West Midlands Fire and Rescue Authority

Audit and Risk Committee

You are summoned to attend the meeting of Audit and Risk Committee to be held on Monday, 26 October 2020 at 10:30

to be held digitally via Microsoft Teams

for the purpose of transacting the following business:

Agenda – Public Session

1	To receive apologies for absence (if any)	
2	Declarations of interests	
3	Minutes of the Audit and Risk Committee held on 27 July 2020	**5 - 14**
4	Audit and Risk Committee Terms of Reference	**15 - 22**
5	Treasury Management Mid Year Review 2020-21	**23 - 36**
6	Request from Dependant for the Reinstatement of a Widows Pension	**37 - 40**
7	The Remedy Report	**41 - 52**
8	Audit Progress and Sector Update	**53 - 70**
9	Internal Audit - Progress Report	**71 - 78**
10	Update on Topical, Legal and Regulatory Issues (Verbal Report).	
11	Verbal Update on the Audit & Risk Work Programme	

<u>Distribution</u>:

David Barrie - Member, Manjit Gill - Vice Chair, Catherine Miks - Chair, Peter Miller - Member, Sybil Spence - Member

Clerk Name: Karen Gowreesunker

Clerk Telephone: 0121 380 6678

Clerk Email: Karen.Gowreesunker@wmfs.net

This meeting of the West Midlands Fire and Rescue Authority will be held digitally via Microsoft Teams. To access the meeting, please contact a member of the Strategic Hub, West Midlands Fire Service, who will be able to provide login details (please note that Microsoft Teams is not required to join a meeting).

Agenda prepared by Stephen Timmington

Strategic Hub, West Midlands Fire Service

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This agenda and supporting documents are also available electronically on the West Midlands Fire Service website at www.wmfs.net

Item 3

Minutes of the Audit and Risk Committee

27 July 2020 at 14.00hrs

Conducted as an online virtual meeting

Present: Councillor Catherine Miks (Chair), Councillor Gill (Vice Chair) Councillors Barrie, Miller, Spence, Mr Ager, Richard Percival (Grant Thornton) and Peter Farrow (Sandwell MBC)

Apologies: Karen Gowreesunker (Clerk to the WMFRA) Paul Gwyn (WMFS) Neil Chamberlain (West Midlands Police and Chair of WMFS Pension Board)

Officers in attendance: Mike Griffiths, Kal Shoker and Gary Taylor

13/20 **Declarations of Interest**

There were no declarations of interest registered.

14/20 **Minutes of the Audit and Risk Committee held on 01 June 2020**

Resolved that the minutes of the Audit and Risk Committee held on 01 June 2020 be approved as a correct record of proceedings.

15/20 **Audit Plan 2019-20**

Richard Percival of Grant Thornton presented the report detailing the Audit Plan 2019-20. It was explained the content of the report was completed pre-Covid-19 pandemic and there were no issues arising. The outcome was consistent with the previous years' audit, namely the similarity of Materiality level and management of risks specific to financial controls, valuation of pension liability and valuation of land and buildings. The audit concluded a satisfactory level of assurance on these items. The Audit advised that financial sustainability of the Fire and Rescue Authority is being well managed but will become an increasing focus for attention. The Committee were advised the information provided to the Auditors and its timeliness was to the usual high quality and integrity of West Midlands Fire Service.

A Member requested clarification on the marginal increase in the Audit Fee of £5,750. Richard Percival explained that the Financial Reporting Council (the Regulator) had raised the requirements placed upon auditors, which superseded the letting of the contract. This situation had been reported before to the Committee due to its occurrence in the previous year and was acknowledged by Members as being anticipated next year.

Richard Percival presented an update to the original audit, covering the period of the pandemic. The outcome was four areas for consideration, namely the impact of remote working, the volatility of property valuations, the uncertainty of financial outlook and disclosures within financial statements. The supplementary work had been completed within the original audit fee.

The Committee **approved** the report.

16/20 **<u>Informing the Audit Risk WMFRA 2019-20</u>**

Richard Percival of Grant Thornton presented the report. The context was explained that each year as part of Audit procedures, the Auditor must ask Management key questions. The responses to these questions should be considered by the Committee as part of the process and in fulfilling its Governance role.

The six areas under review are General Enquiries of Management, Fraud, Laws and Regulations, Going Concerns, Related Parties and Accounting Estimates. It was reported there were no issues arising or unexpected/unusual items for concern; it was considered that appropriate arrangements were in place to advise and manage risk.

Richard Percival drew the attention of the Committee to the on-going consultation on Firefighter Pension Reform. It was not anticipated to affect the 2019-20 Audit as the deadline was beyond its conclusion, however there were potential implications for future years. There were no questions from Members.

The Committee **noted** the content of the report and appendix.

17/20 **Audit Fees and the Sustainability of the Local Audit Market**

Richard Percival of Grant Thornton presented the report. The context was explained of a public sector audit market that had a high-risk profile and a low financial return. Consequently, the number of firms seeking market entry was low, together with recruitment and retention of skills and experience to deliver. The Committee were assured that Grant Thornton, as the largest provider, were not intending to leave the market. They are seeking to influence changes to the Public Sector Audit processes via their contribution to the Redmond Review.

There was additional commentary from Mike Griffiths who referenced content of previous reports to this meeting regarding impact upon Audit Fees, additional responsibilities on External Auditors placed by the Regulator and the general operability of the Public Sector Audit process.

The Committee **noted** the content of the report and appendices.

18/20 **WMFS Internal Audit Plan 2020-21**

Peter Farrow of Sandwell MBC presented the report detailing the Internal Audit Plan 2020-21. The Terms of Reference of Audits and sources/documents used were provided to the Committee. The functional areas within which subjects would be audited during the year will include Strategic Hub, Response, People, Community Risk Management, Finance and Resources. It was confirmed the plan will be relatively fluid in delivery, to account for the resetting of priorities and resource availability within the Service to accommodate the recovery phase of the pandemic.

A Member enquired why the Audit Plan appeared to feature so much ‘high’ within the RAG (Red, Amber, Green) rating. It was explained that the ratings were an assessment of risk assurance need for the Service and not a rating of performance as would be reported in a Risk Register.

A Member enquired why Data Protection featured as a high-risk assurance need. It was explained that the application of General

Data Protection Regulations was still relatively new and assurance of the understanding of their protocols was considered a business need.

The Committee **approved** the report.

19/20 **Governance Statement 2019-20**

Mike Griffiths presented the report. The context of the Governance Statement was introduced as a legal requirement and provided on an annual basis for approval by the Committee. The purpose of the statement is to illustrate the Service has lawfully operated to good standards, both recognises and manages risk. It was referenced that it will also feature in the Statement of Accounts report later in the meeting.

A summary explanation was provided of the scope of the Governance Framework and the interactions therein. This cover, but not by exception, links of systems of internal control, delivery of internal and external audit process and outcomes, engagement of Members of the Fire and Rescue Authority and its Committees, the role of Statutory Officers and the delivery of Best Value.

