e. the 7-year life is renewed at the start of each financial year; this is important, as it enables the partnership to tender for work on a continual basis.

Since creation, the Partnership has:

- Brought together three teams into one; introduced an electronic, partnership wide, audit management system; restructured and reduced managerial posts.
- Substantially and successfully reduced costs - £2.3m saving between 2009 and 2016.
- Maintained input (days), improved quality (accreditation to the Customer Service Excellence standard) and maintained and developed professional standards (IIA accredited).
- Built on their client base, and now serve 19 organisations.
- Had a healthy turnover of staff but has been able to retain and recruit quality staff.

The Partnership works to professional guidelines which govern the scope, standards and conduct of Internal Audit and Risk Management; for example as set down in the Public Sector Internal Audit Standards (the PSIAS). The Partnership was externally assessed as “conforming” to these standards and the Code of Ethics in December 2021. A rolling development plan of improvements to the service and customers is maintained.

The Counter Fraud Team adheres to all professional and legally required standards such as the Criminal Procedure & Investigations Act 1996 (CPIA) and the Police and Criminal Evidence Act 1984 (PACE) and all team members are professionally accredited counter fraud specialists or technicians.

The Partnership agreement allows for other organisations to join the Partnership in a relatively simple manner. There is no requirement to tender because the Partnership is a Teckal compliant organisation. In order to ensure that the Partnership can plan effectively in the way that it delivers services, the agreement requires Partners to provide 12 months’ notice if they wish to leave the Partnership.

The charging model is a composite day rate (expected to be £REDACTED in 2022/23).

4 Economic Case

4.1 Option One – Do nothing

This option would mean that the Service would retain the current co-sourcing / partial out-sourcing arrangement: a blend of resources from within the Service and a third-party provider of internal audit services, currently DAP.

Whilst this option would mean no additional cost to the Service and no disruption to the Service or the internal audit team, there will be a significant elapsed time before improvements to the quality of the service can be realised and there is limited opportunity to mitigate the key risks outlined below.

Risks	Impact
Non-compliance with the Public Sector Internal Audit Standards for the in-house service provision.	Reduced quality of work provided. Procurement of professional supervision days from DAP erodes the audit delivery days that the Service has budgeted to procure from DAP.
Limited access to the broad range of specialist skills required to deliver an effective audit service because these cannot be provided by a small internal team and there is limited budget to procure these days from DAP.	Reduced breadth and quality of work provided limiting the coverage of all of the Service's most significant risks. Detrimental impact on the annual Head of Internal Audit opinion.
The impact of financial pressures in the short to medium term risks a reduction in professional training, continuing professional development or reduction in the days contracted from DAP.	Detrimental impact on the volume and/or quality of internal audit work that the Service is able to provide and therefore on the annual Head of Internal Audit opinion.
An analysis of cost in section 5 indicates that the in house audit provision is not as efficient as the service provided by DAP.	The Service is not achieving value for money in its internal audit provision.
The majority of the audit service is delivered by one post holder. There are no cover arrangements for this individual in the event of absence.	Significantly reduced audit coverage impacting on the Head of Internal Audit opinion and the assurance provided to the Service. Budgetary pressure if days are procured from DAP to cover the shortfall.
Familiarity can be a threat. Long term employment of the in house provision risks that they become overly familiar with audit areas and the audit scope and opinion may be influenced by	Impairment to independence or objectivity in the work performed by the in house provision diminishing the quality of the assurance provided and therefore

Risks	Impact
personal relationships or by the influence of management. Over time it is more challenging for that individual to bring a fresh perspective and identify key issues.	impacting the quality of the annual Head of Internal Audit opinion.

Benefits	Impact
No disruption to the internal audit team.	Staff remain with the organisation.
Knowledge and experience is kept within the Service	This in itself can present a risk as detailed above.

4.2 Option Two - Internal Sourcing: Resources provided solely by the Service

This option would mean that the Service would not seek to tender for an externally provided internal audit service when the current contract with DAP expires in March 2023. Delivery of the audit plan would rest with the internal team. In order to achieve this, the Service would need to recruit another individual to cover the balance of days or accept a reduction in audit provision which would impact the quality of the Head of Internal Audit opinion.

