

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

26 JUNE 2023

1. CHANGE OF SCHEME MANAGER DELEGATION

Report of the Monitoring Officer and Clerk to the Authority

RECOMMENDED

- 1.1 THAT the Authority approves the transfer of the delegated role of Scheme Manager of the West Midlands Firefighter Pension Scheme from the Audit and Risk Committee to the Chief Fire Officer; and
- 1.2 THAT the Authority note its continuing responsibility as Scheme Manager even with this delegation.

2. PURPOSE OF REPORT

- 2.1 To approve a change in the role of Scheme Manager, delegated by the Authority, from the Audit and Risk Committee to the Chief Fire Officer.
- 2.2 To provide the Authority with background information on the role of Scheme Manager and its ongoing responsibility.

3. BACKGROUND

- 3.1 The Public Service Pensions Act 2013, section 4, states that public sector pension schemes regulations must provide for a “Scheme Manager” responsible for managing and administering the scheme.
- 3.2 The Firefighters’ Pension Scheme (England) Regulations 2014, section 4, states that the “appropriate authority” – namely a Fire and Rescue Authority – is the Scheme Manager. Section 5 states that the Scheme Manager may delegate any of its functions to persons or employees to act on its behalf. It is important to note that the Fire and Rescue Authority remains ultimately responsible for effective management and administration of the Scheme even

where this role and functions are delegated.

- 3.3 Currently, the Authority has delegated the role of Scheme Manager to the Audit and Risk Committee. The Committee has performed this role with the assistance of the Pension Board and with input and support from the Pension Administration Team.
- 3.4 However, it is now the view of the Authority and Officers that the complexity of Firefighters' Pension Schemes and the recent challenges and issues associated with the administration of the scheme (as identified within the recent Independent Review), justify a change in approach.
- 3.5 It is proposed that having a full-time employee, specifically the Chief Fire Officer, take responsibility for the day-to-day management and administration of the scheme as Scheme Manager, would enable greater focus on the role than is possible with an Authority committee with changing membership.
- 3.6 A number of other Fire Authorities already delegate their Scheme Manager functions to an officer, often the Chief Fire Officer, Head of Human Resources or Head of Finance.
- 3.7 This move would result in a change to the Terms of Reference of the Audit and Risk Committee and an addition to the Scheme of Delegations for the Chief Fire Officer, both of which form part of the Authority's Constitution. The changes required are outlined within **Appendix A** and **Appendix B**.
- 3.8 It is intended that the Chief Fire Officer would provide regular (quarterly) updates as delegated Scheme Manager to full meetings of the Authority. These would take the form of formal reports from the Scheme Manager. This is proposed to allow the Authority to be fully informed of all pensions related matters that required to be brought to its attention and in-line with the findings and recommendations of the recent Pensions Independent Investigation.
- 3.9 In line with the Chief Fire Officer's other delegations, he/she would be entitled to further delegate aspects of the role and functions to other members of the Strategic Enabling Team (SET) as appropriate. This would include instances where the Chief Fire Officer needs to recuse himself/herself from decisions that create a pecuniary benefit to or conflict for the CFO as a member of the

Firefighters' Pension Scheme. In such cases, responsibility for the decision would be further delegated to a SET member who is not a member of the Scheme. In any instance where the Chief Fire Officer is unsure whether a decision would represent a conflict, they may consult the Monitoring Officer or refer the decision to the Fire Authority.

4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 An initial equality impact assessment has not been undertaken as any change in Scheme Manager delegation does not change the Authority's and the Service's responsibilities under Equalities legislation.

5. **LEGAL IMPLICATIONS**

- 5.1 As outlined above, there is a statutory requirement to have a Scheme Manager and this is defined in regulations as the Fire and Rescue Authority. It is important to note that the power to delegate does not absolve the Fire Authority of the responsibility of the pension scheme. The responsibility to ensure the scheme is managed within the rules of the scheme rests with the Fire Authority and any fines resulting from errors will be the responsibility of the Fire Authority. It is therefore important to ensure that the Scheme Manager delegation is managed appropriately by the Authority with sufficient oversight.

6. **FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications associated with the change in delegation for the Scheme Manager.

7. **ENVIRONMENTAL IMPLICATIONS**

- 7.1 There are no environmental impacts from this report

BACKGROUND PAPERS

- [Public Sector Pensions Act 2013](#)
- [Firefighter Pension Scheme \(England\) Regulations 2014](#)

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APPENDIX A – Changes to Audit and Risk Committee Terms of Reference

Article 10 – Audit and Risk Committee

- 10.1 The Authority has established an Audit and Risk Committee comprising five members, selected in accordance with current proportionality requirements with a quorum of 3 members.
- 10.2 In order to reinforce the independence of the Committee, the Authority has appointed an independent member to the Committee:
- 10.2.1 The role of the Independent Member is to assist members of the Committee in providing independent assurance of the adequacy of the Authority's risk management framework and associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and overseeing the Authority's financial reporting process.
- 10.2.2 The appointment is reviewed on a three-year basis.
- 10.3 Role and Functions: -

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 the 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 and Risk 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 and approve 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 have delegated responsibility as Scheme Manager for making decisions in the management and administration of the fire fighter pension scheme.~~

To publish an Annual Report on the Work of the Committee.

~~Pensions Board~~

~~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 Audit and Risk Committee.~~

Appendix B – Addition to CFO Scheme of Delegations

3.X The CFO has delegated responsibility as Scheme Manager of the West Midlands Firefighters' Pension Scheme. This includes all decisions relating to the management and administration of the fire scheme. The CFO may further delegate these responsibilities to appropriate members of SET as required.

3.X.X As Scheme Manager the CFO will be responsible for providing regular updates to the Fire Authority.

3.X.X In any instance where a decision to be made by the Scheme Manager represents a conflict of interest for the Chief Fire Officer as a member of the pension scheme, they may delegate responsibility for that decision to another member of SET, or refer the matter to the Fire Authority for decision.