The Governance Statement is required to be certified by the Chair of the Fire and Rescue Authority and the Chief Fire Officer. This will be undertaken upon the approval of the Statement of Accounts at the meeting of the Fire and Rescue Authority, provisionally scheduled for September 2020.

Members commented positively upon the accessible language used enabling interpretation of a substantially detailed report.

The Committee **approved** the report.

20/20 **WMFS Internal Audit Annual Report 2019-20**

Peter Farrow of Sandwell MBC presented the Annual Report 2019-20 in their role of WMFS Internal Auditor. He explained the purpose of Internal Audit is to give an opinion on the adequacy of the Service system control measures and risk management processes. The Committee has received progress reports throughout the municipal year, this report providing an overall unqualified opinion of reasonable assurance.

The Committee were advised the increase in recommendations during the period was due to an increase in the number of audits. The RAG rating system and definitions of opinion were contextualised for Members and confirmation of Nil Red, 3 Amber and 4 Green; all were of Substantial Assurance demonstrating strongly managed systems. Other areas upon which Sandwell MBC have assisted WMFS were also referenced in conclusion to the presentation.

There were no questions from Members and the Chair summarised of good report content and outcome.

The Committee **approved** the report.

21/20 **Statement of Accounts 2019-20**

The Chair acknowledged the length of the report and its appendices, requesting a summary of the most salient aspects for the Committee. Mike Griffiths presented the report and referenced its relationship to the accounts workshop received by the Committee on 13 July 2020.

The level of General and Earmarked Reserves had reduced during the period, however remained healthy at £38.28 million held at the end of the financial year. A slight underspend on the anticipated use of £1.1million General Balances during the year had been achieved.

It was explained that the balance sheet can appear distorted when viewing long term liabilities of £1.7 billion. It was clarified that technical adjustments are included for wholesale pension payment, which is a regulatory accounting requirement. The other liabilities of the Fire and Rescue Authority (FRA) are distinctly smaller by comparison.

There had been no long-term borrowing undertaken during the period, and some monies had been paid off. The value of FRA property and assets totalled £135.6 million, which covers the borrowing requirement.

The Chair sought a definition by example of the term ‘Intangible Assets’ described in Appendix A, whilst another Member sought explanation on the term’ Unusable Resources’ when reporting Long term Liabilities.

Richard Percival confirmed the accounts were supplied for auditing upon the agreed deadline, with all papers enclosed and to the regular high standard of technical competence and presentation. It was stated there were no major issues arising and work continued to complete the accounts approval process. This is anticipated for late September and contingent on completion of the audit of West Midlands Pension Fund, as inclusions of that affect the closure of the audit of the Fire and Rescue Authority accounts.

A Member expressed their appreciation of the excellent level of explanation of accounts to the Committee, enabling decisions to be made in an informed way.

The Summary of Accounts were introduced by Mike Griffiths as a more accessible variant of the preceding discussion. They expressed how much the Service cost (employees 64%/pensions 24%/running costs 12%) and how the Service was funded (Council Tax 39%/Business rates 33%/Government Grant 24%/Interest and other income 4%).

The Chair enquired if there would be additional funding to cover additional activities undertaken by the Service during the Covid-19 pandemic. Mike Griffiths responded that not withstanding a second spike of virus, the £2.8million allocated by Governemnt should be sufficient for the current financial year. This will be represented in the Statement of Accounts for 2020-21.

The Committee received the report and **approved** Appendix A and **noted** Appendix B.

22/20 **Treasury Management Annual Report 2019-20**

Mike Griffiths introduced the report, which was subsequently presented by Kal Shoker.

Members were advised the report covered a twelve-month period and the financial figures also feature in the Statement of Accounts. A summary was made of the outcomes of the three key areas of Treasury Management activity during the period reported. Firstly, Capital Expenditure and Financing totalled £5.283 million funded by earmarked reserves and capital grants. There was nil borrowing undertaken to finance capital expenditure during 2019-20, of which the largest budgetary expenditure was the redevelopment of Aston Fire Station and the Vehicle Replacement Programme.

Secondly, the Fire and Rescue Authority debt totalled £35.7 million of external debt. An interest rate of 5.4% was payable upon this amount during the period. The Public Works Loans Board and ex West Midlands County Council were the two principal areas of debt.

Thirdly, Investments totalled £45 million at 31 March 2020. These were managed through Sandwell MBC receiving a return of 0.87%. A Member enquired how this compared to market rates, of which it was confirmed favourably when compared to the benchmark 7-day LBID rate of 0.54% for the same period.

The Committee **noted** the report and appendices and **approved** the prudential and treasury indicators.

23/20 **Reinstatement of Widow's Pension**

Mike Griffiths presented the report on behalf of the Payroll and Pensions Manager. The details of the request were outlined from the report and Members advised that Pension Scheme Regulations enabled reinstatement as an option for the Scheme Manager.

Members discussions embraced the substantial time lapse involved, the contextual status of all persons involved, the prevalence of such requests and the precedence arising from these cases.

The Chair summarised on behalf of the Committee, that due to the mitigating circumstances provided within the request, and the Scheme Manager having previously complied with its obligations within the Scheme, that Officers should seek further information from the requestee.

The Committee **deferred decision** pending further clarity and detail on the request. Mike Griffiths assured the Chair this will be progressed within Scheme requirements and the Committee updated.

24/20 **Request for Pensionable Pay Decision Fire Safety trial**

Mike Griffiths presented the report on behalf of the Payroll and Pensions Manager.

Members were advised the trial had been supported by the Joint Consultative Council. The Officers engaged were all part of the 2015 Firefighters Pension Scheme, which did not enable payment unless the trial became permanent. The five Blackburn principles of pensions guidance were introduced to the Committee, being the established reference points for consideration by Scheme Managers when such circumstances described in the report occur.

Members enquired of the duration on the trial, which was confirmed as twelve months. Members also observed that overall, the evidence of duties performed by officers and the intention that these become permanent, when assessed against the Blackburn principles, were sufficient to consider that pay was pensionable.

The Committee **agreed** the decisions recommended

25/20 **Corporate Risk Update March 2020**

ACFO Gary Taylor presented the report. The purpose was explained as provision of the regular six-monthly update on the Corporate Risk Register, those risks that if realised would seriously affect the Fire and Rescue Authority's ability to carry out its core function or deliver its strategic objectives.

The period covered of Quarter 3 2019/20, pertained to corporate risks that were pre-Covid-19. All risks are monitored and assessed by members of Strategic Enabling Team who are Risk Owners and mitigation measure are implemented where necessary. The delay in reporting is a consequence of the cancellation of Committee meetings during the pandemic.

Members were advised that key risks remained stable during the reported period. Attention was drawn to the removal of Corporate Risk 1.1 External (Political and Legislative) Environment Public Service Reform from the register. This was following a decision made by the Committee following a change in position around a potential change to governance arrangements and as such the risk was considered no longer relevant at a strategic level.