Risks	Impact
Non-compliance with the Public Sector Internal Audit Standards for the in-house service provision.	Reduced quality of work provided. Procurement of professional supervision days would need to be included within the budget. Investment of resource (time and money) required to develop and deliver a Quality Assurance Improvement Programme.
No access to the broad range of specialist skills required to deliver an effective audit service because these cannot be provided by a small internal team.	Reduced breadth and quality of work provided limiting the coverage of all of the Service's most significant risks and detrimental impact on the annual Head of Internal Audit opinion.
The impact of financial pressures in the short to medium term risks a reduction in professional training and continuing professional development.	Detrimental impact on the volume and/or quality of internal audit work that the Service is able to provide and therefore on the annual Head of Internal Audit opinion.
An analysis of cost in section 5 indicates that the in house audit provision is not as efficient as the service provided by DAP.	The Service is not achieving value for money in its internal audit provision.

Risks	Impact
The majority of the audit service is delivered by one post holder. There are no cover arrangements for this individual in the event of absence.	Significantly reduced audit coverage impacting on the Head of Internal Audit opinion and the assurance provided to the Service. Budgetary pressure if days are procured from DAP to cover the shortfall.
Familiarity can be a threat. Long term employment of the in house provision risks that they become overly familiar with audit areas and the audit scope and opinion may be influenced by personal relationships or by the influence of management. Over time it is more challenging for that individual to bring a fresh perspective and identify key issues.	Impairment to independence or objectivity in the work performed by the in house provision diminishing the quality of the assurance provided and therefore impacting the quality of the annual Head of Internal Audit opinion.
No service provision available to mitigate any known conflicts of interest or impairment to objectivity.	Lack of effective audit coverage impacting the level of assurance that the Service is able to rely upon.
Prolonged delivery of a sub optimal internal audit service.	Reduced quality of service and non-compliance with the Public Sector Internal Audit Standards.

Benefit	Impact
No disruption to the internal audit team.	Staff remain with the organisation.
Knowledge and experience is kept within the Service	This in itself can present a risk as detailed above.

4.3 Option Three – Outsourcing: Resources provided entirely by a third-party provider of internal audit services

This option would mean that the Service would seek to tender for an externally provided internal audit service when the current contract with DAP expires in March 2023.

Risks	Impacts
Tender process takes time and resource to deliver.	Internal resource is already stretched delivering other key priorities.
Prolonged delivery of a sub optimal internal audit service until the new contract is awarded.	Reduced quality of service and non-compliance with the Public Sector Internal Audit Standards.
The Service may not receive the quality of internal audit service expected.	Reduced quality of service and non-compliance with the Public Sector Internal Audit Standards.

Risks	Impacts
The successful provider may not be willing to provide employment for the Audit & Review Manager.	Termination of employment for the Audit & Review Manager.

Benefits	Impacts
Compliance with the Public Sector Internal Audit Standards (PSIAS).	Improved quality of service.
Appropriate skill mix to deliver a professional service.	Improved quality of service.
Ability to deliver audits where there is a conflict of interest or real or perceived threat to independence or objectivity.	Improved scope of service.
A larger internal audit service provider has the ability to more easily flex resource, cover skills gaps, rotate staff to maintain independence, provide effective day to day professional supervision and to provide education, training and continuing professional development.	Improved quality of service.

4.4 Option Four – Membership of the DAP Partnership shared service arrangement as a “non-voting” partner.

This option would mean that DAP would provide professional management of the internal audit team and internal audit service but employment of the staff would remain with the Service. The Service would have no voting rights in the Partnership. The Head of DAP has indicated that the Service would not be penalised for seeking to terminate our current contract early.

Risks	Impacts
The Service will not have any influence on the design and delivery of the Partnership service.	The internal audit service provided may not meet the Service’s needs.
Retain staffing risk in terms of recruitment and retention challenges and lack of cover in the event of absence.	Reduced audit coverage. Budgetary pressure if days are procured from DAP to cover the shortfall.
The Service could be missing out on more competitive service provision from other suppliers.	Opportunity for greater budget savings.
Share the burden of any financial losses incurred by the Partnership.	Budgetary pressure. The Partners contribute approximately £1.8m so the Service share of any loss would represent approximately REDACTED% of the liability. Since 2009 the Partnership has not made a loss.

