

West Midlands Fire and Rescue Authority

Audit Committee

You are summoned to attend a meeting of the Audit Committee to be held on Monday, 07 September 2015 at 12:30 at Fire Service HQ, 99 Vauxhall Road, Nechells, Birmingham B7 4HW for the purpose of transacting the following business:

Agenda – Public Session

- | | | |
|------------|--|------------------|
| 1 | To receive apologies for absence (if any) | |
| 2 | Declarations of interests in contracts or other matters | |
| 3 | Audit Minutes - 15062015 | 3 - 8 |
| 4 | Update from the Pensions Board - Firefighter Pension Schemes (Employer Representative) | 9 - 28 |
| 5 | Discretions Policy - Firefighters Pension Scheme (Treasurer) | 29 - 52 |
| 6 | Request for Decisions Under FF Pension Scheme (Treasurer) | 53 - 56 |
| 7 | Corporate Risk Quarterly Update (Deputy Chief Fire Officer) | 57 - 72 |
| 8 | CIPFA Audit Committee Update (Audit Manager) | 73 - 74 |
| 9 | Treasury Management Annual Report 2014-15 (Treasurer) | 75 - 86 |
| 10 | Audit Committee Update (Grant Thornton) | 87 - 90 |
| 10a | Audit Committee Update - Appendix | 91 - 100 |
| 11 | Audit Work Programme 2015-16 | 101 - 106 |

Standing Item

Distribution:

Adam Aston - Member, Tersaim Singh - Chairman, Hendrina Quinnen - Member, Robert Sealey - Member, Paul Singh - Member, Catherine Miks - Member

Agenda prepared by Julie Connor

Strategic Hub, West Midlands Fire Service

Tel: 0121 380 6906

Email: julie.connor@wmfs.net

This agenda and supporting documents are also available

Electronically on the West Midlands Fire Service website at

www.wmfs.net

Clerk Name: Karen Gowreesunker

Clerk Telephone: 0121 380 6678

Clerk Email: Karen.Gowreesunker@wmfs.net

<p>Minutes of the Audit Committee</p>
--

15th June, 2015 at 12.30 pm
at Fire Service Headquarters, Vauxhall Road, Birmingham

Present: Councillor Singh (Chair);
Councillor Mottram (Vice-Chair);
Councillor Quinnen;
Mr Ager.

Apology: Councillor Aston.

17/15 **Minutes**

Resolved that the minutes of the meeting held on 23rd March, 2015 be confirmed as a correct record.

18/15 **Governance Statement 2014/15**

The Committee received the Authority's draft Governance Statement for 2014/2015.

The Governance Statement was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It could therefore, only provide reasonable and not absolute assurance of effectiveness.

The Governance Statement would be considered for approval by the Authority at its meeting on 29th June, 2015 and would be amended to include reference to the monitoring work undertaken by the Scrutiny Committee as well as the Audit Committee.

19/15 **Monitoring Policies on Raising Concerns at Work – Whistle Blowing Standing Order 2/20 and Regulation of Investigatory Powers Act 2000**

Further to Minute No. 22/14 (9 June, 2014), the Committee noted the content of the Authority's Whistle-Blowing Standing Order and also that there had been no incidents of whistle blowing in the year up to 31 March 2015. There had also been no requests received to enact the Regulation of Investigatory Powers Act 2000.

Audit Committee – 15th June, 2015

Members noted that the Whistle Blowing Standing Order was consulted on in June 2014 and published in November 2014 and would, in line with the West Midlands Fire Service's policy, be reviewed every three years. The Data Protection Act 1998 was consulted on and amended to include a policy on surveillance in May 2012. This policy would commence its review in November 2015 to be completed by May 2016. This would result in an amalgamation of Data Protection and The Regulation of Investigatory Powers Act 2000 (RIPA) to form the Data Security and RIPA Framework.

Resolved:-

- (1) that it be noted that there had been no incidents of whistle blowing reported and no requests to enact the Regulation of Investigatory Powers Act 2000 in West Midlands Fire Service in the last year up to 31 March 2015;
- (2) that the content of the Whistle Blowing Standing Order 2/20 and the Data Protection Policy 1998 Standing Order 2/16 be noted, particularly insofar as Standing Order 2/20 required amendment to reflect recent governance changes within the Authority.

20/15

Annual Report of the Audit Committee 2014/15

The Committee received the Annual Report of the Audit Committee 2014/15. The report detailed the results of the Audit Committee's self assessment/review of effectiveness, together with details on the business undertaken by the Committee during the 2014/15 Municipal Year.

Members requested that the Report be amended to correct a typographical error and to update the meetings information.

Resolved that, subject to the amendments as indicated above, the Annual Report of the Audit Committee 2014/15 be approved and presented to the next meeting of the Authority.

21/15

Audit Committee Update

The Committee received and noted an update from its external auditor which set out Grant Thornton's progress in delivering its responsibilities and a summary of emerging national issues and developments which might impact on the Authority.

The external auditor drew the Committee's particular attention to issues around the Authority's involvement in a contract for the supply of smoke alarms and carbon monoxide alarms for all English Fire and Rescue Authorities under the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 (see Executive Committee Minute No. 10/15 – 23rd March, 2015).

In relation to the associated challenge question "Has your authority agreed how they are going to disclose this inventory within their financial statements?" the external auditor reported that she had discussed this matter with finance officers and they were comfortable with the disclosure of the inventory.

Responses were given to members' enquiries as to the current status and location of the alarms and that any charge for their installation was dependent upon individual fire authorities.

22/15

External Audit Work Programme and Scale of Fees for 2015/16

The Committee noted the external audit work programme and the scale of fees for the 2015/16 audit work to be undertaken by Grant Thornton.

Grant Thornton UK LLP had been appointed to audit the Authority's accounts for a five year period from 2012/13 until 2016/17.

The scale fee was set at £38,636 for 2015/16 which was a reduction of £12,879 compared to the 2014/15 fee of £51,515.

Resolved that the external audit work programme and the scale of fees for 2015/16 be noted.

23/15

Corporate Risk Update

The Committee received the Corporate Risk Assurance Map and noted the position statement detailing the work undertaken in support of the management of each of the Service's Corporate Risks.

Audit Committee – 15th June, 2015

Corporate Risks were those which, if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in The Plan. The Authority currently had eleven corporate risks.

The Corporate Risk Assurance Map summary provided a description of each risk and an overview of its rating. The quarter four position statement set out the outcomes of the regular review of each risk by the risk owner. The Committee noted the position with regard to each risk and the responses made by officers, where appropriate.

Resolved that the Corporate Risk Assurance Map Summary be approved.

24/15

Annual Internal Audit Report 2014/15

The Committee received the Authority's Annual Internal Audit Report for 2014/15, which detailed the work the internal audit service had undertaken during the year. The report indicated that as a result of this work, Internal Audit could provide reasonable assurance that the Authority had adequate and effective governance, risk management and internal control processes.

A summary of the work undertaken during the year included:-

- the areas subject to review during the year (Auditable Area);
- the level of risk to the Authority assigned to each auditable area (high, medium or low);
- the number of recommendations made as a result of each audit review;
- details of any other work undertaken outside of the original plan.

The report also summarised the key control issues that had arisen during the year.

Resolved that the Annual Internal Audit report for 2014/15 be approved.

25/15

Review of the Effectiveness of Internal Audit

The Committee was advised that the Accounts and Audit (England) Regulations 2011 required authorities to conduct a review of the effectiveness of internal audit at least once a year. It was appropriate for this to be reviewed by this Committee.

The Committee received evidence as to the conduct of the internal audit process against a number of measures of effectiveness as follows:-

- the process by which the control environment and key controls had been identified;
- the process by which assurance had been gained over controls;
- the adequacy and effectiveness of the remedial action taken where there were deficits in controls;
- the operation of this Committee and the internal audit function to current codes and standards;
- an assessment against the five principles set out in the CIPFA document 'The Role of the Head of Internal Audit'.

The Audit Manager reported that the Committee's requirement to receive this report on at least an annual basis would cease within the next year or two.

Resolved that the review of effectiveness of Internal Audit be approved.

26/15

Update on Topical, Legal and Regulatory Issues

There was no new information to be presented.

(The meeting ended at 12.55 pm)

Contact Officer: Rosemary Jones Democratic Services Unit Sandwell Metropolitan Borough Council 0121 569 3896

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

7 SEPTEMBER 2015

1. **UPDATE FROM THE PENSIONS BOARD – FIREFIGHTERS’ PENSION SCHEMES**

Report of the Deputy Chief Fire Officer

RECOMMENDED

- 1.1 THAT the Audit Committee as Scheme Manager approve the Terms of Reference for the West Midlands Fire Rescue Authority - Pension Board.
- 1.2 THAT the ‘Scheme Manager’ notes that the Pension Board agenda and minutes will be shared on the Committee Management Information System (CMIS) and will be available for public scrutiny.

2. **PURPOSE OF REPORT**

This report seeks approval of the Terms of Reference for the West Midlands Fire and Rescue Authority (WMFRA) Local Pension Board. The Terms of Reference were agreed by the Local Pension Board at its inaugural meeting which took place on 21 July 2015.

3. **BACKGROUND**

- 3.1 The Independent Public Service Pensions Commission known as the Hutton Review reported on 10 March 2011 and made a number of recommendations relating to Public Sector pensions including that “every public service pension scheme should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance including effective and efficient administration” (Hutton Review Recommendation 17) The Public Service Pensions Act, 25 April 2013, enacted this with the effective date being 1 April 2015.

Ref. AU/AC/Sep/21208153

- 3.2 As part of this enactment WMFRA, at its meeting of 16 February 2015, agreed that the Authority would delegate the responsibility of the 'Scheme Manager' for the Firefighters' Pension Scheme to the Audit Committee and agreed to establishment of a Pension Board and ensure compliance to the Act.
- 3.3 The role of the Board is to assist the Scheme Manager in:-
- Securing compliance with Regulations relating to Governance and Administration.
 - Other requirements detailed by the Pension Regulator.
 - Other matters as detailed by the Regulations.
- 3.4 In their role the Pension Board members must not have a conflict of interest. This is defined in the Public Service Pension's Act 2013 as "financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Board".
- 3.5 The Board must have employer representatives and member/employee representatives in equal measure and may have independent advisors. The individuals on the Board must be conversant with the rules of the Scheme and any document recording policy about the administration of the Scheme. They must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.
- 3.6 The role of the Board is one of oversight, not decision making, the Board will assist the Audit Committee and sit alongside it in the role of securing compliance.
- 3.7 The inaugural meeting of the Pension Board took place on 21 July 2015 and the 'Board' agreed the draft Terms of Reference. (Appendix 1). The minutes and action log are attached as Appendix 2 and 3 to this report.

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 change in policy.

5. **LEGAL IMPLICATIONS**

There is a statutory requirement for public bodies to comply with the Public Service Pension Act 2013.

6. **FINANCIAL IMPLICATIONS**

Any setting up and ongoing costs relating to the Pension and Scheme Advisory Board will be met from within existing budgets.

7. **BACKGROUND PAPERS**

Public Service Pension Act 2013
Fire Pensions Regulations

The contact officer for this report is Deputy Chief Fire Officer Philip Hales telephone number 0121 380 6907.

PHIL HALES
DEPUTY CHIEF FIRE OFFICER

Terms of Reference for the Pension Board of the West Midlands Fire & Rescue Authority

Terms of Reference and Delegated Authorities

1. **Introduction**

The purpose of this document is to set of the terms of reference for the local Pension Board of the West Midlands Fire & Rescue Authority.

2. **Role of the Pension Board**

The role of the local Pension Board as defined by section 5(1) and (2) of the Public Service Pensions Act 2013 is to-

- Assist the Scheme Manager:
 - to secure compliance with the Scheme regulations and any other legislation relating to the governance and administration of the **Firefighters'** Pension Scheme ("the Scheme").
 - to secure compliance with requirements imposed in relation to the Scheme by the Pensions Regulator.
 - in such other matters as the Scheme regulations may specify.
- Secure the effective and efficient governance and administration of the Scheme for the West Midlands Fire & Rescue Authority.
- Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also ensure that the Scheme is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

3. **Appointment of Member of the Pension Board**

The process for selecting members of the Pension Board is set out below:-

The Fire Service will consider matters such as who is eligible to stand, how the nomination process will work and what sort of information candidates will need to submit. The Service will appoint through election or selection with the rules of governing the process. The Fire Authority has an independent chair who will chair the Pension Board meetings, this role will be an independent role.

The Pension Board shall consist of 5 members and be constituted as follows:-

- i) 2 employer representatives, which have been identified, and appointed
- ii) 2 scheme member representatives, which have been identified, and elected
- iii) 1 independent chair selected.

Scheme member and employer representatives shall be appointed in equal number and shall together form the majority of the Board's membership.

The Chair of the Pension Board will be determined by the Authority. It will be the role of the Chair to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

The term of office for the Chair will be determined by the Scheme Manager.

Each employer representative and scheme member representative so appointed shall serve for a fixed period (of up to three years) which can be extended for further period(s) subject to re-nomination and/or election.

Each Board Member should endeavour to attend all Board meetings during the year and is required to attend at least 2 meetings each year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub committees, particularly where this would add skills and experience. Notwithstanding the appointment of co-opted members, the majority of the Board shall be comprised of employer and Scheme member representative, represented in equal number.

4. **Quorum**

The Board shall have a formal quorum when at least one employee representative and one employer representative are in attendance.

Advisors and co-opted persons do not count towards the quorum. Deleted (except substitute member)s.

5. **Conflicts of Interest**

The policy for identifying conflicts of interest is set out in a separate policy document. Any conflicts of interest that would prevent you from carrying out the role effectively will need to be highlighted to the Service.

6. **Board Review Process**

The Board will undertake at the first meeting of the year, a formal review process to assess how well it and its committees and the members are performing with a view to seeking continuous improvement in the Board's performance.