The one increase reported for the period was for Corporate Risk 6.1, Business Continuity & Preparedness. If this risk was realised the Fire and Rescue Authority would be unable to provide business continuity arrangements, to maintain delivery of core functions, as a result of extensive disruption to normal working arrangements, resulting in increased community risk; reduced confidence; increased reputational damage; and external scrutiny.

It was referenced that this issue was reported separately to the Audit and Risk Committee at its meeting held on the 13 January 2020. In summary, the Risk Owner considered overall the control measures remain challenged and subject to potential additional level of risk. The risk score has increased from 9 Amber Medium Risk (Likelihood 3 x Impact 3) to 12 Red High

Risk (Likelihood 3 to Impact 4). All High Risks a reviewed on a six-weekly basis and under Operational Matters, Officers continue to consider alternative and additional control measures that will reduce risk and protect the Fire and Rescue Authority.

There has been a decrease in risk and an increase in confidence level for Corporate Risk 4.1 which relates to Protection and Fire Safety. This is resultant of increased staff capacity, skills and resources within Fire Safety to respond to statutory building consultations and the associated confidence in managing outcomes of Phase One of the Grenfell Inquiry Report.

The Chair expressed confidence in the management of Corporate Risk and noted the comment of ACFO Taylor that the report for Quarter 4 will include the initial period of the pandemic.

The Committee **approved** the Assurance Map and **noted** the position statement.

26/20 **Audit and Risk Work Programme 2019-20**

The Committee **approved** progress of its work programme for 2019-20.

The meeting closed at 16.20 hours.

Phil Fellows

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Item 4

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

26 OCTOBER 2020

1. **AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

   Report of the Clerk.

   THAT the Terms of Reference for the Audit and Risk Committee be noted.

2. **PURPOSE OF REPORT**.

   This report is submitted for member comment and noting.

3. **BACKGROUND**

3.1 The terms of reference for the Audit and Risk Committee reflect CIPFA's position statement "Audit Committees in Local Authorities". This statement emphasises the importance of audit committees being in place in all principal local authorities and recognises that audit committees are a key component of good governance.

3.2 The terms of reference were reviewed in March 2018. Slight amendments to clarify the roles of the Audit and Risk Committee and Pension Board in respect of the Firefighters' Pension Scheme were made and approved by the Committee in July 2019.

3.3 No further amendments have been made to the terms of reference. The terms of reference are presented here (in appendix 1) in line with the Service's continued commitment to good governance arrangements.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

The Fire Authority is not obliged by law to appoint an Audit and Risk Committee, but this course of action has been taken in line with guidance from CIPFA.

6. **FINANCIAL IMPLICATIONS**

There are no financial implications arising as a result of the content of this report.

BACKGROUND PAPERS

The Constitution of the West Midlands Fire and Rescue Authority.

WMFS Audit and Risk Committee Terms of Reference (submitted at the Audit and Risk Committee meeting held on 29 July 2019) and respective minutes.

The contact name for this report is Karen Gowreesunker, Clerk to the Authority, Strategic Enabler – Strategic Hub, telephone number 07973 810338.

Karen Gowreesunker
Clerk to the Authority

Appendix 1

Audit and Risk Committee – Terms of Reference

Statement of purpose

Our Audit and Risk Committee is a key component of the Authority's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit and Risk Committee is to provide independent assurance to the Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

To review the Authority's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.

To monitor the effective development and operation of risk management in the Authority.

To monitor progress in addressing risk-related issues reported to the Committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;

- Regular reports on the results of the quality assurance and improvement programme;

- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.

- The opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External Audit (Grant Thornton)

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

Financial Reporting

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full Authority on a regular basis on the Committee's performance in relation to the terms of reference, and the effectiveness of the Committee in meeting its purpose.

To publish an annual report on the work of the Committee.

To have delegated responsibility as Scheme Manager for making decisions in the management and administration of the firefighters' pension schemes.

Pension Board

To have delegated responsibility as Scheme Manager for making decisions in the management and administration of the Firefighter's Pension Scheme. The Pensions Board assists the Audit and Risk Committee in the role as Scheme Manager to secure compliance with regulations relating to Governance and Administration.

To submit its minutes and Annual Report to the Authority.

Item 5

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

26 OCTOBER 2020

1. **TREASURY MANAGEMENT – MID YEAR REVIEW REPORT 2020/21**

Report of the Treasurer.

RECOMMENDED

THAT the report and Appendix are noted and the prudential and treasury indicators approved.

2. **PURPOSE OF REPORT**

2.1 The Authority agreed its Treasury Management Strategy Statement and Annual Investment Strategy and its Prudential Indicators in February 2020. Part of the requirements of the Treasury Strategy and Prudential Code are that periodic reports are presented to Members.

2.2 The mid-year review report outlines the performance of the Treasury Management function of the Authority in the current financial year.

3. **BACKGROUND**

3.1 The Authority is required to produce a mid-year report of Treasury Management activity in the current financial year.

3.2 Appendix 1, the mid-year Review Report 2020/21 meets the requirement of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code of Capital Finance in Local Authorities (the Prudential Code). The Authority is required to comply with both Codes through regulations issued under the Local Government Act 2003.

4. EQUALITY IMPACT ASSESSMENT

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

5. LEGAL IMPLICATIONS

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. FINANCIAL IMPLICATIONS

These are contained in the attached Appendix.

7. ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report.

BACKGROUND PAPERS

Authority's Budget and Precept Report – February 2020

The contact officer for this report is Deputy Chief Fire Officer Wayne Brown, 0121 380 6907.

MIKE GRIFFITHS
TREASURER

APPENDIX
Item 5

Treasury Management Strategy Statement and Annual Investment Strategy

Mid-year Review Report 2020/21

Ref: AU/A&R/2020/Oct/91510203 OFFICIAL – WMFS PUBLIC

1. Background

The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

Accordingly, treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 has been adopted by this Authority.

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.

- Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.

- Receipt by the Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.

- Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

- Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit and Risk Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first six months of 2020/21;

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

- The Authority's capital expenditure (prudential indicators);

- A review of the Authority's investment portfolio for 2020/21;

- A review of the Authority's borrowing strategy for 2020/21;

- A review of any debt rescheduling undertaken during 2020/21;

- A review of compliance with Treasury and Prudential Limits for 2020/21.

3. Economic update

UK. As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the unemployment rate was revised down from 9% in Q2 to 7½% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

It also squashed any idea of using negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance.

The MPC expected the £300bn of quantitative easing purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six-month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

There will be some painful longer-term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

One key addition to the Bank's forward guidance was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

EU. The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

Link Asset Services interest rate forecast

Treasury advisor, Link Asset Services, has provided the following forecast:

Link Group Interest Rate View 11.8.20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and therefore, prolonged.

The Balance of Risks to the UK
The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside Risks to Current Forecasts for UK
UK - second nationwide wave of virus infections requiring a national lockdown.