Benefits	Impacts
Provision of a cradle to grave audit management system. This would include developing and delivering the audit plan, production of the year-end report and management of the relationship with Audit & Governance Committee.	Delivery of a consistent and professional audit service.
DAP is currently able to demonstrate accredited PSIAS compliance.	Improved quality of service.
Appropriate skill mix to deliver a professional service. The charging model of a composite rate also allows for access to specialist expertise. On occasion one Partner's audit plan may be richer in skill mix than others but this balances out across the Partnership over time.	Improved quality of service.
Ability to deliver audits where there is an internal conflict of interest or real or perceived threat to independence or objectivity.	Maintenance of effective audit coverage enhancing the level of assurance that the Service is able to rely on.
A larger internal audit service provider has the ability to more easily flex resource, cover skills gaps, provide effective day to day professional supervision and to provide education, training and continuing professional development.	Improved quality of service and more effective business continuity arrangements.
Ability to more easily maintain independence from Service management.	Enhances the quality of assurance that can be provided.
An analysis of investment in resource (see section 5) indicates that Partnering is more advantageous in that it can deliver more efficient service delivery reducing the budget required to maintain the same number of audit days.	Budget saving that can be re-invested into the Service.
There is scope to reduce funding by 10% per year if financial pressures warranted this.	Supports the need to deliver efficiency savings in the short to medium term. Caution should be applied here however because erosion of audit days will weaken the level of assurance that can be given and, as a result, will increase the risk of losses resulting from weak or inadequate controls.

Benefits	Impacts
A larger internal audit service provider has the ability to more easily flex resource, cover skills gaps, rotate staff to maintain independence, provide effective day to day professional supervision and to provide education, training and continuing professional development.	Improved quality of service.
Ability to deliver audits where there is a conflict of interest or real or perceived threat to independence or objectivity.	Improved scope of service.
12 months' notice to leave the Partnership as opposed to full contract term.	If the quality of service provision falls below that expected the Service can seek an alternative service provision quicker than for option 3.
The Audit & Review Manager would have continued employment.	Protection of employment and terms and conditions.
The Service already has a good working relationship with DAP and DAP understands the Service.	Enhanced quality of service compared to an alternative service provider if option 3 was the preferred option.
The Partnership facilitates wider sharing of knowledge between partners and access to wider knowledge sharing networks.	Opportunity to learn from best practice in other sectors. This also supports delivery of a more effective audit service where the same audit is conducted across a number of Partners.
Benefits for Partnership Committee members in coming together.	Opportunity to learn from best practice in other organisations.
A tender process takes time. As DAP is a Teckal organisation the Service would avoid having to go through a procurement process.	This could be seen as a benefit in terms of time saved.

4.5 Option Five – Membership of the DAP Partnership shared service arrangement as a “voting” partner.

This option would mean that the internal audit budget and staff would transfer to DAP and they would provide the internal audit service in its entirety. The Service would have representation on Partnership Committee and Partnership Board. The Head of DAP has indicated that the Service would not be penalised for seeking to terminate our current contract early.

Risks	Impacts
The Service could be missing out on more competitive service provision from other suppliers.	Opportunity for greater budget savings.

Risks	Impacts
Share the burden of any financial losses incurred by the Partnership.	Budgetary pressure. The Partners contribute approximately £1.8m so the Service share of any loss would represent approximately REDACTED% of the liability. Since 2009 the Partnership has not made a loss.