7. **Advisers to the Board**

The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including:-

- A Governance Adviser.
- The Fund's Actuary.
- The Fund's Administrator.
- The Scheme Manager.
- Other advisers, so approved by the Scheme Manager.

The Board shall ensure that the performance of the advisers so appointed are reviewed on a regular basis.

8. **Knowledge and Skills**

The Code of Practice No. 14 Governance and Administration of public service pension schemes states “A member of the Pension Board must have a working knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the function of their role. Pension board members should be aware of the range and extent of the law relating to pensions which apply to their Scheme and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties”.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members should regularly review their skills, competencies and knowledge to identify gaps or weaknesses. Pension Board members will be expected to attend training to ensure that their knowledge and skills are maintained.

9. **Board Meetings – Notice and Minutes**

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board or Board Committee, they shall be circulated to all members of the Board and forwarded to the Scheme Manager.

There will be two Pension Board meetings a year to be held six monthly. The minutes of the Pension Board will be approved by the Scheme Manager and shared with pension scheme members.

10. **Remit of the Board**

The Pension Board must assist the Scheme Manager with such other matters as the Scheme regulations may specify. It is for Scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails.

11. **Standards of Conduct**

The role of Pension Board members requires the highest standards of conduct and therefore the 'seven principles of public life'¹ will be applied to all Pension Board members and embodied in their code of conduct.

These are:-

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership.

12. **Decision Making**

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will, as far as possible, reach a consensus. The Independent Chair of the Pension Board will not have voting rights.

13. **Publication of Pension Board Information**

Scheme Members and other interested parties will want to know that the Scheme is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with Scheme regulations, the governance and administration of the Scheme and requirements of the Pension Regulator.

Up to date information will be posted on the West Midlands Fire & Rescue Authority website showing:-

- The names and information of the Pension Board members.
- How the Scheme members are represented on the Pension Board.
- The responsibilities of the Pension Board as a whole.
- The full terms of reference and policies of the Pension Board and how they operate.

Footnote deleted

- The Pension Board appointment process.
- Who each individual Pension Board member represents.
- Any specific roles and responsibilities of individual Pension Board members.

Pension Board papers, agendas and minutes of meetings will be published on the West Midlands Fire & Rescue Authority website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they are deemed as being confidential for the purposes of the Data Protection Act 1998.

The Scheme Manager will also consider requests for additional information to be published or made available to individual Scheme members to encourage Scheme member engagement and promote a culture of openness and transparency.

14. **Accountability**

The Pension Board will be collectively and individually accountable to the Scheme Manager.

15. **Expense Reimbursement [Remuneration and Allowances]**

There will be no specific remuneration for undertaking the role of representative on the Local Pension Board. However, travel expenses in line with public transport or car mileage may be claimed with a valid receipt.

16. **Reporting Breaches**

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in the Authority's Whistle Blowing Policy attached here: [the Whistle Blowing Policy](#).

17. **Definitions**

The undernoted terms shall have the following meaning when used in this document.

"Pension Board" or Authority "Board"	Means the local Pension Board for the Fire as required under the Public Service Pensions Act 2013.
"Scheme Manager"	Means the West Midlands Fire & Rescue Authority as administering authority of the Pension Fund.

"Chair"	Reference to duties to be performed, or authorise exercised, by the Chair.
"Scheme"	Means the Firefighters' Pension Schemes.
"West Midlands Fire & Rescue Authority"	Means the West Midlands Fire & Rescue Authority.

18. **Interpretation**

Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.

21 July 2015 at 1400 hours

Minutes of a Meeting of the Pensions Board

at Fire Service Headquarters, Vauxhall Road, Birmingham

Present: Mr David Wilkin (Chair)
Mr Kal Shoker
Ms Wendy Browning-Sampson
Mr Andrew Dennis
Mr Stuart Bourne
Mr Paul Gwynn (Adviser)

1/15 **Declarations of Interest**

No Declarations of Interest were received.

All Members of the Board to forward their Declarations of Interest Forms to the Monitoring Officer for noting.

2/15 **Terms of Reference**

The Chair clarified the draft terms of reference. Several amendments were made to the Terms of Reference and the final version attached to the minutes as an Appendix were forwarded to the Scheme Manager for final approval.

3/15 **Governance**

The Chair outlined the areas of Governance to be considered as:

- Information Exchange to/from Scheme Manager;
- Discretions;
- Expenses incurred in undertaking the role;
- Training and Knowledge;
- Annual effectiveness assessment;
- New Regulations/Legislation or Codes of Practice;
- Audit Internal Review.

The Adviser to the Board provided an update on a Legal challenge - transitional fire pension arrangements which involves an ongoing dispute regarding commutation factors.

The Adviser agreed to provide the Members of the Board with regular updates on legislative changes and ongoing issues in the Pensions environment and to provide a report for the Audit Committee.

It was felt that the Scheme Manager would provide feedback to the Pensions Board via the Audit Committee minutes.

All Members of the Board had attended LGA Pension Board Training in London on the 20 July 2015 where they received a basic introduction to the role of a Pensions Board and the requirements of the Board members. The Members of the Board felt that the training had been sufficient to meet their current needs.

The Chair enquired about the future training needs of the Members of the Board and it was agreed that the Adviser would provide each Member of the Board with a one page guide on each pension scheme identifying the differences between the Schemes. The Adviser would also provide an overview of each Scheme at the next meeting of the Pension Board under the Governance item.

It was felt that the Codes of Practice provided a useful introduction and the LGA Training Needs Analysis to be considered at a future meeting.

A budget code would be arranged in order to capture the details of expenses incurred at the training event in London.

The Pensions Board agreed to consider:

- Governance – sub Points (Auditors Report)
- Feedback from Audit Committee
- Update on Regulations/Code of Practice
- Training
- Expenses
- Annual Effectiveness Assessment
- Measure of effectiveness
- Individual assessment
- Feedback from Audit Committee
- Member sampling

Statistics

Further consideration would be given to an invitation being forwarded to Clair Alcock, the Firefighters' Pensions Adviser from the Local Government Association and Ian Pollitt from KPMG to attend a future Pensions Board meeting.

4. Pension Section Supporting Information

- 4.1 The Adviser ran through the statistics as 31st May and it was noted that the numbers would change as Members move to the 2015 Scheme. During the transition period 2012 - 2022, it was expected that more people would leave the scheme during this the tapering period.

The Adviser explained the details of the Retained Firefighters Modified Pension Scheme and confirmed that the Compensation Regulations were designed to cover individuals 1992 or 2006 who had no other cover.

4.2 Annual Activity Levels

The Board requested the Adviser to provide further clarification on the reasons for the number of Opt Out.

It was noted that prior to the Hutton Review, Opt Outs averaged at one or two, but post the Review Opt Outs had risen to 20. Opt Outs also increased following contribution rate rises.

Members were now required to Opt Out using an electronic system and were also required to provide a reason for Opting Out of the Scheme.

For the next Board Meeting in February 2016, the Adviser agreed to provide an overview of Opt Out figures together with analysis on a month by month, scheme by scheme basis together with reasons.

Further details would also be provided at the next meeting on the number of enquiries being received and the response times by the Pensions Team.

The Board felt it would be useful to receive information on the number of Serving Members who were in the Scheme

and to provide information about Opting Back into the Scheme.

4.3 Pension Section Structure

The Adviser gave an overview of the Pensions Team as it stands at the moment and explained that as the pension landscape has changed, the amount of time it takes to calculate and check pensions is taking longer. The team are receiving more requests for information and the Adviser was investigating the possibility of retaining the additional temporary post on a permanent basis.

For next meeting the Chair requested a report on the team structure and a comparison with other Fire and Rescue Authorities together with productivity statistics and the costs per Member.

4.4 A Corporate Risk Register report at Appendix 1 was noted and the Board requested that the report to be submitted to the February meeting of the Board should include risk scoring.

4.5 The Internal Audit Review of Pensions was due shortly and the Auditor would be requested to present his report to the Pensions Board in February 2016 as a sub Agenda item on Governance.

4.6 The Annual Benefit Statements would be issued to all fully protected members of the 1992 and 2006 Members in September 2015. Following installation of new software all members will be issued with their Annual Benefits Statements by March 2016.

It was felt appropriate that the issuing of Annual Benefits Statements should be added to the Risk Register and the Adviser informed the Board that the self-service option had been explored but the costs at the time were not justifiable.

4.7 Internal Dispute Resolution Procure (IDRP)

The Board noted that two stage one applications had been made in the last twelve months and one case was still progressing. There was not any emerging themes and trends and the Adviser stated that out of the five IDRPs

received in the last six years, only one was found.

4.8 Abolition of Contracting Out for Defined Benefit Pension Schemes

The Adviser confirmed that Registration had taken place centrally with Her Majesty's Revenue and Customs and the Regular.

The Pensions Team had received 2,397 queries on the 1992 scheme and 22 on the 2006 scheme. The queries were complex and the team were looking to clear the number of queries by 31 March 2016.

The Adviser also confirmed that he would communicate the changes to National Insurance contributions in respect of Pensions to the Members of the Scheme.

4.9 The Adviser would ask the Scheme Manager to make a decision on two issues regarding Automatic Enrolment. The decisions required are:

- What date should Automatic Re-Enrolment take place? The Adviser recommends 1st August 2016 but the Scheme Manager has discretion to amend this date to any other date between 1st May and 31st October 2016.
- The Scheme Manager has discretion not to Automatically Re-Enrol any Eligible Job Holder who has opted out of a Qualifying Pension Scheme within a period of 12 months prior to the Automatic Re-Enrolment date. The Adviser recommends that the Scheme Manager uses this discretion.

In response to a question about record keeping the Adviser confirmed that as both the Pensions and Payrolls teams work together at West Midlands Fire Service the matching process was working well and it was felt that the forthcoming Audit of the Section would provide assurance of this. It was noted that the Treasurer would ask the Auditor if the records are kept correctly and dip testing would be part of the process.

5. Communications

A discussion took place on the key messages that had been available during the last six months and what was planned for the future. It was felt that documents should be available to Members on a platform but not necessarily on the Intranet.

The Adviser felt that a small intranet site would be useful, but all information was circulated via email and the best form of communication was face to face as each case is individual.

The Board discussed the possibility of options for communications and sharing of information.

It was felt important the Members should receive the full facts about opting out and what it means to individuals and the Adviser agreed to send out additional communications if the number of people opting out increases and becomes a problem.

Local performance Indicators would be published and available to all. It was felt that the Scheme Manager should inform the representatives regarding the communications to members of the scheme.

The Adviser stated that he communicated with Internal Members and Pensioners via their e-mail addresses. Information was also provided via the Retired and Serving Firefighters' and the National Association of Retired Firefighters' email addresses.

The Board felt that members should be referred to the Terms of Reference and Minutes of the Pensions Board would provide further information following their approval by the Audit Committee on the 7th September 2015.

The Adviser confirmed that he would send an email to all the members of the Scheme confirming that a Pensions Board had been held and where they would be able to find the minutes and the date and time of the next meeting.

7. Any Other Business

There was no other business.

8 Date and Time of next meeting
1400 hours on 8 February 2016
1400 hours on 18 July 2016

(The meeting ended at 1650 hours)

<p>Contact Officer: Julie Connor Strategic Hub West Midlands Fire Service 0121 380 6906</p>

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**PENSIONS BOARD****21 JULY 2015****ACTIONS**

Action No.	Action
1.	The final version of the Terms of Reference to be attached to the minutes as an Appendix and forwarded to the Scheme Manager for final approval.
2.	The Adviser would provide each Member of the Board with a one page guide on each pension scheme identifying the differences between the Schemes.
3.	The Adviser would also provide an overview of each Scheme at the next meeting of the Pension Board under the Governance item.
4.	A budget code would be arranged in order to capture the details of expenses incurred at the training event in London.
5.	Further consideration would be given to an invitation being forwarded to Clair Alcock, the Firefighters' Pensions Adviser from the Local Government Association and Ian Pollitt from KPMG to attend a future Pensions Board meeting.
6.	For the next Board Meeting in February 2016, the Adviser agreed to provide an overview of Opt Out figures together with analysis on a month by month, scheme by scheme basis together with reasons.
7.	Further details would also be provided at the next meeting on the number of enquiries being received and the response times by the Pensions Team.
8.	For next meeting the Chair requested a report on the team structure and a comparison with other Fire and Rescue Authorities together with productivity statistics and the

	costs per Member.
9.	The Internal Audit Review of Pensions was due shortly and the Auditor would be requested to present his report to the Pensions Board in February 2016 as a sub Agenda item on Governance.
10.	It was felt appropriate that the issuing of Annual Benefits Statements should be added to the Risk Register.
11.	The Adviser confirmed that he would send an email to all the members of the Scheme confirming that a Pensions Board had been held and where they would be able to find the minutes and the date and time of the next meeting.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

7 SEPTEMBER 2015

1. **DISCRETIONS POLICY – FIREFIGHTERS' PENSION SCHEMES**

Report of the Treasurer

RECOMMENDED

THAT the Audit Committee as Scheme Manager approves the Discretions Policy – Firefighters' Pension Scheme.

2. **PURPOSE OF REPORT**

To request approval for the Discretions Policy – Firefighters Pension Scheme

3. **BACKGROUND**

3.1 The Firefighters' Pension Scheme 2015 was implemented on 1st April 2015. Under scheme regulations the Scheme Manager is required to publish and keep under review a policy on the use of discretions available.

3.2 The Discretions Policy – Firefighters' Pension Scheme is attached as Appendix 1.

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 change in policy.

5. **LEGAL IMPLICATIONS**

There is a statutory requirement for West Midlands Fire and Rescue Authority to comply with the rules of the Firefighters' Pension Scheme 2015.

6. **FINANCIAL IMPLICATIONS**

The Discretions policy does not result in any additional costs being incurred by the Authority.