UK / EU trade negotiations – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.

UK - Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

4. Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by the Authority on 17 February 2020. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Prudential Indicator 2020/21	**Original Prudential Indicator**	**Revised Prudential Indicator**
Authorised Limit	£43m	£43m
Operational Boundary	£39m	£39m
Capital Financing Requirement (31.3.20)	£36m	£36m

5. The Authority's Capital Position (Prudential Indicators)

This section of the report provides an update on:

- The Authority's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

The table below shows the capital programme which was approved by the Authority 17 February 2020, it has since been revised to reflect the impact of capital expenditure and financing decisions in 2019/20. The forecast outturn position is as at 30th September 2020.

Capital Expenditure 2020/21	**Approved Feb 2020 £000**	**Revised Estimate £000**	**Forecast Outturn £000**
Land & Buildings:			
Coventry Fire Station	0	84	84
Aston Fire Station	412	675	589
Occupational Health Relocation	0	60	60
Boiler Replacement Programme	245	348	367
Roof Replacements	87	87	87
Windows & Door Replacements	531	531	14
Rewires	110	385	329
Drill Tower/Training Facilities	525	526	526
Security Works	0	105	105
Health & Safety Work (COVID)	0	155	155
Vehicles:			
Vehicle Replacement Programme	4,154	4,215	2,659
ICT & Equipment:			
Enterprise Resources Planning	500	499	499
C+C Upgrade – Vision 4/ESMCP	0	407	407
Total	**6,564**	**8,077**	**5,881**

Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Authority by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure 2020/21	**Approved Feb 2020 £000**	**Revised Estimate £000**	**Forecast Outturn £000**
Total Spend	**6,564**	**8,077**	**5,881**
Financed by:			
Capital Receipts	0	0	0
Capital Grants / Contributions	0	74	74
Revenue Contribution to Capital	6,564	8,003	5,807
Total Financing	**6,564**	**8,077**	**5,881**
Borrowing Need	**0**	**0**	**0**

Changes to the Prudential Indicators for the CFR, External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Prudential Indicator – CFR
The Authority is on target to achieve the original forecast CFR.

Prudential Indicator – External Debt / the Operational Boundary

	2020/21 Original Estimate		**2020/21 Revised Estimate**
Prudential Indicator – CFR			
Total CFR (31.3.20)	£36m		£36m
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	£39m		£39m
Total debt 31 March 2020	£36m		£36m

Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2019/20 Original Estimate	2019/20 Revised Estimate
Gross borrowing (Excluding Ex WMCC)	£33m	£33m
CFR (31.3.20)	£36m	£36m

The Treasurer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

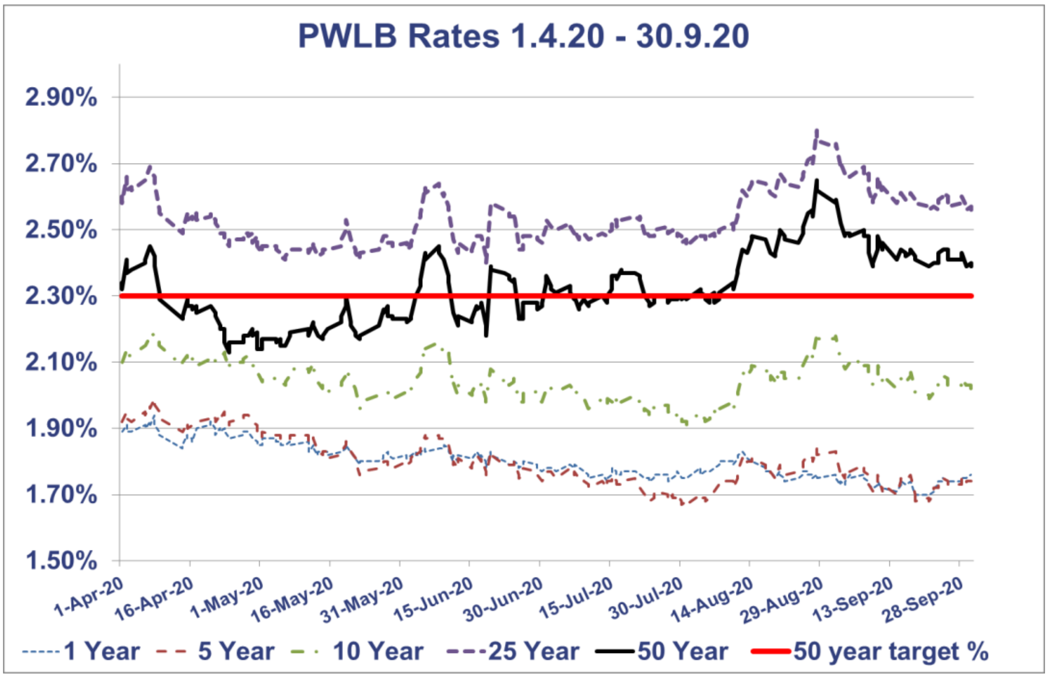
Authorised limit for external debt	2020/21 Original Indicator	2020/21 Revised Indicator
Borrowing	£43m	£43m

6. **Borrowing**

The Authority's CFR for 2020/21 is £36m (31.3.20). The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

It is not anticipated that borrowing will be undertaken during this financial year however this requirement will be monitored by the Treasurer as part of the capital financing decisions.

The graph below shows the movement in PWLB rates for the first six months of the year:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

7. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

8. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2020, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2020. The Treasurer reports that no difficulties are envisaged for the current or future years in complying with these indicators

9. Investment Portfolio 2020/21

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Authority on 17 February 2020. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Authority's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach.

As shown by the interest rate forecasts in section 3, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6-12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances.

Investment Counterparty Criteria
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Investment Balances
The Authority held £61m of investments as at 30 September 2020 (£45.6m at 31 March 2020) and the investment portfolio yield for the first six months of the year is 0.327% against a benchmark (average 3-month LIBID rate) of 0.11%.

The Treasurer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2020/21.

The Authority's budgeted investment return for 2020/21 is £0.300m, and performance for the year to date is estimated to be £0.200m below budget

9. Other

Changes in risk appetite
The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

Item 6

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

26 OCTOBER 2020

1. REQUEST FROM DEPENDANT FOR THE REINSTATEMENT OF A WIDOW'S PENSION

Report of the Chief Fire Officer.

2. PURPOSE OF REPORT

This report is submitted to request that the Committee in their role as Scheme Manager make a decision as required by the rules of the Firefighters' Pension Scheme (1992).

3. BACKGROUND

3.1 Under Part C, Regulation 10 of the Firefighters' Pension Scheme 1992, an Authority has discretion to reinstate all or part of a widow's pension that has previously been stopped as a result of remarriage, if the new spouse dies.

3.2 A widow's pension was put into payment on 24th March 1985 following the death on duty of a Scheme member.

3.3 The pension was stopped on 23rd December 1990 when the recipient remarried.

3.4 The widow's second husband passed away on 28th January 2020.

3.5 The matter was considered by the Committee at the meeting of 23rd March and further information was requested. The member was contacted and she has provided the following additional information.