Benefits	Impacts
Provision of a cradle to grave audit management system. This would include developing and delivering the audit plan, production of the year-end report and management of the relationship with Audit & Governance Committee.	Delivery of a consistent and professional audit service.
DAP is currently able to demonstrate accredited PSIAS compliance.	Improved quality of service.
Appropriate skill mix to deliver a professional service. The charging model of a composite rate also allows for access to specialist expertise. Sometimes one Partner's audit plan may be richer in skill mix than others but this balances out across the Partnership over time.	Improved quality of service.
Ability to deliver audits where there is an internal conflict of interest or real or perceived threat to independence or objectivity.	Maintenance of effective audit coverage enhancing the level of assurance that the Service is able to rely on.
A larger internal audit service provider has the ability to more easily flex resource, cover skills gaps, provide effective day to day professional supervision and to provide education, training and continuing professional development.	Improved quality of service and more effective business continuity arrangements.
Ability to more easily maintain independence from Service management.	Enhances the quality of assurance that can be provided.
An analysis of investment in resource (see section 5) indicates that Partnering is more advantageous in that it can deliver more efficient service delivery reducing the budget required to maintain the same number of audit days.	Budget saving that can be re-invested into the Service.

Benefits	Impacts
There is scope to reduce funding by 10% per year if financial pressures warranted this.	Supports the need to deliver efficiency savings in the short to medium term. Caution should be applied here however because erosion of audit days will weaken the level of assurance that can be given and, as a result, will increase the risk of losses resulting from weak or inadequate controls.
A larger internal audit service provider has the ability to more easily flex resource, cover skills gaps, rotate staff to maintain independence, provide effective day to day professional supervision and to provide education, training and continuing professional development.	Improved quality of service.
Ability to deliver audits where there is a conflict of interest or real or perceived threat to independence or objectivity.	Improved scope of service.
12 months' notice to leave the Partnership as opposed to full contract term.	If the quality of service provision falls below that expected the Service can seek an alternative service provision quicker than for option 3.
The Audit & Review Manager could have continued employment and would TUPE across to DAP on their current terms and conditions.	Protection of employment.
The Service already has a good working relationship with DAP and DAP understands the Service.	Enhanced quality of service compared to an alternative service provider if option 3 was the preferred option.
The Service can choose to leave the Partnership provided that 12 months' notice is given.	Benefit over an outsourced a contract option which would tie the Service for the contract period.
The Partnership facilitates wider sharing of knowledge between partners and access to wider knowledge sharing networks.	Opportunity to learn from best practice in other sectors. This also supports delivery of a more effective audit service where the same audit is conducted across a number of Partners.
Benefits for Partnership Committee members in coming together.	Opportunity to learn from best practice in other organisations.
A tender process takes time. As DAP are classed as a Teckal organisation the Service would avoid having to go through a procurement process.	This could be seen as a benefit in terms of time saved.
Partnership provides a seat on DAP's Board.	Provides the ability to influence and steer the Partnership.

Benefits	Impacts
Remove staffing risk in terms of recruitment and retention challenges and lack of cover in the event of absence.	Maintenance of ability to deliver the audit plan and Head of Internal Audit opinion.
Consistency in service provided.	Improved quality of service.

5 Financial case

An analysis of the current arrangement versus what could be procured from DAP for the same investment or the cost for maintaining the same number of deliverable audit days as at present is detailed below. This demonstrates that the Partnership option is more cost efficient for the same number of audit days.

Option	DAP	Audit & Review Manager	Total Days Available
Current arrangement £REDACTED	£REDACTED contract per annum which gives: <ul style="list-style-type: none"> 51 days audit at a day rate of £REDACTED (63 days if Quality Assurance (QA) not required). 12 days QA, at a day rate of £REDACTED. Additional / specialist work is contracted at a day rate of £REDACTED.	£51,071 inc. on costs 115 productive audit days per annum	178 audit days if QA days not required (approx. 9 audits) Including QA days, 166 audit days, approx. 8 audits)
Partnering Option 1 £REDACTED	£REDACTED Deduction made for Annual Statement of Assurance which shouldn't be completed by Internal Audit as it is now. Day rate £REDACTED.	N/A	210 audit days (approx. 10 audits)
Partnering Option 2 £REDACTED	£REDACTED Day rate £REDACTED.	N/A	178 audit days (approx. 9 audits)

A comparison of the costs for each option is as follows:

5.2.1 Option one costs – Do Nothing

Cost item	Year one	Year two	Year three	Year four	Year five	Total
Audit & Review Manager	£51,071	£52,092	£53,134	£54,197	£55,281	£265,775
DAP	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Total						£REDACTED