7. **BACKGROUND PAPERS**

The Firefighters' Pension Scheme Regulations 2014

The contact name for this report is Paul Gwynn, Payroll & Pensions Manager 0121 380 6928.

MIKE GRIFFITHS
TREASURER

APPENDIX 1

Power to Delegate

1. Delegation (Regulation 5)

The scheme manager must ensure that delegated powers are appropriate and current. [Regulation 5(2)]

Statement of Policy

The Fire Authority have recently confirmed that the Audit Committee will function as the Scheme Manager.

Opting Out

2. Opting into this scheme (Regulation 12)

An optant-in will become an active member of the scheme with effect from the beginning of the first pay period following the date on which the option is exercised. There is an option for the scheme manager to vary the date on which the person becomes an active member, to such other time as the scheme manager considers appropriate. [Regulation 12(5)]

Statement of Policy

The Organisation will not vary the date on which a member becomes an active member.

3. Opting out after the first three months (Regulation 16)

An optant-out ceases to be in pensionable service with effect from the first day of the first pay period following the date on which the option is exercised. If the scheme manager considers that day to be inappropriate, it may vary the date to the first day of any later pay period as the scheme manager does consider appropriate. [Regulation 16(2)(b)]

Statement of Policy

The Scheme Manager will not vary the date on which an optant out ceases to be a member.

Pensionable Pay

4. Pensionable Pay (Regulation 17)

The Scheme Manager has discretion if continual professional development payments are to be treated as pensionable pay. [Regulation 17(1)(d)]

Statement of Policy

CPD payments will be pensionable.

Retirement Benefits

5. Active Membership (Regulation 19)

A person who is on unpaid authorised absence can count the period as active membership if the Scheme Manager permits them to be treated as an active member during that period. (Presumably this would be linked to Regulation 111(4) and subject to the member paying the appropriate contributions.) [Regulation 19(d)]

Statement of Policy

The Scheme Manager will permit a member on unpaid absence to count the period as active membership subject to contributions being paid.

Pensions Accounts

6. Establishment of pension accounts: general (Regulation 28)

The Scheme Manager must establish and maintain pension accounts for scheme members, but they may be kept in such form as the scheme manager considers appropriate.

Statement of Policy

The Scheme Manager will maintain pension accounts within an electronic Pension Administration System. The security and operation of these accounts will be reviewed regularly by the Local Pension Board.

7. Closure and re-establishment of active member's account (Regulation 37)

If a member has more than two active members account and ceases pensionable service with less than three months' qualifying service in respect of one account, that account must be closed and benefits aggregated with one of the others; the member may select which one.

Statement of Policy

The Scheme Manager will use their discretion on a case by case basis in the best interests of the member.

Retirement Benefits

8. Closure of deferred member's account after gap in pensionable service not exceeding five year. (Regulation 49)

If a deferred member re-enters pensionable employment after a gap of five years or less, the Scheme Manager must close the deferred member's account and re-establish the active member's account, transferring entries from the deferred account. If the person had more than one relevant deferred member's account, they must select one – within three months of re-entering scheme employment – which one should close. If they fail to make a selection, the Scheme Manager must make the choice for them. [Regulation 49(3) and (4)]

Statement of Policy

The Scheme Manager will use their discretion on a case by case basis in the best interests of the member.

9. Employer initiated retirement (Regulation 62)

An employer can determine that an active member aged 55 or over but under age 60 who on the grounds of business efficiency is dismissed or has their employment terminated by mutual consent, can receive immediate payment of retirement pension without the early payment reduction. An employer may only use this discretion if the employer determines that a retirement pension awarded on this basis would assist the economical, effective and efficient management of its function having taken account of the costs likely to be incurred in the particular case. [Regulation 62(1) and (2)]

Statement of Policy

The employer will use their discretion on a case by case basis with the overriding control that any costs incurred in using this discretion will be recoverable within a three year period.

10. Exercise of partial retirement option (Regulation 63)

An active member aged at least 55 who would be entitled to immediate payment of pension if they leave pensionable service and who claims payment of the pension, may opt to claim the whole of their accrued pension but continue in pensionable service. The person concerned must give appropriate notice to the scheme manager and the partial retirement option is taken to be exercised on a date agreed between the member and the Scheme Manager. [Regulation 63(5)]

Statement of Policy

Where a member wishes to make an application for partial retirement under Regulation 63 they must provide written notice to the Scheme Manager. On a case by case basis the Scheme Manager will agree a date with the member on which the option shall be exercised.

III-Health Benefits

11. Review of ill-health awarded or early payment of retirement pension (Regulation 68)

The Scheme Manager must have a policy for reviewing, at such intervals as it considers appropriate, the award of ill-health pensions where the recipient is under deferred pension age and has been receiving the award for less than 10 years, and for reviewing the early payment of deferred pensions on ill-health grounds for so long as the recipient is below deferred pension age. [Regulation 68(1) and (2)]

Statement of Policy

The Scheme Manager will review the award of ill-health pensions, where the recipient is under deferred pension age and has been receiving the award for less than 10 years, and deferred pensions in payment early on ill-health grounds and where the recipient is below deferred pension age on a three yearly basis.

12. Consequences of review (Regulation 69)

If, following the review of a lower tier ill-health pension under Regulation 68, the Scheme Manager determines that the recipient is capable of performing the duties appropriate to the role from which the person retired on grounds of ill-health, the employer must consider whether or not to make an offer of re-employment. [Regulation 69(3)]

Statement of Policy

The Scheme Manager will consider whether or not to make an offer on a case by case basis.

13. Commencement of pensions (Regulation 70)

If a deferred member requests, and is entitled to, the early payment of retirement pension on grounds of ill-health, the scheme manager must determine the date of payment as being the date on which the person became incapable of undertaking regular employment because of infirmity of mind or body or, if that date cannot be ascertained, the date of the member's request for early payment. [Regulation 70(7)]

If a deferred member requests deferral of payment of a deferred pension beyond deferred pension age, or requests early payment with an early payment reduction before deferred pension age, the Scheme Manager will decide the payment date after the claim for payment has been made.

Statement of Policy

The Scheme Manager will determine the date from which a deferred pension will become payable in the situations described in Regulation 70(7) and (8) on a case by case basis using information provided by the claimant, any appropriate medical professional, and with guidance from the Payroll and Pensions Manager.

Allocation

14. Allocation election (Regulation 72)

The Scheme Manager must give consent for the allocation of a portion of pension to a dependant, who is not the spouse, civil partner or cohabiting partner of an active or deferred member. (Consent can be withheld if the Scheme Manager is not satisfied that the person nominated is not substantially dependent of the active member.) [Regulation 72(3)(b) and (4)]

Statement of Policy

The Scheme Manager will give consent for the allocation of a portion of pension to a dependent where acceptable evidence of dependency is provided by the Scheme Member. At the time of application the Scheme Manager will confirm to the member what evidence is to be provided.

15. Adjustment of allocated benefit (Regulation 75)

If a member who has made an allocation election dies after reaching age 75, and the amount of allocated pension does not qualify as a dependant's scheme pension under section 167 of the Finance Act 2004 (pension death benefit rules), the amount may be adjusted in a manner determined by the Scheme Manager. [Regulation 75(1) and (2)]

Statement of Policy

The Scheme Manager will make any adjustments allowed under Regulation 75(1) and (2) on a case by case basis.

Death Benefits

16. Meaning of "surviving partner" Regulation 76)

A cohabiting partner may be considered a "surviving partner" and potentially qualify for a pension provided by meet certain conditions, one of which is that they must have been in a "long-term relationship" – a continuous period of at least two years – at the date at which entitlement needs to be considered. The Scheme Manager has discretion to allow the person to qualify where the period is less than two years. [Regulation 76(1)(b)(v) and (2)]

Statement of Policy

The Scheme Manager will not use their discretion to allow a person to qualify as a "Surviving Partner" where the relationship has been in place for a period of at least two years.

17. Person to whom lump sum death benefit payable (Regulation 95)

The Scheme Manager has absolute discretion as to the recipient of any lump sum death benefit payable. [Regulation 95]

Statement of Policy

The lump sum death benefit will be paid to whosoever the Scheme Manager decides it should be. The discretion will be operated by the Payroll and Pensions Manager in consultation with the Strategic Enabler for People Support Services.

18. Payment of pensions under Part 6 "Death Benefits" (Regulation 100)

If a child's pension is due in respect of an eligible child under age 18, the Scheme Manager will determine to whom it should be paid and will give directions to that person as to how the payment should be applied for the eligible child's benefit. [Regulation 100(2)]

Statement of Policy

The child's pension in respect of an eligible child over the age of 7 will be paid to that child. A child's pension for a child over the age of 7 will be paid to that child's surviving parent with instruction that it should be applied for that eligible child's benefit.

19. **Surviving partner's pensions and eligible child's pensions: suspension and recovery (Regulation 101)**

A Scheme Manager has the right to cease paying a surviving partner's pension and/or eligible child's pension and recover any payment made in respect of a pension where it appears to the Scheme Manager that the recipient made a false declaration, or deliberately suppressed a material fact in connection with the award. (This does affect the Scheme Manager's right to recover a payment or overpayment under any other provision where the Scheme Manager considers it appropriate to do so.) [Regulation 101(2) and (3)]

Statement of Policy

The Scheme Manager will cease paying a surviving partner's pension and/or eligible child's pension and recover any payment made in respect of a pension where it appears to the scheme manager that the recipient made a false declaration, or deliberately suppressed a material fact in connection with the awarded except in cases where Strategic Enabler for Finance and Resources deems it to be financially counter productive to do so.

20. **Provisional awards of eligible child's pensions: later adjustments (Regulation 102)**

If children's pensions have been made to certain persons on the basis that they were eligible children and there were no others, and subsequently it appears that any of those children were not eligible, or there was a further eligible child to whom no payment has been made, or that a child born after the member's death is an eligible child, the scheme manager has discretion to adjust the amount of pensions as required in view of the facts as they subsequently appear. The adjustments may be made retrospectively. (This does not affect the scheme manager's right to recover a payment or overpayment under any other provision where the scheme manager considers it appropriate to do so.) [Regulation 102(2) and (3)]

Statement of Policy

If children's pensions have been made to certain persons on the basis that they were eligible children and there were no others, and subsequently it appears that any of those children were not eligible, or there was a further eligible child to whom no payment has been made, or that a child born after the member's death is an eligible child the scheme manager will adjust the amount of pensions as required in view of the facts as they subsequently appear. These adjustments will be made retrospectively where required.

21. Adjustment of benefits to comply with fA2004 where members die over 75 (Regulation 104)

If a member dies after reaching age 75 and any part of a pension to which a person becomes entitled on the death would not qualify as a dependant's scheme pension for the purposes of section 167 of the Finance Act 2004 (the pension death benefit rules), the scheme manager has discretion to adjust the benefit payable to the person so that it would qualify under that section of the Act. [Regulation 104(1)(a) and (2)]

Statement of Policy

If a member dies after reaching age 75 and any part of a pension to which a person becomes entitled on the death would not qualify as a dependant's scheme pension for the purposes of section 167 of the Finance Act 2004 (the pension death benefit rules), the scheme manager will adjust the benefit payable to the person so that it would qualify under that section of the Act.

Contributions

22. Member contributions (Regulation 110)

Where there is a change in scheme employment or a material change which affects the member's pensionable pay in the course of a financial year and the revised amount falls into a different contribution rate band, the scheme manager must determine that this rate should be applied and inform the member of the new contribution rate and the date from which it is to be applied. [Regulation 110(5)]

When identifying the appropriate contribution rate, a reduction in pay in certain circumstances as listed in Regulation 110 are to be disregarded. In addition, the Scheme Manager can specify the circumstances in a particular case where a reduction in pensionable pay will be disregarded. [Regulation 110(7) (h)]

Statement of Policy

Where there is a change in scheme employment or a material change which affects the member's pensionable pay in the course of a financial year and the revised amount falls into a different contribution rate band, this rate will be applied from the first day of the pay period following the date on which the material change took effect. The member will be informed of the new contribution rate and the date from which it is to be applied within three months of the date when the new rate is first applied to their pay.

23. Contributions during absence from work due to illness, injury, trade dispute or authorised absence (Regulation 111)

Where an active member is absent from scheme employment because of illness or injury and not entitled to receive pensionable pay, or because of trade dispute or authorised unpaid absence, they may pay member contributions; if they do, the scheme employer may require that they should also pay employer contributions. [Regulation 111(2), (3) and (4)]

Statement of Policy

Where an active member is absent from scheme employment because of illness or injury and not entitled to receive pensionable pay, or because of trade dispute or authorised unpaid absence, they will be allowed to pay contributions. The contribution payable will be the total of both the member and employer contribution.

24. Deduction and payment of contributions (Regulation 114)

Member contributions due under Regulation 110 may be deducted by the scheme employer from each instalment of pensionable pay as it becomes due, unless another method of payment has been agreed between the scheme manager and the member. [Regulation 114(1)]

Contributions due in respect of absence from work on reserve forces service leave may be deducted from any payment made under Part 5 of the Reserve and Auxiliary Forces (Protection of Civil Interests) Act 1951. [Regulations 114(2)]

Contributions which the member is required to pay, or has elected to pay under Regulations 111 and 113 may be paid by a lump sum or by deduction from instalments of pensionable pay as agreed between the member and the scheme manager. [Regulation 114(3)]

Statement of Policy

Member contributions due under Regulation 110 will be deducted from each instalment of pensionable pay as it becomes due.

Contributions due in respect of absence from work on reserve forces service leave will be deducted from any payment made under Part 5 of the Reserve and Auxiliary Forces (Protection of Civil Interests) Act 1951.

Contributions which the member is required to pay, or has elected to pay under Regulations 111 and 113 may be paid by a lump sum or by deduction from instalments of pensionable pay as agreed between the member and Payroll and Pensions manager on behalf of the scheme manager.