"I am writing to inform yourself and the Scheme Manager that I receive a small pension from my late (second) husband. It amounts to £179.16 a month. I do not receive any other private pension other than this one".

3.6 In line with the Scheme regulations and having regard to the above information, the Scheme Manager may wish to consider several alternative courses of action, including though not restricted to those outlined below.

4. Options Available

i) Reject the application. There will be no cost to this decision.
ii) Reinstate the pension in full. This will cost the pension fund £4,437 per year.
iii) Reinstate the pension to the value that it exceeds the amount receivable in respect of the income the member has declared that they are receiving in respect of their second husband. This will cost the pension fund £2,287 per year.
iv) Reinstate the pension to any other value as is felt appropriate but not exceeding £4,437 per year.

4. DECISION REQUIRED

The Committee are asked to decide whether the Widow's Pension should be reinstated and if so to what value.

5. EQUALITY IMPACT ASSESSMENT

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

6. LEGAL IMPLICATIONS

The decision of the Scheme Manager in this case may be challenged by the member requesting the decision. The challenge would be made through the Firefighters' Pension Scheme Internal Dispute Resolution Procedure. If this process does not resolve the matter the issue can be taken to The Pension Regulator and finally to the Supreme Court.

7. FINANCIAL IMPLICATIONS

Reinstating the widow's pension will cost the Pension Fund a maximum of £4,437 per annum.

BACKGROUND PAPERS

The Firefighters' Pension Scheme (England) Order 1992

The contact name for this report is Gary Taylor, Assistant Chief Fire Officer, telephone number 0121 380 6006.

PHIL LOACH
CHIEF FIRE OFFICER

Item 7

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

26 OCTOBER 2020

1. **REQUEST FOR A DECISION ON ACTION TO BE TAKEN IN RESPECT OF IMMEDIATE DETRIMENT CASES UNDER THE MCCLOUD/SARGEANT RULING**

Report of the Chief Fire Officer.

2. **PURPOSE OF REPORT**

This report is submitted to request that the Committee, in their role as Scheme Manager, confirm to the Scheme Administrator what action they wish to be taken in respect of immediate detriment cases following informal guidance issued by the Home Office.

3. **RECOMMENDATION**

In line with the legal advice received and in the interests of supporting members of the Scheme, it is recommended that the Scheme Administrator apply the guidance issued by the Home Office to cases where a Firefighter is a claimant and retires on or after 1 November 2020.

4. **BACKGROUND**

4.1 In 2015 most public service pension schemes, including the Firefighters' Pension Scheme, were reformed. These reforms included 'transitional protection' for people closest to retirement.

4.2 In 2018, the Court of Appeal ruled that the transitional protection element of the 2015 public service pension reforms constituted unlawful age discrimination in the Firefighters' Pension Schemes. The Government respects the Court's decision and has confirmed that it will remove the difference in treatment across all main public service pension schemes.

4.3 The Government is currently consulting on proposals to remove this discrimination. Detail on the current proposals can be accessed here: https://www.gov.uk/government/consultations/public-service-pension-schemesconsultation-changes-to-the-transitional-arrangements-to-the-2015-schemes.

The changes proposed in the consultation to remove the discrimination will apply across all the main public service pension schemes and provide members with a choice of which scheme they would like to be in for the remedy period. The remedy period is defined as between 1 April 2015 and 31 March 2022 in the consultation paper.

The remedy only applies to members who were in service on or before 31 March 2012 and on or after 1 April 2015, including those with a qualifying break in service of less than 5 years.

4.4 The Consultation ended on 11 October 2020, but it is likely that the required changes to regulations will not be in place before 1 April 2022. In advance of reaching this date, the Fire Brigades' Union requested that the Home Office issue guidance to employers on dealing with "immediate detriment" cases.

4.5 The requested guidance was issued on 21 August 2020 and is attached at Appendix 1.

4.6 Discussions have taken place at a national level between Scheme administrators and the LGA Firefighters' Pension team. These discussions have highlighted some concerns regarding the use of the attached guidance primarily around whether it should be applied to all Scheme members or only those who lodged a claim with the Employment Tribunal and who therefore have the benefit of the Court ruling in this case.

4.7 In FPS Bulletin 37 – September 2020 the LGA included the following statement:

Home Office immediate detriment note update:
We commented in FPS Bulletin 36 – August 2020 on the immediate detriment note issued by the Home Office. We understand that the department will not be able to provide a response to the queries we have raised until October.

However, in the meantime, we appreciate that FRAs are being encouraged to progress cases under the terms of the note. We are working on providing further clarity to FRAs in three areas:

4.7.1 Legal status of the note

We are seeking legal advice on behalf of FRAs including application to claimants and non-claimants, any consequences arising from incorrect payment of benefits, and any resulting unintended discriminatory treatment. We understand that the Home Office and HMT are relying on Section 61 of the Equality Act to provide legal underpinning to the note for non-claimants. That power is currently being contested in the FRA's appeal under Schedule 22 of the same Act in which they argue that they were required by law to follow the pension regulations and so had no choice but to implement the transitional protections for older Firefighters.

4.7.2 A general information note on the key issues

We have drafted a note to provide additional information to FRAs on the key considerations of implementing the Home Office informal guidance. This includes the legal considerations detailed above, the position of employer contributions which we believe the Home Office to be discussing with HMT, technical queries raised, and areas where we believe a policy steer would be helpful to enable more accurate payments to be made.

4.7.3 Support for practitioners, to include:

- Supporting FRAs to evidence robust decision making on whether a case can proceed under the current guidance, and if not, why not;

- Working with the Fire Communications Working Group to provide a consistent template on how a member may be provided with a choice and what this should include, using documentation provided to support choice in 2006 as a guide;

- Working with administrators to provide example calculations to assist with bringing benefits into payment where the guidance is not explicit.

- The information note is currently being reviewed and will be issued as soon as possible.

4.8 The information note referenced at point 2 of the LGA statement has not at this time been issued though it is expected before the end of October.

4.9 The Payroll and Pensions Manager requested advice from the Authorities legal advisor, and in an email dated 21 September 2020 copied to the Strategic Enablers for People and Finance and Resources, he stated “Having reviewed the relevant caselaw and the LGA guidance, I confirm: the steps set out at paragraph 5 of the Guidance provided by the LGA to address the 'immediate detriment' for Firefighters within the relevant Pension Scheme is appropriate for the Brigade to implement.”

5. <u>DECISION REQUIRED</u>

5.1 The Committee are asked to approve the recommendation of the scheme administrator.

6. <u>EQUALITY IMPACT ASSESSMENT</u>

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

7. <u>LEGAL IMPLICATIONS</u>

The decision of the Scheme Manager in this case may be challenged by the member requesting the decision. The challenge would be made through the Firefighters’ Pension Scheme Internal Dispute Resolution Procedure. If this process does not resolve the matter, the issue can be taken to The Pension Regulator and finally to the Supreme Court.