5.2.2 Option two costs – Internal sourcing

Cost item	Year one	Year two	Year three	Year four	Year five	Total
Audit & Review Manager	£51,071	£52,092	£53,134	£54,197	£55,281	£265,775
Additional Grade 5 resource 63 days 0.4 FTE	Funded by earmarked reserves (EMR)	EMR 7 months £6,213	£15,209	£15,513	£15,823	£52,758
Professional training	Fund via apprenticeship but need to provide 20% off the job learning which will impact deliverable audit days.					
Professional supervision 12 days PA	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Specialist expertise	Would need to be procured as required.					
Total						£REDACTED

5.2.3 Option three costs – Outsourcing

Cost item	Year one	Year two	Year three	Year four	Year five	Total
External Provider	Not possible to cost without undertaking a tendering exercise.					

5.2.4 Option four and five costs – Partnership

Cost item	Year one	Year two	Year three	Year four	Year five	Total
DAP	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	£REDACTED

The financial comparison has assumed:

- 3% increase in DAP day rate for the Partnering option per annum based on the increase for 2022/23;
- 2% increase in internal staff costs due to the annual pay award; and
- 2.9% increase in the cost of the current DAP contract. This doesn't consider the impact of new contract terms from 2023.

The existing revenue budget (£REDACTED) for the current Internal Audit team and DAP contract will cover the cost of the services to be provided by DAP if we entered a partnership arrangement. Assuming a partnership start date of 1 September 2022, this would release a budget saving of £REDACTED in 2022/23 and £REDACTED in 2023/24. The re-allocation of this budget saving is the subject of the second options paper to be presented to EB to consider the future structure and role of the Assurance Team.

6. DAP Financial Position

DAP's reported position is detailed below:

Year	Revenue Outturn	Reserves
2018/19	Operating surplus £26,446	£212k
2019/20	Operating surplus £8,781	£221k
2020/21	Zero - no surplus to allocate to Partners but also no requirement to draw from the DAP reserves for any potential loss. Reduced activity due to the Covid pandemic, especially in relation to work with maintained schools which had been closed for a considerable period.	£221k
2021/22 projected	Operating surplus £2,500	
2022/23 projected	Operating surplus £1,500	
2023/24 projected	Operating surplus £3,500	
2024/25 projected	Operating surplus £1,500	
2025/26 projected	Operating surplus £500	

<https://democracy.devon.gov.uk/documents/s38782/DAP%20BUSINESS%20PLAN%202021%20to%202026%20V1.2.pdf>

7 Benefit realisation

It is anticipated that a Partnership or outsourced function could deliver immediate benefits in terms of:

- compliance with the relevant professional standards;
- access to a broader skill set and expertise which would provide a more robust level of assurance for the Service;
- cost saving.

8 Conclusion

It is not considered to be a viable option to maintain the status quo. Internal Audit is a professional service that provides a key source of independent assurance to the Service and the Fire Authority. In order to do this effectively the audit team should be appropriately skilled and qualified, subject to professional supervision and working in compliance with professional standards for service delivery. The size of the Service and its current internal audit team does not make this a practical option to maintain a purely internal or co-sourced function.

Some benefits could be realised by outsourcing the service in its entirety. However this is not considered to be a favourable option because this would not be realised until April 2023 and this option puts the employment of the Audit & Review Manager at risk.

Partnership provides numerous benefits to the Service as set out in this paper including benefits that set this apart from a purely outsourced arrangement.

9 Recommendation

This business case recommends approval of option 5 Membership of the DAP Partnership shared service arrangement as a “voting” partner for the following reasons:

- Improved quality of service.
- Reduction in cost.
- Reduction in the risk associated with employment of staff.

The Democratic Services Manager has confirmed that the Authority has all the vires to enter into the Partnership with DAP. It is recommended that the Draft Variation to the Partnership Agreement supporting this arrangement be subject to legal advice before final approval.

The Corporate Assurance Manager / Head of Organisational Assurance will retain a relationship management role with regard to internal audit rather than a staff management role.

Subject to approval from EB, the indicative timetable to take this option forwards is set out in the table below.