Transfers

25. Statement of entitlement (Regulation 135)

The scheme manager must specify in a statement of entitlement the "guarantee date" date by reference to which the cash equivalent or club transfer value is calculated; this date must fall within the three months beginning with the date of the member's application for the statement of entitlement and within ten days ending with the date on which the member is provided with the statement. The scheme manager has discretion, if it believes reasonable, to extend this date to within six months of the date of the member's application if, for reasons beyond the scheme manager's control, the information needed to calculate the transfer value cannot be obtained before the end of the three month period. [Regulation 135(4)]

Statement of Policy

The Scheme Manager will extend the "guarantee date" to within 6 months of the date of the members application if, for reasons beyond the scheme manager's control, the information needed to calculate the transfer value cannot be obtained before the end of the three month period.

26. Request for acceptance of a transfer payment (Regulation 141)

There is a time limit of one year from becoming an active member in which a person can request a transfer payment from a non-occupational pension scheme. The scheme manager has the discretion to extend this period. [Regulation 141(3)]

Statement of Policy

The Scheme Manager will not extend the time limit in which a person can request a transfer payment from a non-occupational pension scheme.

27. Transfer statement (Regulation 142)

The Scheme Manager can require an active member to ask the scheme manager of a previous non- club pension scheme to provide a statement of the amount of transferred pension that the member would be entitled to count provided that the transfer date falls within two months of the date of the statement. [Regulation 142(2)]

Statement of Policy

The Scheme Manager will require an active member to ask the scheme manager of a previous non-club pension scheme to provide a statement of the amount of transferred pension that the member would be entitled to count where the transfer date falls within two months of the date of the statement

28. Club transfer value statement (Regulation 144)

The Scheme Manager can require an active member to ask the scheme manager of a previous club pension scheme to provide a statement of the amount of transferred pension that the member would be entitled to count provided that the transfer date falls within two months of the date of the statement. [Regulation 144(2)]

Statement of Policy

The scheme manager will require an active member to ask the scheme manager of a previous club pension scheme to provide a statement of the amount of transferred pension that the member would be entitled to count where the transfer date falls within two months of the date of the statement

Appeals and Determinations

29. Appeal concerning entries on the certificate (Regulation 148)

If a member is not satisfied with a certificate setting out the details in their pension account(s) as required under Regulation 146, they can require the Scheme Manager to deal with their disagreement under arrangements implemented by the Scheme Manager in accordance with the requirements of section 50 of the Pensions Act 1995 (resolution of disputes) and the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008. The Scheme Manager must have these arrangements in place. [Regulation 148(1)]

Statement of Policy

If a member is not satisfied with a certificate setting out the details in their pension account(s) as required under Regulation 146, the scheme manager will deal with their disagreement under arrangements implemented by the scheme manager in accordance with the requirements of Section 50 of the Pensions Act 1995 (resolution of disputes) and the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008.

The process for dealing with such disagreements will be published via the Intranet.

30. Determination by the Scheme Manager (Regulation 151)

It is the Scheme Manager that must determine whether a person is entitled to an award or to retain an award. [Regulation 151]

Statement of Policy

On a case by case basis the scheme manager will determine whether a person is entitled to an award or to retain an award. This determination will be made by the Payroll and Pensions Manager in conjunction with the Strategic Enabler for People Support Services.

31. Role of IQMP in determinations by the Scheme Manager (Regulation 152)

The Scheme Manager must select an Independent Qualified Medical Practitioner to provide a written opinion in respect of medical matters which may only be decided by having regard to such an opinion. [Regulation 152(1)]

If a person wilfully or negligently fails to submit to medical examination by the selected IQMP and the IQMP is unable to give an opinion on the basis of the medical evidence available, the Scheme Manager can make the determination based on such medical evidence as the Scheme Manager thinks fit, or without medical evidence. [Regulation 152(7)]

Statement of Policy

The Scheme Manager will select an Independent Qualified Medical Practitioner to provide a written opinion in respect of medical matters which may only be decided by having regard to such an opinion

Where a person wilfully or negligently fails to submit to medical examination by the selected IQMP and the IQMP is unable to give an opinion on the basis of the medical evidence available, the scheme manager will make the determination based on such medical evidence as the scheme manager thinks fit, or without medical evidence. This discretion will be exercised by the Strategic Enabler for People Support Services.

32. Review of medical opinion (Regulation 153)

Where a member requests a review of an IQMP's opinion in the light of new evidence received by the scheme manager within 28 days of the member having received the opinion, the Scheme Manager may agree to giving the IQMP the opportunity of reviewing the opinion. [Regulation 153(1)]

Upon receiving the IQMP's response the Scheme Manager must confirm or revise its original determination and advise the member accordingly. [Regulation 153(4) and (5)]

Statement of Policy

On a case by case basis, where a member requests a review of an IQMP's opinion in the light of new evidence received by the scheme manager within 28 days of the member having received the opinion, the scheme manager may agree to giving the IQMP the opportunity of reviewing the opinion.

Upon receiving the IQMP's response the Scheme Manager will confirm or revise its original determination and advise the member accordingly. The discretion will be exercised by the Strategic Enabler for People Support Services.

33. Notice of appeal (Regulation 155)

If a member wishes to appeal against a determination made by the scheme manager and their grievance lies in the medical opinion upon which the determination was based, they can appeal to a board of medical referees. The appeal must be made within 28 days of the date on which the member receives the relevant documents under Regulation 154(4). If the appeal is not made within this time limit and the scheme manager is of the opinion that the person's failure to give notice within the required period was not due to the person's own default, the scheme manager has a discretion to extend the time limit for such period as the scheme manager considers appropriate, not exceeding six months from the date the Regulation 154(4) documents were supplied. [Regulation 155(2)]

Statement of Policy

On case by case basis the scheme manager will consider extending the time limit during which a member can appeal to a board of medical referees to a maximum of six months from the date the Regulation 154(4) documents were supplied.

34. Reference of appeal to the board (Regulation 156 – See also Regulation 161)

Where a member has given notice of appeal to a board of medical referees, before the board arranges a time and place for the interview and medical examination a member of the board will review the documents supplied to the board in accordance with Regulation 156. If the board member is of the opinion that the board may regard the appeal as frivolous, vexatious or manifestly ill-founded the board member will notify the Secretary of State accordingly. This will be copied to the scheme manager who must, in turn, send a copy of it to the scheme member advising that if their appeal is unsuccessful, the member may be required to pay the scheme manager's costs and requesting notification from the member as to whether, in the circumstances, they wish to continue with, or withdraw, the appeal. [Regulation 156(8) to (12)]

Statement of Policy

If a member of a board of medical referees, who has reviewed appeal documents provided by the member, is of the opinion that the board may regard the appeal as frivolous, vexatious or manifestly ill-founded the board member will notify the Secretary of State accordingly. The Scheme Manager will send a copy of this notification to the scheme member advising that if their appeal is unsuccessful, they will be required to pay the Scheme Manager's costs and requesting notification from the member as to whether, in the circumstances, they wish to continue with, or withdraw, the appeal.

35. Procedure where appeal to be pursued (Regulation 157)

The Scheme Manager must decide which persons will attend the interview as its representatives. The Scheme Manager must also decide whether or not to submit written evidence or a written statement (and must decide a response to any written evidence or written statement from the appellant). [Regulation 157(6) to (9)]

Statement of Policy

On a case by case basis where an appeal is pursued the scheme manager will decide;

1. Which persons will attend the interview as its representatives.
2. Whether or not to submit written evidence or a written statement.
3. How to respond to any written evidence or written statement from the appellant.

This decision will be made by the Strategic Enabler for People Support Services.

36. Expenses of each party (Regulation 161)

If the medical appeal board determines in favour of the scheme manager and states that in its opinion the appeal was frivolous, vexatious or manifestly ill-founded, the scheme manager can require the appellant to pay it such sum not exceeding the total amount of the fees and allowances payable to the board under Regulation 160(1) as the scheme manager considers appropriate. [Regulation 161(2)]

If the appellant withdraws the appeal requesting cancellation, postponement or adjournment of the date appointed for interview and/or medical examination less than 22 working days before the date appointed, the scheme manager can require the member to pay it such sum not exceeding the total amount of the fees and allowances payable to the board under Regulation 160(1) as the scheme manager considers appropriate. [Regulation 161(3)(a)]

If the appellant's acts or omissions cause the board to cancel, postpone or otherwise adjourn the date appointed or interview and/or medical examination less than 22 days before the date appointed, the scheme manager can require the member to pay it such sum not exceeding the total amount of the fees and allowances payable to the board under Regulation 160(1) as the scheme manager considers appropriate. [Regulation 161(3)(b)]

Statement of Policy

If the medical appeal board determines in favour of the scheme manager and states that in its opinion the appeal was frivolous, vexatious or manifestly ill-founded, the scheme manager will require the appellant to pay it a sum equal to the total amount of the fees and allowances payable to the board under Regulation 160(1).

37. Appeals on other issues (Regulation 163)

If a member disagrees with a scheme manager's determination of award under Regulation 151 and the disagreement does not involve an issue of a medical nature, the member can require the scheme manager to deal with the disagreement under requirements which the scheme manager must have in place in accordance with section 50 of the Pensions Act 1995 (requirement for dispute resolution arrangements) and the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008. [Regulation 163]

Statement of Policy

If a member disagrees with a scheme manager's determination of award under Regulation 151 and the disagreement does not involve an issue of a medical nature, the scheme manager will deal with their disagreement under arrangements implemented by the scheme manager in accordance with the requirements of section 50 of the Pensions Act 1995 (resolution of disputes) and the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008.

The process for dealing with such disagreements will be published via the Intranet.

Payment of Pensions

38. Commutation of small pensions (Regulation 167)

If the pension entitlement of a member of the scheme, or the pension entitlement of a member's beneficiary, does not exceed the small pensions commutation maximum the scheme manager may pay the entitlement as a lump sum. This would, however, be subject to the consent of the recipient and must comply with the commutation provisions that apply in the circumstances. [Regulation 167(3)]

Statement of Policy

If the pension entitlement of a member of the scheme, or the pension entitlement of a member's beneficiary, does not exceed the small pensions commutation maximum the scheme manager will pay the entitlement as a lump sum, subject to the consent of the recipient and will comply with the commutation provisions that apply in the circumstances.

39. Payments for persons incapable of managing their affairs (Regulation 168)

If it appears to the scheme manager that a person other than an eligible child who is entitled to benefits under the scheme, is by reason of mental incapacity or otherwise, incapable of managing his or her affairs, the scheme manager may pay the benefits or any part of them to a person having the care of the person entitled, or such other person as the scheme manager may determine, to be applied for the benefit of the person entitled. If the scheme manager does not pay the benefits in this way, the scheme manager may apply them in such manner as it may determine for the benefit of the person entitled, or any beneficiaries of that person. [Regulation 168]

Statement of Policy

Where it appears to the scheme manager that a person other than an eligible child who is entitled to benefits under the scheme, is by reason of mental incapacity or otherwise, incapable of managing his or her affairs, the scheme manager will pay the benefits or any part of them to a person having the care of the person entitled, or such other person as the scheme manager may determine, to be applied for the benefit of the person entitled.

40. Payments due in respect of deceased persons (Regulation 169)

If, when a person dies, the total amount due to that person's personal representatives under the scheme (including anything due at the person's death) does not exceed the limit specified in the Administration of Estates (Small Payments) Act 1965, the scheme manager can pay the whole or part of the amount due to the personal representatives or any person or persons appearing to the scheme manager to be beneficially entitled to the estate, without requiring the production of grant of probate or letters of administration. [Regulation 169]

Statement of Policy

If, when a person dies, the total amount due to that person's personal representatives under the scheme (including anything due at the person's death) does not exceed the limit specified in the Administration of Estates (Small Payments) Act 1965, the scheme manager will pay the whole or part of the amount due to the personal representatives or any person or persons appearing to the scheme manager to be beneficially entitled to the estate, without requiring the production of grant of probate or letters of administration.

Forfeiture

41. Forfeiture: offences committed by members, surviving partners or eligible children (Regulation 171)

If a member, surviving partner or eligible child is convicted of a relevant offence, the scheme manager can withhold pensions payable under the scheme to a member, any person in respect of the member, a surviving partner or an eligible child, to such extent and for such duration as it considers appropriate. "Relevant offence" is defined in this Regulation.

The definition includes offences injurious to the State (including treason) or likely to lead to a serious loss of confidence in the public service. There are certain conditions set out in the Regulation, e.g. it is only the part of the pension that exceeds any guaranteed minimum pension that can be withheld. [Regulation 171(1), (2), (3) and (5).]

Where a pension is withheld, the scheme manager can at any time, and to such extent and for such duration as the manager thinks fit, apply the pension for the benefit of any dependant of the member or restore it to the member. [Regulation 171(4)]

Statement of Policy

If a member, surviving partner or eligible child is convicted of a relevant offence, the scheme manager will withhold pensions payable under the scheme to a member, any person in respect of the member, a surviving partner or an eligible child, to such extent and for such duration as it considers appropriate, subject to a maximum of the amount by which the pension exceeds any guaranteed minimum pension.

On a case by case basis where a pension is withheld, the scheme manager will consider at three monthly intervals, to any extent and for such duration as the manager thinks fit, applying the pension for the benefit of any dependant of the member or restoring it to the member.

42. Forfeiture of pensions: offences committed by other persons (Regulation 172)

If a surviving partner or eligible child is convicted of the murder of a scheme member from whose benefits their pension would be derived the scheme manager must withhold all of the survivor's or child's pension otherwise payable. However, if a surviving partner or eligible child is convicted of the manslaughter of the member or any other offence, apart from murder, of which the unlawful killing of the member is an element, the scheme manager has discretion as to whether or not to withhold the pension to which they would otherwise be entitled. The amount withheld must only be that part of the pension which exceeds any guaranteed minimum pension. If the conviction is subsequently quashed, the pension must be restored with effect from the day after the date on which the member died. If, after the conviction has been quashed, the person is again convicted of murder, manslaughter or an associated offence as outlined above, any restoration is cancelled. [Regulation 172(1) to (5)]

Statement of Policy

The discretion to withhold part of a pension under Regulation 172 (1) to (5) will be exercised on a case by case basis by the Strategic Enabler for People Support Services.