8. <u>FINANCIAL IMPLICATIONS</u>

It is not possible at this stage to identify the specific costs associated with the recommendations, although using the guidance note now will not increase any direct amounts payable, it will simply bring some of those costs forward. However, if interest is applied as part of the final solution it may actually result in lower overall costs on the basis that using the guidance now would close the period that interest is calculated over instead of extending it to 2022.

BACKGROUND PAPERS

FPS Bulletin 37 – September 2020
Public service pension schemes: changes to the transitional arrangements to the 2015 schemes Consultation
Statement UIN HCWS380

The contact name for this report is Gary Taylor, Assistant Chief Fire Officer, telephone number - 0121 380 6006.

PHIL LOACH
CHIEF FIRE OFFICER

Firefighters'/Police Pension Schemes

Item 7

McCloud/Sargeant ruling – Guidance on treatment of 'Immediate Detriment' cases

1.0 Purpose of guidance

1.1 The purpose of this note is to provide informal guidance to Fire and Rescue Authorities (in England) and Police Forces (in England and Wales) on processing 'immediate detriment' cases (see definition in section 3 of this guidance) in advance of a decision on the Government's final approach to removing the age discrimination as found in the McCloud/Sargeant Employment Tribunal litigation.

1.2 The guidance is provided at the request of the Fire Brigades Union and for the purpose of assisting employers with "immediate detriment" cases. For that reason, it is only relevant to members of the Police and Fire Pension Schemes.

1.3 Further, it must be noted that the issues raised in this document are the subject of both ongoing litigation and the Government's consultation. As such this guidance will be kept under review to ensure that it is consistent with any judgment or outcome from the consultation and will be amended to give effect to any such judgement or outcome.

1.4 In this guidance a reference to the "2015 scheme" is to the applicable reformed Police or Fire CARE Pension Scheme, and a reference to the "legacy scheme" is to the applicable Police or Fire Pension Scheme that applied to a member before 1 April 2015.

1.5 The term 'pension authority' refers to the appropriate Fire and Rescue Authority or Police Force.

2.0 Background to McCloud/Sargeant ruling

2.1 In 2015 most public service pension schemes, including the Firefighters' Pension Scheme and Police Pension Scheme, were reformed. These reforms included 'transitional protection' for people closest to retirement.

2.2 In 2018, the Court of Appeal ruled that the transitional protection element of the 2015 public service pension reforms constituted unlawful age discrimination in the Firefighters' and Judges' Pension Schemes. The Government respects the Court's decision and has confirmed that it will remove the difference in treatment across all main public service pension schemes, including the Police Pension Scheme.

2.3 The Government is currently consulting on proposals to remove this discrimination. Detail on the current proposals can be accessed here: https://www.gov.uk/government/consultations/public-service-pension-schemes-consultation-changes-to-the-transitional-arrangements-to-the-2015-schemes. The changes proposed in the consultation to remove the discrimination will apply across all the main public service pension schemes and provide members with a choice of which scheme they would like to be in for the remedy period. The remedy period is defined as between 1 April 2015 and 31 March 2022 in the consultation paper.

2.4 The remedy only applies to members who were in service on or before 31 March 2012 and on or after 1 April 2015, including those with a qualifying break in service of less than 5 years.

3.0 What are 'Immediate Detriment' cases

3.1 For the purposes of this guidance, immediate detriment includes those scheme members who were in service on or before 31 March 2012 and on or after 1 April 2015, including those with a qualifying break in service of less than 5 years, and who did not benefit from full protection and were moved into the 2015 Scheme on or after 1 April 2015:

I. who become eligible to retire with an ordinary pension and want to have all their benefits paid from their legacy scheme (i.e. do not accept deferred 2015 scheme benefits); **OR**

II. who don't qualify for lower-tier (and therefore higher-tier) ill-health pension under the single pot Ill-Health Retirement (IHR) arrangement BUT would do so under the IHR arrangements in their legacy scheme.

3.2 Any scheme members that fall within either of the two categories above can have their pensions calculated and put into payment according the guidance set out in section 5 below.

3.3 This guidance **should not** be applied to scheme members who have already retired and are in receipt of their pension payments. These cases are more complex to address, especially due to complexities in rectifying the member's tax position.

3.4. It is important **to note** that ALL cases processed using this guidance will need to be revisited once the Government's approach to removing the discrimination has been finalised, due to relevant matters that are currently subject to consultation, to include interest on contributions etc. This is likely to be after April 2022.

4.0 Guidance on treating immediate detriment cases

4.1 There are some transitional scheme members who have already been dismissed from work without a pension as they did not qualify for an ill-health pension under the 2015 Scheme. In addition, there are transitional members who are now approaching retirement and want to take their full pension benefits under their legacy pension scheme. This guidance provides employers with advice on how these cases can now be processed in advance of final remedy implementation.

Transitional members who are already in receipt of a pension

4.2 There are cases (in respect of both ill-health/ordinary retirements) where transitional members have already retired and are currently receiving an ill-health/ordinary pension. It is recognised that many of these members' pensions are lower than they would be if they were paid under the member's legacy pension scheme. For example, where a transitional member has retired on ordinary grounds below age 55, their benefits accrued under the 2015 Scheme will currently be deferred until their State Pension Age.

4.3 These cases involve complex tax implications, employee/employer contribution adjustments etc. which still need to be resolved – these points are currently being consulted on and a final approach has yet to be confirmed. We will look to process these cases as a priority as soon as these outstanding points have been resolved.

5.0 Giving scheme members a choice

5.1 Scheme members falling under the scope of this guidance will effectively be given the opportunity to take all their pension benefits accrued between 1 April 2015 and 31 March 2022 under their legacy pension scheme, rather than take some benefits under the 2015 Scheme.

5.2 Pension authorities can now offer this choice to all those scheme members who:

- have transitioned into the 2015 Scheme who are approaching retirement; and
- have retired due to poor health but who didn't qualify for an ill-health pension under the 2015 Scheme regulations but would qualify under their legacy scheme regulations.

5.3 In order to provide this choice, pension authorities will need to present two sets of pension entitlement quotes to each qualifying scheme member. Whilst not an exhaustive list, each quote should set out the main pension benefits that they would receive under each choice, to include: recurring annual pension (before and after commutation), commutation retirement lump sum entitlement, employee contributions owed/refunds due etc. Each scheme member should be required to provide written confirmation of their election.

5.4 There remain a number of outstanding issues that will not be resolved until such time that the Government finalises its approach to removing the discrimination identified by the McCloud/Sargeant ruling (see unresolved pensions issues section below). Each scheme member will need to agree to accept the Government's final approach and any future adjustments that this requires.

5.5 Once written confirmation has been received from each member, the pension authority can put the pension chosen into payment.