Date	Meeting	Purpose
April / May	Not applicable	Soft consultation with the internal audit team. HR has recommended that this does not commence until EB has made a decision on the preferred option.

Date	Meeting	Purpose
10 May 2022	Audit and Governance Committee	Presentation of a Part 2 paper for an In Principle decision to recommend that the Authority joins DAP as a voting Partner subject to staff consultation. The Head and / or Deputy Head of DAP will attend the meeting to support this discussion.
23 May 2022	DAP Partnership Board	To make a recommendation to Partnership Committee that supports the application based on the In Principle decision from Audit and Governance Committee.
10 June 2022	Fire Authority	Presentation of business case seeking approval for the Authority to join DAP as a voting partner.

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Equality Risks and Benefits Analysis form

Diversity and Inclusion team

This form should be completed with the ERBA guidance. Only ERBAs approved by the team should be saved on the SIP

Name of policy/project	Review of Internal Audit Service Provision
Main purpose	Review options for delivery of the Internal Audit service
Policy/project author/lead	Julie Morgan, Head of Organisational Assurance
Summarise the data, research, information or evidence used to inform this analysis.	Public Sector Internal Audit Standards Chartered Institute of Internal Audit technical guidance

Equalities assessment				
Characteristic	Neutral <small>(x)</small>	Negative <small>(enter score likelihood x impact =)</small>	Positive <small>(x)</small>	Describe the particular characteristic you are assessing and explain: Negative: What are the risks? Positive: What are the benefits and/or opportunities?
Age	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Disability (all forms, visible or invisible)	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Sex, male or female	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Sexual orientation	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.



Equality Risks and Benefits Analysis form
Diversity and Inclusion team

Marriage and civil partnership				The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Pregnancy and maternity				The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Race	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Religion and belief (including lack of belief)	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Gender reassignment	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.
Other considerations (eg applying across communities/protected characteristics; socio-economic factors; drug & alcohol dependency; safeguarding; rural living; human rights.)	<input checked="" type="checkbox"/>		<input type="checkbox"/>	The different options for delivery of internal audit are all considered with reference to compliance with professional standards and ability to deliver a quality service. Any reasonable adjustments required for the individual(s) affected by the outcome of this review would be considered and implemented where required.

Further considerations



Equality Risks and Benefits Analysis form Diversity and Inclusion team

How does the policy or project.....	
...support our core values: we are proud to help; we are honest; we are respectful; we are working together.	Internal Audit provides an independent and objective assurance function for the Service. Compliance with professional standards and code of ethics reflects the Service's core values.
...impact on the service priority to increase the diversity of the workforce through recruitment, retention, development and inclusive working practices.	Not applicable at this stage. Any future recruitment would consider this priority.
...affect different contract types, for example on call, wholetime, part time workers.	The review directly impacts the Corporate Assurance Manager, substantive Audit & Review Manager, the FTC Audit & Review Manager and the FTC Auditor. The Corporate Assurance Manager post is currently vacant. No impact to any of the other roles if the service is retained wholly or partially in house. If the service is outsourced then the substantive and FTC Audit & Review Manager posts are both at risk. If the Partnership option is approved then the substantive and FTC Audit & Review Manager posts would TUPE to DAP. For both of the latter options the FTC Auditor would be retained in house to support the assurance team.

Consultation, decisions and actions		
If medium or high range results were identified who was consulted and what recommendations were given?		
Not applicable.		
Describe your decision having considered the recommendations		
Not applicable.		
List all actions identified to address/mitigate negative risk or to promote positive outcomes		
Action	Responsible person	Completion due date
Not applicable		
When, how and by whom will these actions be monitored?		
Not applicable		
Authorisation		
Policy/project author		
Name Julie Morgan	Date 22 April 2022	
Validated by (Line manager)		
Name	Date	
Forward to diversity & inclusion team		



**Equality Risks and Benefits Analysis form
Diversity and Inclusion team**

Reviewed by (name)	ERBA number
Date	Policy/ERBA review date:

Email the ERBA and draft policy to .cweteam@dsfire.gov.uk



Agenda Item 8

REPORT REFERENCE NO.	DSFRA/22/14
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (Ordinary Meeting)
DATE OF MEETING	10 JUNE 2022
SUBJECT OF REPORT	GOVERNMENT WHITE PAPER “REFORMING OUR FIRE AND RESCUE SERVICE”
LEAD OFFICER	Chief Fire Officer
RECOMMENDATIONS	<i>That the Audit & Government Committee be delegated authority to approve a final response from this Authority to the White Paper at its meeting scheduled for 22 July 2022.</i>
EXECUTIVE SUMMARY	This report advises of publication of the White Paper, responses to which are invited by 26 July 2022.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	N/A
APPENDICES	Nil.
BACKGROUND PAPERS	Home Office White Paper “Reforming Our Fire and Rescue Service” published May 2022

1. INTRODUCTION

- 1.1. Following the initial announcement in the House of Commons in March 2021, the Home Office published the White Paper “Reforming Our Fire and Rescue Service” on 18 May 2022.
- 1.2. Responses are invited to some 48 questions posed in the White Paper by the closing date of 11.59hours on 26 July 2022.
- 1.3. The White Paper proposes reforms to drive change and improvement in three areas:
 1. People;
 2. Professionalism; and
 3. Governance.
- 1.4. The main themes of these are set out in the following sections.
- 1.5. Building on previous fire and rescue reform, experiences during the pandemic, and the outcomes of inspections by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the stated ambition of the government is, through the White Paper, consultation and future legislation, to:

“...strengthen fire and rescue services across England...to develop services with communities at their heart that provide excellent support and development for their teams. This will be underpinned by clear decision-making processes and operational leaders who are empowered to plan and respond quickly to new challenges held to account by a single executive leader, ideally a directly elected politician. We want to ensure that services play to their strengths in responding to emergencies, as well as sharpen their focus on their prevention and protection functions. This will allow service leaders and their professional teams to face the future with confidence, reduce the risk of harm, and help keep people safe”.

2. PEOPLE

- 2.1. In the introduction to the White Paper, the Fire Minister, Lord Greenhalgh comments that the reform proposals in this area:

“...seek to introduce changes that will allow fire professionals to further develop their skills and thrive in their work. We want to clarify the role of fire and rescue services and of the firefighter, unlock talent and improve diversity within services, take action to ensure that we are supporting the creation of a positive culture, and further develop schemes to consistently identify and nurture talent. Finally, we will commission an independent review into the current pay negotiation process and consider if it is fit for a modern emergency service”.

3. PROFESSIONALISM

- 3.1. In the introduction to the White Paper, the Fire Minister, Lord Greenhalgh comments that the reform proposals in this area:

...seek to modernise the fire and rescue service, to enable greater professionalism and to ensure that we are recruiting and training our fire and rescue services to be the best that they can be. We want to increase professionalism by moving from a Fire Standards Board (which sets clear expectations for the sector) to the creation of a College of Fire and Rescue. We want to develop a mandatory 21st century leadership programme for progression to senior roles, set clearer entry requirements for recruitment, and put in place a statutory code of ethics and a fire and rescue service oath”.

4. GOVERNANCE

- 4.1. In the introduction to the White Paper, the Fire Minister, Lord Greenhalgh comments that the reform proposals in this area:

“...seek to strengthen governance arrangements across the sector. Out of 44 fire and rescue authorities, 38 operate a committee structure. We want to transfer fire functions to a single, elected – ideally directly elected – individual who would hold their operationally independent Chief Fire Officer to account. This person could be: a mayor who could delegate day-to-day oversight to a deputy mayor; or a council leader who could delegate to a cabinet member or a police, fire and crime commissioner. This effective political oversight would maintain and enhance public accountability”.

5. NEXT STEPS

- 5.1. By the time of this meeting, the Authority will already have had initial opportunity to discuss the White Paper at the Members’ Forum meeting held on 30 May 2022.
- 5.2. It is also intended that the White Paper be discussed further at the Members’ Forum meeting scheduled for 19 July 2022.
- 5.3. These discussions will be used to inform a proposed response from the Authority. Given the closing date for submission of response, it is recommended that the Audit & Governance Committee be delegated authority to approve a final response at its meeting scheduled for 22 July 2022.

LEE HOWELL
Chief Fire Officer

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