43. **Forfeiture of lump sum death benefit: offences committed by other persons (Regulation 173)**

If a person is convicted of a relevant offence, i.e. the murder or manslaughter of the member, or any other offence of which the unlawful killing of the member is an element, the scheme manager must withhold all of any lump sum death benefit payable to that person.

If, however, the conviction is subsequently quashed on appeal, the scheme manager may, to such extent and for such duration as it thinks fit, restore to the person the amount of benefit withheld. If, after the conviction has been quashed, the person is again convicted of murder, manslaughter or an associated offence as outlined above, any restoration is cancelled. [Regulation 173]

Statement of Policy

The discretion to restore part of a pension withheld under Regulation 173 will be exercised on a case by case basis by the Strategic Enabler for People Support Services.

44. **Forfeiture: relevant monetary obligations and relevant monetary losses (Regulation 174)**

If a member has a relevant monetary obligation or has caused a relevant monetary loss, the scheme manager may, to such extent and for such duration as it considers appropriate, withhold benefits payable to that person under the scheme. "Relevant monetary obligation" and "relevant monetary loss" are defined in the Regulation. There are certain limits, e.g. the amount withheld may only be that which exceeds the person's guaranteed minimum pension and the scheme manager may only withhold it if there is no dispute about the amount or, if there is, there is a court order or the award of an arbitrator. The monetary obligation must have been incurred to the employer after the person became an active member and arising out of or connected with the scheme employment in respect of which the person became a member of the scheme, and arising out of the person's criminal, negligent or fraudulent act or omission. The procedure is set out in Regulation 176. [Regulation 174]

Statement of Policy

The discretion to withhold part of a pension under Regulation 174 will be exercised on a case by case basis by the Strategic Enabler for People Support Services.

45. **Set-off (Regulation 175)**

A scheme manager has a discretion to set off a "relevant monetary obligation" against a member's entitlement to benefits under the scheme, subject to certain conditions which are similar to those contained in Regulation 174 (Forfeiture). The procedure is set out in Regulation 176.] [Regulation 175]

Statement of Policy

The scheme manager will set off any "relevant monetary obligation" against a member's entitlement to benefits.

Payment and Deduction of Tax

46. Payment on behalf of members of lifetime allowance charge (Regulation 178)

At a scheme member's request, the scheme manager may pay on the member's behalf any amount that is payable by way of the lifetime allowance charge under section 214 of the Finance Act 2004. The scheme manager may only comply with the request if the member pays it the amount in question on or before the date on which the event occurs or the member authorises the deduction of the amount from a lump sum becoming payable to the member under the scheme at the same time as the event occurs. [Regulation 178]

Statement of Policy

At a scheme member's request, the scheme manager will pay on the member's behalf any amount that is payable by way of the lifetime allowance charge under section 214 of the Finance Act 2004. The scheme manager will only comply with the request if the member pays it the amount in question on or before the date on which the event occurs or the member authorises the deduction of the amount from a lump sum becoming payable to the member under the scheme at the same time as the event occurs.

47. Evidence of Entitlement (Regulation 184)

The scheme manager can require any person who is in receipt of a pension or may have entitlement to a pension or lump sum under the scheme to provide such supporting evidence as the scheme manager may reasonably require so as to establish the person's identity and their continuing or future entitlement to the payment of any amount under the scheme. [Regulation 184(1) and (2)]

If a person fails to comply with the scheme manager's requirements in this respect, the scheme manager can withhold the whole or part of any amount that it otherwise considers to be payable under the scheme. [Regulation 184(3)]

Statement of Policy

The scheme manager will require any person who is in receipt of a pension or may have entitlement to a pension or lump sum under the scheme to provide appropriate evidence to establish the person's identity and their continuing or future entitlement to the payment of any amount under the scheme.

If a person fails to comply with the scheme manager's requirements in this respect, the scheme manager will withhold the whole or part of any amount that it otherwise considers to be payable under the scheme.

48. **Amount of accrued added pension may not exceed overall limit of extra pension (Schedule 1, Part 1, Paragraph 4)**

The total amount of accrued added pension must not exceed a certain limit. If it appears to the scheme manager that a member who has elected to make periodical contributions will exceed the limit the scheme manager may cancel the election (by written notice to the member). [Schedule 1 Part 1, Paragraph 4]

Statement of Policy

If it appears to the scheme manager that a member who has elected to make periodical contributions will exceed the limit prescribed in the regulations the scheme manager will, having provided written notice to the member, cancel the election.

49. **Member's Election to make periodical contributions for added pension (Schedule 1, Part 1, Paragraph 7)**

If a scheme member wishes to make periodical payments for added pension, the scheme manager can set a minimum amount which must be paid. [Schedule 1, Part 1, Paragraph 7(3)]

Statement of Policy

The scheme manager will not allow a member to make periodic payments for added pension of less than £10 per month.

50. **Periodical payments (Schedule 1, Part 2, Paragraph 8)**

If a scheme member wants to make periodical payments for added pension, but does not want them to be deducted from pensionable pay, the scheme manager may agree another method of payment. [Schedule 1 Part 2, Paragraph 8 (3)]

Statement of Policy

The scheme manager will not allow a member to make periodical payments for added pension except by deduction from pensionable pay.

51. **Periodical payments during periods of assumed pensionable pay (Schedule 1, Part 2, Paragraph 10)**

After a period of assumed pensionable pay or a period of reduced pay, the member may give written notice to the scheme manager authorising the employer to deduct the aggregate of payments – which would have been made but for the leave – from the member's pay during the period of six months from the end of the period of reduced pay. The scheme manager can extend this period of six months. [Schedule 1 Part 2, Paragraph 10(4)]

Statement of Policy

Where a member gives written notice authorising the deduction of aggregate payments from their pay the scheme manager will extend the period of repayment to a maximum of two years. This discretion will be exercised by the Payroll and Pensions Manager.

52. **Meaning of "tapered protection closing date" (Schedule 2, Part 1, Paragraph 3)**

The tapered protection closing dates for tapered protection members are given in the 1992 scheme tables in Schedule 2 Part 4. In most cases the appropriate closing date can be ascertained by reference to the band of dates in which the firefighter's birthday falls. The tapered protection date for a tapered protection member of FPS 2006 to whom paragraph 9(5) or 21 applies (members returning to pensionable service) is determined by the scheme manager. [Schedule 2 Part 1,

Paragraph 3(3); Schedule 2 Part 2, Paragraph 9(5); and Schedule 2 Part 3, Paragraph 21]

Statement of Policy

The tapered protection date for a tapered protection member of FPS 2006 to whom paragraph 9(5) or 21 applies (members returning to pensionable service) is determined by the scheme manager. This determination will be exercised by the Payroll and Pensions Manager.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

7 SEPTEMBER 2015

1. **REQUEST FOR DECISIONS TO BE MADE UNDER THE FIREFIGHTERS' PENSION SCHEMES**

Report of the Treasurer

RECOMMENDED

THAT the Audit Committee in their role as Scheme Manager make decisions as required under the rules of the Firefighters' Pension Scheme on the two issues raised.

2. **PURPOSE OF REPORT**

To request the Audit Committee in their role as Scheme Manager for the Firefighters Pension Scheme to make decisions on the following two issues;

- (1) What date should be used for automatic re-enrolment under the Work Place Pension Regulations?
- (2) Should eligible job holders, who have opted out of a qualifying scheme within a period of twelve months prior to the automatic re-enrolment date, be excluded from eligibility for automatic re-enrolment?

3. **BACKGROUND**

- 3.1 The rules of the Firefighters' Pension Scheme provide various discretions to, or require decisions to be made by, the Scheme Manager .
- 3.2 The role of Scheme Manager has been delegated by the Fire Authority to the Audit Committee.
- 3.3 To enable the efficient administration of the scheme the Payroll and Pensions manager is requesting decisions on the following two issues both of which relate to automatic re-enrolment.

Ref. AU/AC/91708151

3.4 Automatic Re-enrolment Date

3.4.1 Under the Work Place Pension Regulations (Auto-Enrolment) the employer is obliged to re-enrol into a qualifying scheme all eligible employees every three years following their original staging or deferment date. Unlike automatic enrolment the employer may choose to undertake automatic re-enrolment on any date as long as it is within three months of the third anniversary of their original staging date. West Midlands Fire Service's original staging date was 1st August 2013 and it is proposed that automatic re-enrolment takes place on 1st August 2016.

3.4.2 The Scheme Manager is asked to consider this proposal and to confirm their decision on this matter.

3.5 Discretion Not to Automatically Re-Enrol Certain Employees

3.5.1 Whilst the automatic enrolment regulations applied to all staff satisfying eligibility criteria, the employer can exempt certain staff from automatic re-enrolment.

3.5.2 It is proposed that eligible job holders who have opted out of a qualifying pension scheme within a period of twelve months prior to the automatic re-enrolment date be excluded from eligibility for automatic re-enrolment.

3.5.3 The proposal is made to reduce the administrative burden of complying with the legislation and to avoid charging members pension contributions which then need to be refunded to them in the following or subsequent months.

3.5.4 The Scheme Manager is asked to consider this proposal and to confirm their decision on this matter.

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 change in policy.

5. **LEGAL IMPLICATIONS**

There is a statutory requirement for public bodies to comply with the Public Services Pension Act 2013.

6. **FINANCIAL IMPLICATIONS**

There are no financial implications from this report.

7. **BACKGROUND PAPERS**

Work Place Pension Regulations (Auto-Enrolment)

The contact name for this report is Paul Gwynn, Payroll & Pensions Manager 0121 380 6928

MIKE GRIFFITHS
TREASURER

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

7 SEPTEMBER 2015

1. **CORPORATE RISK END OF QUARTER 1 UPDATE 2015/16**

Report of the Chief Fire Officer.

RECOMMENDED

- 1.1 THAT the Committee approves the Corporate Risk Assurance Map Summary (Appendix 1) and notes the Position Statement (Appendix 2) for each risk.
- 1.2 THAT the Committee approves the change to Risk Owners shown on the Assurance Map Summary.

















2. **PURPOSE OF REPORT**


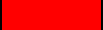


This quarterly update is provided to ensure Members remain informed about all aspects relating to the management of the Authority's corporate risks. Following consideration by DCFO Service Support and ACFO Service Delivery, the Risk Owners detailed on the Corporate Risk Assurance Map have been changed to enable for a more consistent and clear approach and to align responsibility appropriately to Strategic Enabling Team (SET) members.

3. **BACKGROUND**

- 3.1 In accordance with the Service's risk management strategy, the Corporate Risk Assurance Map Summary is submitted for approval by the Audit Committee on a quarterly basis, following its submission and discussion at the Quarterly Performance Review Meeting.
- 3.2 Corporate risks are those risks which if they occurred would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in The Plan. Currently, the Service maintains 11 corporate risks.

- 3.3 Each corporate risk has assigned to it a Risk Owner. The Risk Owner has the overall responsibility for monitoring and reviewing the progress being made in managing the risk.
- 3.4 To enable for effective risk management, the Risk Owner will periodically undertake an assessment of each corporate risk. The frequency of this review will be based upon the estimated risk rating undertaken on the basis of likelihood x impact. The likelihood is a measure of probability of a given risk occurring using a scale of 1(low) to 4 (high). The impact is a measure of the severity or loss should the risk occur again, using a scale of 1(low) to 4 (high).

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

	HIGH RISK - periodic review every 6 weeks
	MEDIUM RISK - periodic review every 3 months
	LOW RISK - periodic review every 6 months
	VERY LOW RISK - periodic review every 12 months

- 3.5 In order to ensure that Members are kept informed of corporate risk matters a Position Statement (Appendix 2) and the overall Corporate Risk Assurance Map Summary are attached (Appendix 1).
- 3.6 In undertaking a review of corporate risks, the Risk Owner has reviewed the Corporate Risk Assurance Map. The Assurance Map provides details of:
- the strategic objectives and performance indicators relevant to the risk.
 - the current risk score.
 - a description of events that could lead the corporate risk to be realised.
 - the control measures in place designed to reduce the likelihood of risk realisation or its impact should the risk be realised.
 - additional control measures currently being implemented to further reduce the likelihood or impact.

- Control Owners who are responsible for the implementation, maintenance and review of individual control measures.
- 3.7 Where ongoing additional controls are being implemented, Risk Owners have confirmed the progress in implementing such controls.

Change to Risk Owners

- 3.8 Following discussions between the DCFO Service Support and ACFO Service Delivery, the Risk Owners have been aligned to individual members of the Strategic Enabling Team to reflect functional responsibility. This change is consistent with our approach to risk management whereby we follow the guidance detailed in The Orange Book Management of Risk - Principles and Concepts issued by HM Treasury in 2004 which states

‘The highest priority risks (the key risks) should be given regular attention at the highest level of the organisation, and should consequently be considered regularly by the Board’

- 3.9 Risk Owners primary responsibilities in managing corporate risks are set out in 3.3 - 3.7 above. The change proposed to Risk Owners will support the appropriate management of risk at a strategic level enabling for the delivery of the priorities, objectives and outcomes detailed in The Plan. Performance of risk is monitored at the Quarterly Performance Reporting meetings. In line with legislation and the delegations set out in the Constitution, the effective stewardship and management of risk is a matter for the Fire Authority which has been delegated to the Audit Committee. Therefore significant changes to risk management arrangements require the approval of the Audit Committee.

Position Statement

- 3.10 The Position Statement attached as Appendix 2 provides the detail of the risk management activity undertaken or ongoing in respect of corporate risks. The level of Risk Owner confidence in the effectiveness of the Service’s risk management and control environment remains high with the following confidence opinions being awarded.
- Corporate risks 1, 7, 8, 9, 10, 11 and 13 have been awarded a green confidence (substantial) opinion, which is the highest level that can be awarded.