Unresolved pension issues:

5.6 As explained above, there remain outstanding issues that will not be resolved until the Government finalises its approach to removing the discrimination. The Government is currently consulting on its proposed approach and will finalise its proposals following careful consideration of stakeholder responses.

Recovery of outstanding employee contributions

5.7 Any scheme members who choose to take their full pension benefits under their legacy scheme will owe employee contributions or be entitled to a refund. Any employee contributions owed will need to be paid before the member's legacy scheme pension can be put into payment.

5.8 Any contributions owed will need to be based on the pay that is considered to be pensionable under the legacy scheme, which may vary from that pay which is considered pensionable under the 2015 Scheme. It will be for employing pension authorities to make an assessment for each member and seek payment. The member has a choice to pay any outstanding employee contributions from their retirement lump sum or from any other personal source. Any refunded employee contributions can be repaid to the member from the employer's local pension fund account.

5.9 A final decision has yet to be made in respect of whether, and at what rate, interest should be applied to contributions owed by employees should they elect to receive benefits from their legacy scheme during the remedy period (2015 to 2022). As the Government's approach to this issue has yet to be confirmed, this guidance proposes that interest is not applied to employee contributions owed at this time.

5.10 Notwithstanding this, any immediate detriment cases where the pension is put into payment now may need to be revisited if the Government's final approach includes the application of interest on owed employee contributions. Pension authorities should ensure that any members making a decision under this guidance are aware of, and accept, this condition.

Tax relief on employee contributions

5.11 Where possible, pension authorities should ensure that the employee contributions owed are repaid by the member before they leave service to ensure that any tax relief entitlement can be applied. Where this is not possible, for example where an individual has retired previously on ill-health grounds and did not qualify for a pension under the 2015 Scheme but would qualify under their legacy scheme, the scheme member will have to wait until the Government's final approach to removing the discrimination has been implemented to receive any appropriate reimbursement. This is likely to be after April 2022.

Recovery of outstanding employer contributions (Firefighters' Pension Schemes only)

5.12 The Firefighters' Pension Schemes are in a unique position compared to other public sector pension schemes in that they do not have a uniform employer contribution rate across all schemes. As such, any scheme member who elects under this guidance to take their full pension benefits under their legacy scheme will impact on the corresponding employer contributions owed in respect of that member during the period that they were in the 2015 Scheme.

5.13 It will be for each employing Fire and Rescue Authority (FRA) to recalculate the contributions that they, as the employer, should have paid under the legacy scheme for each member and pay any shortfall into their pension fund account. Where this results in an excess of employer contributions having been paid, these can be refunded to the employer from their pension fund account.

Treatment of Cash Equivalent Transfer Value (CETV) transfers into the 2015 Scheme

5.14 It is recognised that there will be some transitional scheme members who will have transferred benefits from an external pension arrangement into the 2015 Scheme. Where a scheme member elects to take all their benefits from the legacy scheme, the original transfer-in (the Cash Equivalent Transfer Value) will need to be re-calculated to determine the amount of pensionable service that should be purchased in the member's legacy scheme.

5.15 The recalculation of the transfer-in will need to be undertaken by pension authorities as if it had been taken at the time of the original transfer, using the actuarial factors that were applicable at that time.

5.16 Where conversion of transferred benefits from the 2015 Scheme to the legacy scheme results in the pension input amount changing due to actuarial adjustment, then an individual's Annual Allowance position may need to be reassessed.

Treatment of purchased added pension in the 2015 Scheme

5.17 Some transitional scheme members will have elected to make voluntary contributions to purchase 'additional pension' in the 2015 Scheme. For those members that elect to take their full benefits under the legacy scheme, any employee contributions paid in respect of the additional pension purchased will need to be converted to the equivalent value of additional pension that could have been purchased in the member's legacy scheme.

5.18 The legacy schemes do not currently have 'additional pension' provisions. Additional pension purchased in the 2015 Scheme is one of the unresolved issues that the consultation is considering.

Scheme PAYS– treatment of debits applied to 2015 Scheme pension

5.19 There may be instances where transitional members have previously incurred certain tax charges and have elected for these to be paid under Scheme PAYS with the associated pension debit applying to the 2015 Scheme benefits.

5.20 Where this is the case and the member elects for all their pension benefits to be paid from their legacy scheme, there may be subsequent changes to the tax charges retrospectively. If this is the case, pension authorities will need to recalculate the pension debit. The recalculation of the pension debit will need to be undertaken by pension authorities as if it had been taken at the time of the original Scheme PAYS elections, using the actuarial factors that were applicable at that time.

Revisiting AA tax assessments on previous years

5.21 Under current arrangements, there is a four-year statutory time limit for reassessing tax for previous years. This means that where a scheme member's pension benefits change for past years, altering their tax position, HMRC can collect and refund tax where it is owed for the current tax year, and the four full tax years immediately preceding the point at which the individual's benefits change.

5.22 Where a scheme member's benefits change due to an election under this guidance so that additional tax is due for a tax year that sits outside the four previous tax years, HMRC cannot collect that additional tax. As such, the member will not be required to pay this. However, the recalculation will still be necessary to ensure the member's tax position going forward is correct.

5.23 The Government has confirmed that where a scheme member's benefits change so that they are owed a reimbursement of any tax charges paid since April 2015, they will get a full refund for the full period. The scheme member will initially be able to seek a tax refund from HMRC in respect of any overpaid tax charges in the previous four tax years.

5.24 Any further entitlement to a tax refund for years outside the four-year period will be refunded by means of compensation payments, which are expected to be paid after the Government finalises its approach to removing the discrimination, likely to be after April 2022.

Police Workforce and Professionalism Unit, Home Office

21 August 2020

Item 8

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

26 OCTOBER 2020

1. **AUDIT PROGRESS AND SECTOR UPDATE**

Report of the Treasurer.

RECOMMENDED

THAT the Committee note the audit progress and sector update from Grant Thornton attached as:

Appendix 1 Redmond Review on Public Audit,
Appendix 2 Revised Value for Money Audit Arrangements.

2. **PURPOSE OF REPORT**

This update is provided to keep Audit and Risk Committee Members informed of the progress of the external auditor (Grant Thornton UK LLP) in delivering their responsibilities.

3. **BACKGROUND**

3.1 In order to ensure that Audit and Risk Committee Members continue to remain informed on audit matters, the external auditor has provided an update. It is the intention of the external auditor to provide an update at all Audit and Risk Committee meetings.

3.2 The report provides the Audit and Risk Committee with an update on Grant Thornton's progress in delivering their responsibilities as the Authority's external auditors.

3.3 Representatives from Grant Thornton will be in attendance at the meeting to discuss the reports with Members.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to a policy change.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

None.

The contact officer for this report is Deputy Chief Fire Officer Wayne Brown, 0121 380 6907.

MIKE GRIFFITHS
TREASURER

Local Government audit and financial reporting – the Redmond Review

Grant Thornton

September 2020

The Redmond Review – scope and purpose

Scope

- Launched September 2019. Views by December 2019
- Led by Sir Tony Redmond, former President of CIPFA

Purpose – to assess

- Effectiveness of audit in local authorities
- Transparency of financial reporting

Publication

- 8 September 2020

The system is not working

The current local audit arrangements fail to deliver, in full, policy objectives underpinning the 2014 Act.

As a result, the overriding concern must be a lack of coherence and public accountability within the existing system.

The local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way.

Without prompt action to implement the recommendations, there is a significant risk that the firms currently holding local audit contracts will withdraw from the market.

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Sir Tony’s Recommendations

A call for action

- **A new regulator** - the Office of Local Audit and Regulation to replace the FRC and PSAA
- **Scope to increase fees** - The current fee structure for local audit be revised (i.e. increased) to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- **Move back to a September deadline -** The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year

Sir Tony’s Recommendations

A call for action

- **Accounts simplification** - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts
- recognition of the **role of authorities in improving governance and reporting** and
- development of **audited and reconciled accounts summaries.**

Grant Thornton's View

Sir Tony Redmond's report provides a clear road map to secure appropriate scrutiny and a sustainable future for local government audit. Reinforcing transparency and accountability is critical in protecting the interests of citizens who both fund and rely on the services delivered by local authorities. Introducing an Office of Local Audit and Regulation will help simplify and re-energise this vital public function at a time when local finances and governance are in need of effective oversight. We look forward to supporting Sir Tony and Government as this report progresses from recommendation to reality.

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Code of Audit Practice

Briefing on changes to value for money audit – West Midlands Fire and Rescue Authority

October 2020

National Audit Office's new Code of Audit Practice

There are three main changes arising from the NAO's new approach:

A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness

More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach

The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new key criteria

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- identifies the pressures it is facing and builds these into its plans;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of strategic and statutory priorities and maintain services;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The new key criteria

Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

- monitors and assesses risk and how the body gains assurance over the operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures an effective budgetary control system in communicating accurate and timely management information, supports its statutory financial reporting requirements and ensures that corrective action is taken where needed;
- ensures appropriate scrutiny, challenge and transparency on decision making; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member/non-executive behaviour (such as gifts and hospitality or declarations of interests).

The new key criteria

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how management cost and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, monitors the performance of significant partnerships , and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body monitors the performance of the service and assesses whether it has been delivered in line with what it procured and ensures that this is done in accordance with laws and regulations.

Reporting requirements

Reporting

The Auditor's Annual Report replaces the Annual Audit Letter and will be published at the same time as the Auditor's Report on the Financial Statements.

In undertaking their work, auditors should consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

The Code requires that where the auditor has concluded that there is a significant weakness in a body's arrangements, they should report this to the body and support it with a recommendation for improvement setting out:

- their judgement on the nature of the weakness they have identified;
- the evidence on which their view is based;
- the impact on the local body; and
- the action the body needs to take to address the weakness.

Implications of the new approach

We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.

The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level.

Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

Our estimate is that for your audit, this will result in an increased fee of £6,500. This in line with increases we are proposing at all our public sector audits.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Item 9

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

26 OCTOBER 2020

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED THAT the Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT**.

To ask the Committee to note the issues raised from the work undertaken by Internal Audit so far in the current financial year.

3. **BACKGROUND**

The Internal Audit Progress Report contains details of the matters arising from internal audit work undertaken so far in the current year. The purpose of the report is to bring the Committee up to date with the progress made against the delivery of the 2020/21 Internal Audit Plan. The information included in the progress report will feed into, and inform, the overall opinion in the Internal Audit Annual Report issued at the year end.

It summarises the audit work undertaken in a tabular format and includes:

- the areas subject to review (Auditable Area).
- the level of risk to the Authority assigned to each auditable area (high, medium or low).
- the number and type of recommendations made as a result of each audit review.
- the number of recommendations accepted by management.
- the level of assurance given to each system under review.
- details of any key issues arising from the above.

4. EQUALITY IMPACT ASSESSMENT

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a policy change.

5. LEGAL IMPLICATIONS

The Accounts and Audit Regulations Act states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

6. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

BACKGROUND PAPERS

None.

Peter Farrow
Audit Services Manager, Sandwell MBC

WEST MIDLANDS FIRE SERVICE

Item 9

Internal Audit Progress Report as at 15 October 2020
Audit and Risk Committee – 26 October 2020

1. Introduction
2. Summary of work completed and in progress
3. Issues arising
4. Other activities
5. Service quality questionnaire feedback

1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2020/21 Internal Audit plan.

The information included in this progress report will feed into and inform our overall opinion in our Internal Audit annual report issued at the year end.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	• **A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.**
Satisfactory	• **A sufficient framework of key controls for objectives to be achieved, but the control framework could be stronger, and controls are applied, but with some lapses.**
Substantial	• **A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.**

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

Priority rating for issues identified		
Fundamental action is imperative to ensure that the objectives for the area under review are met.	**Significant** requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	**Merits attention** action is advised to enhance risk mitigation, or control and operational efficiency.

2 Summary of work in progress as at 15 October 2020

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
In progress:							
Fire Stations – Management of Fuel	Medium						
Absence Management	Medium						
Data Protection	High						
Accounts Receivable	KFS						
Accounts Payable	KFS						
Payroll	KFS						
To be started:							
Governance	High						
Risk Management	High						
IT	High						
Fixed Asset Accounting/Asset Planning	KFS						
Budgetary Control	KFS						
Pension Certification	High						

Key: KFS = Key Financial System
ANA = Audit Needs Assessment

[IL0: UNCLASSIFIED]

3 Issues arising

Any issues of significance identified by the audit reviews will be reported to the Committee as and when they arise.

4 Other activities

Advice and Guidance

We provide on-going advice and guidance to the authority to assist with the continuous improvement of the overall control environment.

Ad hoc Training

We provided training to the committee on the role of Internal Audit and the responsibilities of the Audit and Risk Committee in monitoring this function. In addition, we provided training on “Fraud Awareness”. Both took place at the November 2019 meeting.

CIPFA – Audit Committee Updates

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Committee.

Internal Audit Plan 2020/21

We submitted the Internal Audit annual plan for 2020/21 to the committee for approval at the July 2020 meeting.

Internal Audit Annual Report 2019/20

We presented the Internal Audit annual report for 2019/20 to the committee for comment and approval at the July 2020 meeting.

Internal Audit Charter

We submitted the Internal Audit Charter to the committee for annual review at the January 2020 meeting.

Counter Fraud

We continue to lead on the Cabinet Office’s National Fraud Initiative and their other associated fraud related activity (such as the Annual Fraud Survey), on behalf of the authority and to provide the main point of contact for any investigations into potential fraudulent activity.

5 Service quality questionnaire (SQQ) feedback

	Average Score
Overall Satisfaction with Audit Services	No SQQs received to date

Scores range between 1 = Poor and 5 = very good. We have a target of achieving an average score of **4 = good.**