- Corporate risks 2, 4, 5, 6 and have been awarded an amber (satisfactory) confidence opinion. In all cases, work is in progress to enable for a green rating to be attained.
- No red (limited) confidence opinions were awarded.

Changes to Risk Ratings

- 3.11 Risk 2, The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality. The overall risk score has reduced to 8. The risk continues to be medium. Risk likelihood has increased due to the emergence of additional risks relating to the Emergency Services Mobile Communication Programme (ESMCP), moving to new ICT platforms as part of the Third Platform project and the implementation of location and device independent working. However, in recognising the increased likelihood risk, mitigating measures to reduce the impact of risk realisation have been introduced including the Data Classification Scheme and comprehensive data handling instructions.
- 3.12 Risk 4, The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives. Following the receipt of a recent internal audit report into the Service's risk management arrangements and in line with the initial findings of the scrutiny review of partnerships, the Service has clear evidence that its partnership governance arrangements require strengthening. In light of this information the Risk Owner has determined that the likelihood of risk realisation is to be increased.
- 3.13 Of particular concern is that evidence indicates that there is no systematic and consistent approach to recording partnerships and their purpose either centrally, at command level or at stations. This is a cause for concern as the Service cannot identify the range of partnerships it's involved in, who is involved, the partnerships contribution to The Plan, or the quality of the governance arrangements (risk management for example) that are in place. As a consequence the Service has increased it's exposure to a clearly avoidable risk. This is critical as the Service strives

to create the appropriate arrangements (structure, people, processes, culture) to maximise income generation enabled by the emerging public health/wellbeing commissioning opportunities. Commissioning is an integral part of the Service's strategic approach to enabling for a balanced budget and it is essential that the governance controls are put in place as a matter of urgency to ensure that the Service manages the risks inherent in such an approach. As part of a pro-active response, the Risk Owner is working with officers within the Community Safety Team to identify and implement appropriate control measures as a matter of urgency.

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 within this report do not relate to a change in policy.

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 financial implications arising from this report.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

Quarterly Performance Review Quarter 1 2015/16.

The Orange Book Management of Risk - Principles and Concepts, Treasury 2004

The contact officer for this report is Deputy Chief Fire Officer, Phil Hales, telephone number 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

Appendix 1

Corporate Risk Assurance Map - Summary - July 2015

Outcome of risk realisation	Owner	Direction of travel	Overall confidence	Likelihood	Impact	Risk Score
1 The Fire Authority would be unable to maintain the positive engagement of its employees, resulting in an inability to deliver its key priorities and objectives.	SET People	↔		4	3	12
2 The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality.	SET ICT	↓		4	2	8
4 The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key	ACFO SD	↑		3	2	6
5 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods.	DCFO SS	↔		4	3	12
6 The Fire Authority would be unable to ensure that operational incidents are dealt with safely and effectively using appropriate levels of resources and personnel.	DCFO SS	↔		2	4	8
7 The Fire Authority would be unable to deliver the core responsibilities of preventing, protecting and responding effectively as a result of insufficient key assets such as buildings and vehicles.	SET Finance & Resources	↔		2	3	6
8 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively due to a lack of funding or the misuse of funds, e.g. fraudulent activity.	SET Finance & Resources	↔		3	3	9
9 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective employees.	SET People	↔		2	3	6
10 The Fire Authority would be unable to manage its responsibilities under the Regulatory Reform (Fire Safety) Order and associated legislation resulting in a decline in non-domestic fire safety standards or legal action being taken against the Authority.	ACFO SD	↔		2	2	4
11 The Fire Authority would be unable to maintain its command and control function, resulting in an inability to receive, process and respond to emergency calls effectively.	DCFO SS	↔		2	4	8
13 The Fire Authority suffers a significant health, safety or environmental failure, resulting in legal challenge and/or litigation.	DCFO SS	↔		2	3	6

Corporate Risk Amendments June 2015
Position Statement

Risk 1- The Fire Authority would be unable to maintain the positive engagement of employees resulting in an inability to deliver its key priorities and objectives

Emerging Issues	<p>The Risk Owner has determined that with the continued uncertainty over industrial action that the likelihood score (potential for risk realisation) should be maintained at a level of 4 as the risk of further action is still high, until agreement between the Government and FBU is reached. Therefore the risk rating remains high generating an overall Risk Score of likelihood 4 x impact 3 = 12.</p> <p>The Service is currently engaged with the representative body on a staffing proposal . The Service recognises that this does have the potential to affect the positive engagement of employees. However in considering alternative delivery model the Service is confident that its framework for engaging and consulting with both employees and representative bodies is satisfactory.</p> <p>In addition to this the Service has communicated with personnel to provide ongoing information regarding the staffing proposal. Questionnaires have been communicated to determine the appetite to support the staffing via a voluntary/anonymous survey, with wider information being distributed service wide to provide clarity on financial challenge and its potential impact upon our Service Delivery model.</p>
Changes to control measures	<p>There have been no changes to control measures in this quarter.</p>
Assurance Updates	<p>The level of assurance provided by control owners against this particular risk is high, with the assurances being green and provided within the last 12 months. A number of assurances have been updated in this quarter, reflecting the proactive approach to managing this particular risk.</p> <p>The Risk Owner is assured that the collective control environment is strong and effective. This is reflected in the 'substantial (green) 'confidence opinion' which is shown on the Corporate Risk Assurance Map Summary.</p>

Risk 2 – The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality

Emerging Issues	<p>The overall risk score is 8. The risk continues to be medium. This risk likelihood has increased due to the emergence of additional risks relating to the Emergency Services Mobile Communication Programme (ESMCP), moving to new ICT platforms as part of the Third Platform project and the implementation of location and device independent working.</p> <p>The impact of the risk has been reduced by the introduction of the Data Classification Scheme and comprehensive data handling instructions.</p>
Changes to control measures	<p>Classification of the brigade's information assets has been prioritised and implemented to ensure appropriate data handling and the creation of appropriate ICT environments in line with government recommendations.</p> <p>Upon completion appropriate availability, access and resilience can be applied to these all information assets.</p> <p>In addition, work is ongoing to establish accreditation for Code of Connection (CoCo) to the Emergency Services Network (ESN) and the Public Services Network (PSN). Accreditation for ICCS has already been achieved</p>
Assurance updates	<p>The overall risk confidence opinion is amber.</p>

Risk 4 – The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives.

Emerging Issues	<p>The overall risk score has risen as an increase in likelihood from 2 to 3. The impact score remains at 2. This means an overall revised risk rating of 6 (medium).</p> <p>Following the receipt of a recent internal audit report into the Service's risk management arrangements and in line with the initial findings of the scrutiny review of partnerships, the Service has clear evidence that its partnership governance arrangements require strengthening. In light of this information the Risk Owner has determined that the likelihood of risk realisation is to be increased.</p> <p>Of particular concern is that evidence indicates that there is no systematic and consistent approach to recording partnerships and their purpose either centrally, at command level or at stations. This is a cause for concern as the Service cannot identify the range of partnerships it's currently involved, who is involved, contribution to the plan, evaluation or the quality of the governance arrangements (risk management for example) in place. As a</p>
-----------------	--

	consequence the Service has increased it's exposure to a clearly avoidable risk. This is critical as the Service strives to create the appropriate arrangements (structure, people, processes, culture) to maximise income generation enabled by the emerging public health/wellbeing commissioning opportunities. Commissioning is an integral part of the Service's strategic approach to enabling for a balanced budget and it is essential that the governance controls are put in place as a matter of urgency to ensure the Service's manages the risks inherent in such an approach
Changes to control measures	<p>As part of a pro-active response, the ACFO Service Delivery, is working with officers within the Community Safety Team to identify and implement appropriate control measures as a matter of urgency.</p> <p>In March 2015 in consultation with ACFO a review of the Service's partnership working arrangements, was commissioned by the Scrutiny Committee. It is expected that this work will be completed in October 2015 and will also provide an avenue to strengthen the risk control environment, with a view to ensuring the Service is best placed to respond to the changing political and funding landscape in respect of public health and well-being commissioning.</p>
Assurance updates	The overall confidence opinion associated with this risk is amber.

Risk 5 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods.

Emerging Issues	<p>The Risk Owner has determined that with the continued uncertainty over industrial action that the likelihood score (potential for risk realisation) should be maintained at a level of 4 as the risk of further action is still high. Similarly, whilst engagement with the workforce and representative bodies in ongoing regarding the staffing proposal there is still a risk of a local dispute. Similarly as the Service seeks to move into commissioning, discussions are ongoing with representative bodies. Although a mutually agreeable solution is likely via the National Joint Council it provides an indication of the range of changes currently being considered by the Service, raising the potential for disagreement with the representative bodies.</p> <p>Therefore the risk rating remains high generating an overall Risk Score of likelihood 4 x impact 3 = 12.</p>
Changes to control measures	The responsibility for a number of control measures within the risk management environment has been re-aligned to reflect the current service structure. This has enabled for a number of assurances to be reconsidered and updated, with the highest level of 'substantial' green rating being awarded against the vast majority of controls.

Assurance updates	The overall confidence opinion associated with this risk is amber on the basis of whilst the Service is doing all that is reasonably practicable to avoid industrial action, there is still likely to be a short term impact to the delivery of strategic priorities as a result of industrial action. This creates uncertainty as to how the Service would continue to meet its specific legislative response responsibilities should a significant or a number of incidents occur during a period of industrial action
-------------------	--

Risk 6- The Fire Authority would be unable to ensure that operational incidents are dealt with safely and effectively, using appropriate levels of resource and personnel.

Emerging Issues	The overall risk Score remains at 2 (likelihood) x 4 (impact) = 8 and the risk remains at Medium.
Changes to control measures.	<p>As part of the ongoing Emergency Services Mobile Communications Programme, funding principles have been circulated for agreement. This may create additional financial burden for the service. The Service continues to work towards a code of compliance for PSN. Engagement continues on wider collaborative aspects between WMFS and WM Police.</p> <p>The Service's continues to improve Site Risk Survey (SRS) arrangements (site specific risk information SSRI). SSRI is intended to ensure that risk assessed informed decisions can be made pre- incident and at the incident ground, through the provision of relevant, timely and accurate information, ensuring safe and effective firefighters and operations.</p> <p>Now that the integration with Staffordshire control staff is complete, it is now appropriate to review Fire Control staffing levels. This work has commenced.</p> <p>An evaluation of the Service's crisis management arrangements is ongoing. Particular focus is upon the possible opportunities for development and skill-sets that may be required for officers required to discharge this functionality.</p>
Assurance Updates	Level 1 assurance has been provided across the risk environment. However, the Risk Owner has awarded an overall Satisfactory (amber) confidence opinion as to the collective strength of the controls in preventing or reducing risk realisation. This judgement has been informed by the independent limited (red) assurance awarded in respect of SRS. A project to improve SRS (SSRI) arrangements is due to be completed by Summer 2015. Subject to the new arrangements becoming embedded and the Risk Owner being assured as to their effectiveness, the Risk Owner will consider the effectiveness opinion of SRS as a preventative control measure. This will provide the opportunity for the Risk Owner to consider his confidence opinion of the overall control environment.

Risk 7 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective key assets, such as buildings and vehicles.

Emerging Issues	<p>The overall risk score remains unchanged at 2(likelihood) x 3 (impact) = 6. The risk level remains at Medium. The Risk Owner has determined that this score is appropriate.</p> <p>Discussions are ongoing regarding the impact of HS2 upon current command and control functionality. The Service has submitted a document to Peter Holland for his consideration of the Service's position and a meeting has taken place with his representatives.</p>
Changes to control measures	<p>Some relatively minor updates have been made to the assurance map. However, this is a well managed risk with a strong control environment.</p> <p>An addition has been made to reflect the move to improve security arrangements as the Service moves towards an electronic swipe card system. This will replace the yellow disk keys and provide a better system of control, strengthening the security arrangements at all fire service locations</p>
Assurance Updates	<p>Level 1 assurance has been provided across the range of control measures. The level 1 control environment provides for substantial assurance (green rating) across the majority of controls. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion and this is reflected on the Corporate Risk Assurance Map summary.</p>

Risk 8 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively due to a lack of funding or the misuse of funds e.g. fraudulent activity.

Emerging Issues	<p>The risk score remains at 3 (Likelihood) x 3 (Impact) = 9. The overall risk level is Medium. Whilst the Authority continues to manages its budget and accounts in such a way that provides for an unqualified financial opinion and value for money conclusion, the external auditors have recognised the risk posed by the continued challenge presented by the Government funding cuts agenda.</p> <p>To date the Authority has managed to maintain and improve its delivery model and balance its budget despite a £28M (35%) cut in funding (up to March 2016). Following on from the general election anticipated cuts to central grant may be deeper and at a quicker pace than original indications. The Service awaits confirmation of this position. The joint message from the CFO and Chair of the Authority sets out the concerns of the Authority and Service alike.</p> <p>Given that the level of central funding is fundamental in enabling the effective delivery of Service's core objectives the Risk Owner has determined that the likelihood risk score of 3 defined as 'High 25%-50% or</p>
-----------------	--

	likely to occur within two years' is still appropriate. In terms of funding reductions for 2016/17 and 2017/18 the Service will continue to explore a number of avenues in order to balance its budget. As part of this, a referendum may be considered and this has been reflected on the assurance map.
Changes to control measures	<p>The control environment remains strong and is supported by independent assurance provided by both external and internal auditors. Both the external and internal audit programmes have provided independent evidence that the Service still continues to provide value for money (The Value for Money conclusion) and provides an unqualified opinion of the Authority's accounts, supported by effective governance arrangements as detailed in the annual governance statement. This has enabled for a number of control measures to be independently updated.</p> <p>Through a structured approach, the Strategic Enabling Team are considering and where appropriate implementing a range of approaches, across both support and delivery services to enable further efficiencies to be made whilst continuing to meet our delivery model commitments to the community of the West Midlands. This approach has been sent out in a briefing pack communication supplied to managers and the approaches to offsetting the £14M deficit have been reflected within the control environment.</p>
Assurance updates	<p>Level 1 assurance has been provided across the majority of the control environment with most controls measures being awarded at substantial (green) rating in terms of their effectiveness in managing risk triggers and are supported by a number of level 3 assurances. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required.</p> <p>The Risk Owner therefore has provided for a substantial (Green) confidence opinion as to the collective strength of the control environment in managing this particular risk</p>

Risk 9 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective employees.

Emerging Issues	The overall risk score is 2 (likelihood) x 3 (impact) = 6 although the risk level remains at Medium. This means that it is likely to occur within a period of 2-5 years (10-24% chance).
-----------------	--

Changes to control measures	<p>The Service continues to explore a range of avenues to address the ongoing funding challenge.</p> <p>As part of its workforce planning arrangements, the Service is proposing to implement new service delivery staffing arrangements and staff are currently being engaged upon this matter. Discussions with representative bodies are ongoing.</p> <p>An entry has been made onto the assurance map to reflect that there will be no uniformed recruitment in the current financial year.</p> <p>The review of People Support Services will shortly conclude and this review will provide the gateway to ensure that People Support Services are best placed to support the Service in delivering this functionality.</p> <p>In support of providing assurance of its approaches to organisational development, a number of controls on the assurance map (standing order 6) will be reviewed and updated to provide a more appropriate framework and guidance for personnel. This is a joint piece of work between People Support Services and Operational Training.</p>
Assurance updates	<p>The Risk Owner has ensured that control owners have provided assurance for the controls for this particular risk. This proactive approach has strengthened the control environment and level 1 assurance has been provided across the control environment. To date no limited assurances (red ratings) have been identified and as such no immediate interventions are required.</p> <p>The Risk Owner has provided a high (green) confidence opinion as to the effectiveness of the control environment in managing this risk.</p>

Risk 10- The Fire Authority would be unable to manage its responsibilities under the Regulatory Reform (Fire Safety) Order and associated legislation, resulting in a decline in non domestic fire safety standards or legal action being taken against the Authority.

Emerging issues	<p>The risk score using the likelihood x impact matrix is 2 (likelihood) x 2 (Impact) generating an overall risk score of 4 which is unchanged from the previous quarter.</p> <p>The current score is still valid and therefore an update on the performance of our risk management arrangements is not required this quarter.</p>
Changes to control measures	There are no changes to or additional control measures required.
Assurance updates	Level 1 assurance has been updated and provided across the range of control measures. The level 1 control environment provides for substantial assurance (green rating) across the majority of controls. No controls were

	identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion and this is reflected on the Corporate Risk Assurance Map summary.
--	---

Risk 11 – The Fire Authority would be unable to maintain its command and control function, resulting in an inability to receive process and respond to emergency calls effectively.

Emerging Issues	<p>The overall risk score remains at 2(likelihood) x 4(Impact) = 8.</p> <p>Discussions are ongoing regarding the impact of HS2 upon current command and control functionality. The Service has submitted a document to Peter Holland for his consideration of the Service's position.</p> <p>The risks (and controls) present are reflected on the risk log.</p> <p>The joint control working arrangements between Staffs and West Mids are embedded. it is therefore appropriate to consider whether the current resources and staffing model represent the most efficient way of working. This review is ongoing .</p>
Changes to control measures	None
Assurance updates	Level 1 assurance has been provided across the majority of the control environment with a substantial (green rating) being provided for much of the controls. Where amber assurances have been provided corrective action has been identified. To date no limited assurances (red ratings) have been identified and as such no immediate interventions are required. Therefore, the Risk Owner has provided a Substantial (green) confidence opinion as to the overall collective strength of the control environment and this is reflected on the Corporate Risk Assurance Map summary.

Risk 13 – The Fire Authority suffered a significant health, safety or environmental failure, resulting in a legal challenge and/or litigation

Emerging Issues	None. The overall risk score is 2 (impact) x 3 (likelihood) = 6 and the risk level remains at Medium.
Changes to control measures	The Risk Owner has confirmed there were no changes this quarter.
Assurances updates	Level 1 assurance has been provided across the majority of the control environment To date no limited assurances (red ratings) have been identified and as such no immediate interventions are required. Where

	<p>satisfactory assurances have been provided action to provide for substantial (green) assurance has been identified. Performance against health and Safety PIs continues to be strong and this has been reflected in reduced targets against PIs for 2015/16. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion as to the overall collective strength of the control environment and this is reflected on the Corporate Risk Assurance Map summary.</p>
--	---

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

7 SEPTEMBER 2015

1. **CIPFA AUDIT COMMITTEE UPDATE NO. 17**

Report of the Audit Services and Risk Management Manager
[Sandwell MBC].

RECOMMENDED

That the Audit Committee notes issue 17 of CIPFA's Audit
Committee Update.

2. **PURPOSE OF REPORT.**

- 2.1 To ask the Committee to note the publication and contents of issue
17 of CIPFA's Audit Committee Update.

3. **BACKGROUND**

- 3.1 CIPFA continue to develop a series of briefing papers to support
public sector audit committee members and to provide a practical
resource for those who support audit committees. The update is
published approximately three times a year. Each one includes a
main feature, together with pointers to new developments or
guidance that audit committee members may need to be aware of.
The focus for the latest edition is on the audit committee role in
reviewing the financial statements.

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.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

CIPFA Audit Committee Update – Issue 17

Peter Farrow
Audit Services and Risk Management Manager, Sandwell MBC

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

7 SEPTEMBER 2015

1. TREASURY MANAGEMENT – ANNUAL REPORT 2014/2015

Joint report of the Chief Fire Officer and 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 2014/2015 Treasury Management Strategy Statement & Annual Investment Strategy and its Prudential Indicators in February 2014. Part of the requirements of the Treasury Strategy and Prudential Code are that periodic reports are presented to Members.

2.2 The annual treasury report covers the treasury activity during 2014/2015 and the actual Prudential Indicators for 2014/2015.

3. BACKGROUND

3.1 The Authority is required to produce an annual treasury management report of activities and the actual prudential and treasury indicators for 2014/2015.

3.2 Appendix 1, the Annual Treasury Management Report 2014/2015, 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 regulation 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 body of the report and the attached Appendix.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

Authority's Budget and Precept Report – February 2014
Quarterly Treasury Management Reports (Sandwell MBC)
CAPITA – Treasury Management Bulletins and Newsletters

The contact officer for this report is Deputy Chief Fire Officer, Philip Hales, telephone number 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER



Annual Treasury Management Review 2014/15

1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that the Authority should receive the following reports:

- an annual treasury strategy in advance of the year (Authority 17/02/2014)
- a mid-year treasury update report (Audit Committee 13/10/2014)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

This report provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

During 2014/15 the Authority complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2013/14	2014/15
Actual capital expenditure	£5.096m	£3.036m
Total Capital Financing Requirement	£41.870m	£40.211m
Financing costs to net revenue stream	5.57%	3.63%

The Treasurer confirms that no borrowing was undertaken for any capital purpose during 2014/15 and that the statutory borrowing limit (the authorised limit), was not breached.

As at 31st March 2015, the Authority's external debt was £40.751m (£41.784m as at 31st March 2014) and its investment totalled £65.4m (£53.4m as at 31st March 2014).

2. The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

3. The Authority's Capital Expenditure and Financing

The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

	2013/14 Actual £m	2014/15 Actual £m
Total capital expenditure	5.096	3.036
Resourced by:		
• Capital receipts	0	0
• Capital grants	5.096	3.036
• Revenue Contribution to Capital	0	0
Capital Expenditure Financed from Borrowing	0	0

4. Overall Treasury Position as at 31 March 2015

The Authority's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Authority's debt position. The CFR results from the capital activity of the Authority and what resources have been used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Authority's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Authority's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWL] or the money markets), or utilising temporary cash resources.

Reducing the CFR – the Authority's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Authority is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts);
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Authority's Treasury Management Strategy Report for 2014/15 was approved 17th February 2014.

The Authority's CFR for the year is shown below, and represents a key prudential indicator.

CFR	31 March 2014 Actual £m	31 March 2015 Actual £m
Opening balance	45.662	41.870
Add unfinanced capital expenditure	0	0
Less MRP	(1,792)	(1,659)
Less VRP	(2,000)	0
Closing balance	41,870	40,211

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allows the Authority some flexibility to borrow in advance of its immediate capital needs in 2014/15.

	31 March 2014 Actual £m	31 March 2015 Actual £m
External Debt	41.784	40.751
Investments	53.383	65.425
Net Borrowing Position	(11.599)	(24.674)
CFR	41.870	40.211

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The Authority does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Authority has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2013/14	2014/15
Authorised limit	£51m	£49m
Operational boundary	£47m	£45m
Maximum gross borrowing position	£43m	£42m
Financing costs as a proportion of net revenue stream	5.57%	3.63%

5. Overall Treasury Position as at 31 March 2015

The Authority's debt and investment position is organised with the treasury management service at Sandwell MBC with whom a pooling of bank accounts arrangement exists in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

Procedures and controls to achieve these objectives are well established both through Member reporting, and through officer activity detailed in the Authority's Treasury Management Practices.

At the beginning and the end of 2014/15 the Authority's position was as follows:

	31 March 2014 Principal	Rate/ Return	31 March 2015 Principal	Rate/ Return
Fixed Rate Loans:				
PWLB	£37.8	5.8%	£36.9	5.7%
Ex WMCC	<u>£4.0</u>	<u>6.5%</u>	<u>£3.8</u>	<u>6.6%</u>
Total Debt	£41.8	5.9%	£40.7	5.8%
CFR	£41.9		£40.2	
Over / (under) borrowing	(£0.1)		£0.5	
Investments:				
Sandwell MBC	£53.4	0.4%	£65.4	0.4%
Net Debt	(£11.6)		(£24.7)	

The maturity structure of the debt portfolio was as follows:

	31 March 2014 Actual £m	31 March 2015 Actual £m
Under 12 months	1.033	1.052
12 months and within 24 months	1.052	2.337
24 months and within 5 years	3.698	1.665
5 years and within 10 years	6.162	6.348
10 years and above	29.839	29.349

6. The Strategy for 2014/15

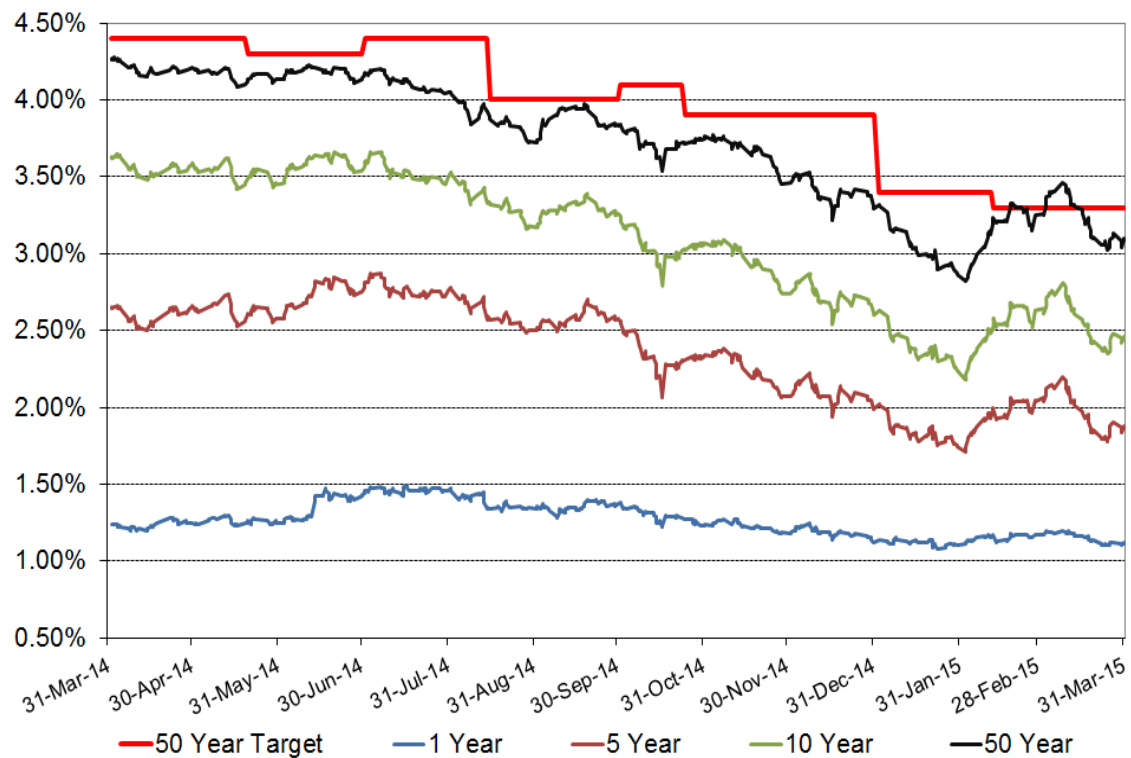
The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.

7. Borrowing Rates in 2014/15

PWLB borrowing rates - the graph below shows how PWLB certainty rates have risen from historically very low levels during the year.



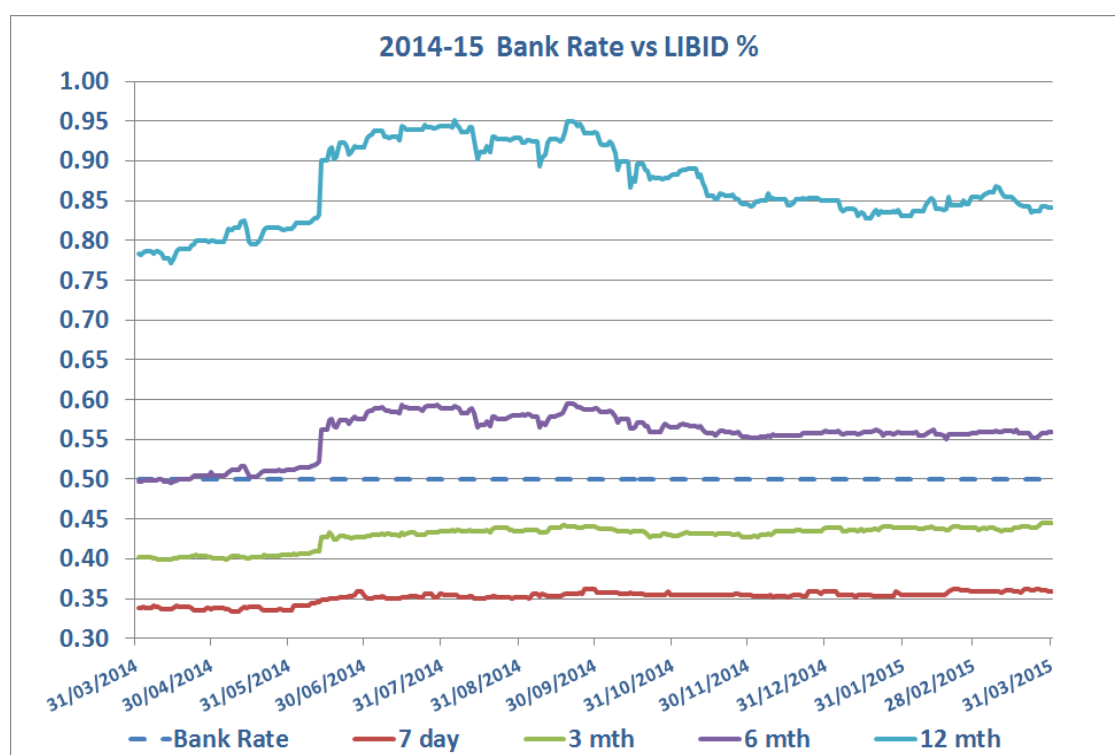
8. Borrowing Outturn for 2014/15

Borrowing – No borrowing was undertaken during 2014/15.

Rescheduling – No rescheduling was undertaken during 2014/15.

9. Investment Rates in 2014/15

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.



10. Investment Outturn for 2014/15

Investment Policy – the Authority’s investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Authority on 17th February 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

Investments held by the Authority - the Authority maintained an average balance of £65.4m of internally managed funds. The internally managed funds earned an average rate of return of 0.38%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.35%. This compares with a budget assumption of £60m investment balances earning an average rate of 0.5%.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

7 SEPTEMBER 2015

1. **AUDIT COMMITTEE UPDATE FOR WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Report of the Chief Fire Officer

RECOMMENDED

THAT the Committee note the content of the Audit Committee Update attached as Appendix 1.

2. **PURPOSE OF REPORT**

The update is provided to keep Audit 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 Committee Members continue to remain informed on audit matters, the external auditor has provided an Audit Committee Update and Continuing to Deliver Value report. It is the intention of the external auditor to provide an update at all Audit Committee meetings.

3.2 The update provides the Audit Committee with a report on Grant Thornton's progress in delivering their responsibilities and also includes:-

- a summary of emerging national issues and developments that may be relevant to West Midlands Fire and Rescue Authority; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

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.

BACKGROUND PAPERS

None

The contact officer for this report is Deputy Chief Fire Officer, Philip Hales, Telephone Number – 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

APPENDIX 1

**Audit Committee Update for West Midlands Fire and
Rescue Authority**

Please see separate attachment.

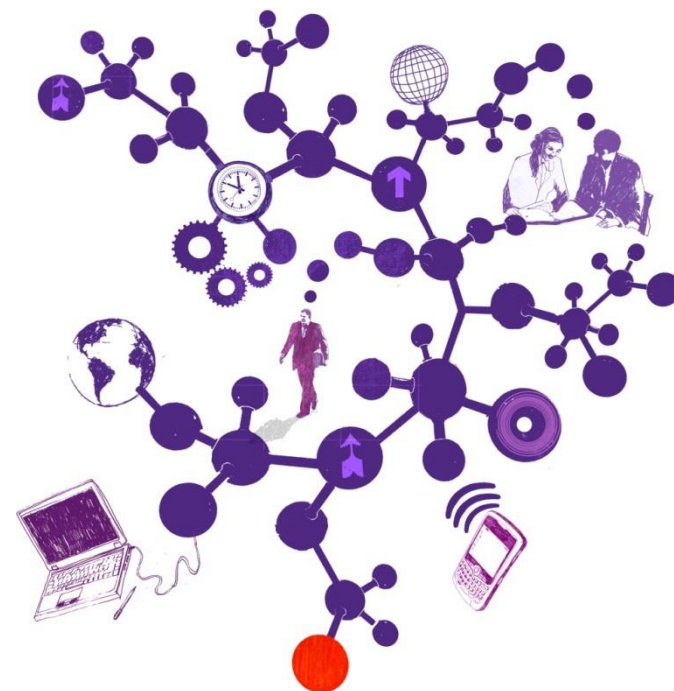
Audit Committee Update for West Midlands Fire & Rescue Authority

Year ended 31 March 2015

September 2015

James Cook
Director
T +44 (0)121 232 5343
E james.a.cook@uk.gt.com

Emily Mayne
Manager
T +44 (0)7880 456 112
E emily.j.mayne@uk.gt.com



Contents

Section	Page
Introduction	3
Progress to date	4
Other information	6

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.

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress to date

Work	Planned date	Complete?	Comments
2014/15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Fire Authority setting out our proposed approach in order to give an opinion on the Fire Authority's 2014/15 financial statements.	March 2015	Yes	We continued to assess the risks facing your Authority and met with Senior Officers to ensure that these risks were fully understood and our audit work was appropriate. The plan has now been delivered in line with our initial assessment and no revisions excepting some additional work to cover the smoke alarm and CO detector transaction has been required.
Interim accounts audit Our interim fieldwork visits include: <ul style="list-style-type: none"> • updating our review of the Fire Authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January and March 2015	Yes	We have: <ul style="list-style-type: none"> • engaged with the finance team to streamline and improve the audit approach for 2014/15 where possible • discussed technical issues early including the calculation of MRP for 2015/16 which informs the Medium Term Financial Plan and the accounting for the smoke alarms and CO detectors • undertaken as much early testing as possible. We continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.
2014/15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014/15 financial statements • proposed opinion on the Fire Authority's accounts • proposed Value for Money conclusion. 	June – September 2015	In progress	The opinion audit has been substantially completed and the outstanding items have been reported to you in the draft Audit Findings Report. It is usual to have final tasks to complete between the presentation of the Audit Findings Report and the issuing of the opinion.

Progress to date

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion requires conclusions on whether: <ul style="list-style-type: none"> • The organisation has proper arrangements in place for securing financial resilience. • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	January – July 2015	In progress	The scope of our work to inform the 2014/15 VfM conclusion is detailed within the Audit Plan. We have reviewed key documents and met with key Senior Officers to inform our overall understanding of the Authority and capture evidence of how the Authority is securing value for money in all areas of service delivery. There will also be a strong focus on financial resilience and how the Authority is preparing itself for future years. We have also reviewed the partnership working as this is a key theme within all areas of the assessment.
Annual Audit Letter A summary of all work completed as part of the 2014/15 audit.	October 2015	Not started	
Engagement with the Authority since the last Committee meeting	N/A	N/A	<ul style="list-style-type: none"> • Delivery of the Final Accounts audit • Meetings with key Senior Officers to inform the VFM conclusion

Fire Works – A collaborative way forward for the Fire and Rescue Service

Local Government Issues

The fire and rescue service must reinvent themselves as a health and wellbeing service to survive the challenges of budget cuts, a new report from localism think tank NLGN (New Local Government Network) argues today. By adopting this radical new role, the fire service can help to support the NHS by keeping people out of hospital.

The report, published in association with the Chief Fire Officers Association (CFOA) shows how fire and rescue services have driven a reduction in the number of fires which has resulted in calls by some for them to reduce their staffing levels. In the last decade the number of incidents has fallen by 40%, yet the number of firefighters has only fallen by 6%. To resist these calls, fire services must define a new role for themselves or risk becoming a residual service of reservists.

NLGN argues that the law should be changed to give the fire and rescue service a formal role in helping older people to live independently and reducing attendance at A&E. They can also work with young people to reduce risky lifestyle choices. This would build on emerging good practice in areas such as Greater Manchester, which could be rolled out to benefit other communities across the country.

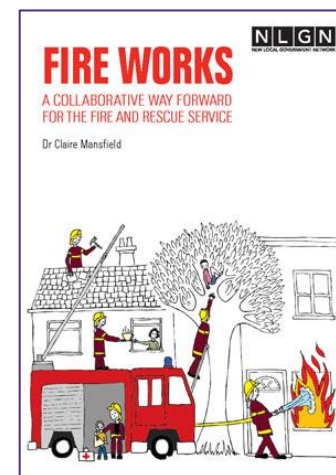
The fire service is incredibly well-placed to deliver this role. It has been the most demonstrably successful part of the public sector in successfully reducing its costs, by preventing problems arising in the first place. The number of fires has plummeted – in large part due to programmes designed to fit more smoke alarms into people's homes and increase public knowledge of fire risks.

The fire service has a uniquely trusted brand and the ability to reach vulnerable communities and access their homes and lives. By expanding their remit NLGN believes that more vulnerable people can be reached earlier and pressure can be taken off the cash-strapped health and social care services.

Other recommendations in the report include exploring a mutualised national back office to act both as purchasing and information hub, and that fire services should further ally themselves with ambulance trusts to help alleviate the mounting pressure under which they find themselves.

Challenge question

Have members been briefed by the Deputy Chief Fire Officer on whether the Authority's strategic direction has taken account of the messages in this report?



English devolution – local solutions for a successful nation

Local government issues

The Local Government Association's (LGA) white paper on devolution includes a warning to the new government that the principle of cuts without reform could stifle growth and development and challenge the sustainability of vital local services. The paper sets out:

- Why devolution matters
- The principles to sustain devolution
- A road map to follow to help deliver reform
- Proposals that will strengthen accountability and governance in the new system

It states that:

Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.

Challenge question

Have members been briefed by your Deputy Chief Fire Officer or your Strategic Enabler of Finance and Resources on the headline messages from the LGA's white paper on devolution?

Understanding your accounts – Member guidance

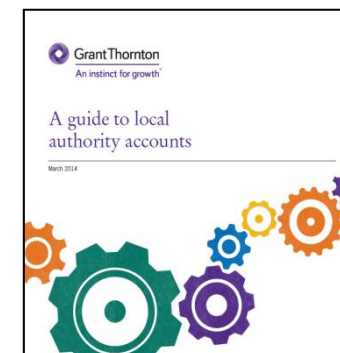
Accounting and audit issues

Local Government Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the Authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures



We have provided copies of the Guide to Local Authority accounts to the Council for distribution to the Audit Committee.



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant.thornton.co.uk

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE WORK PROGRAMME 2015/16

Date of Meeting	Item	Responsible Officer	Completed
2015			
29 June [Authority]	Annual Report of the Audit Committee 2014/15	Chair	
7 September	Corporate Risk 2015/16 – Quarter 1	Director of Service Support	
	Treasury Management Annual Report 2014/15	Treasurer	
	CIPFA Audit Committee Update	Audit Manager	
	Minutes and Terms of Reference of the Pensions Board	Chair of the Pensions Board	
	Decisions on Discretions to Firefighter Pension Scheme	Pension and Payroll Manager	
	Work Programme 2015/16	Democratic Officer	
21 September [Authority]	Audit Issues 2014/15	Grant Thornton	
	Approval of Statement of Accounts 2014/2015	Treasurer	

12 October	<p>Quarter 1 Internal Audit Progress Report</p> <p>Quarter 1 Corporate Risk Report</p> <p>Annual Audit and Inspection Letter</p> <p>Treasury Management – Mid year review 2015/16</p> <p>Audit Committee – Knowledge and Skills Framework</p>	<p>Audit Manager</p> <p>Director of Service Support</p> <p>Grant Thornton</p> <p>Treasurer</p> <p>Audit Manager</p>	
23 November [Authority]	Annual Audit Letter 2014/15	Grant Thornton	
November	<i>Corporate Risk Management Training</i>	Strategic Hub	
<p style="text-align: center;">2016</p>			
18 January	Quarter 2 Internal Audit Progress Report	Audit Manager	

	<p>Internal Audit Charter – Annual Review</p> <p>Quarter 2 Corporate Risk Report</p> <p>Evaluating the effectiveness of the Audit Committee</p>	<p>Audit Manager</p> <p>Director of Service Support</p> <p>Audit Manager</p>	
21 March	<p>External Audit Update</p> <p>Quarter 3 Internal Audit Progress Report</p> <p>Strategy for Internal Audit 2015/16 – 2017/18</p> <p>Audit Committee Skills Audit</p> <p>Quarter 3 Corporate Risk Report</p> <p>Minutes of the Pensions Board</p> <p><i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i></p>	<p>Grant Thornton</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Director of Service Support</p> <p>Chair of the Pensions Board</p> <p><i>Audit Manager</i></p>	
11 April [Authority]	Approval of Audit Plan 2015/2016 [fee letter and proposed actions].	Grant Thornton	
6 June	System Memorandum (If applicable)	Grant Thornton	

	<p>Annual Internal Audit Report</p> <p>Review of the Effectiveness of the System of Internal Audit</p> <p>Consider Governance Statement</p> <p>Annual Whistleblowing report</p> <p>Annual Report of the Audit Committee</p> <p>Quarter 4 Corporate Risk Report</p> <p>External Opinion Plan 2015/16 Audit Year (approach to financial statements)</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts</i></p>	<p>Audit Manager</p> <p>Audit Manager</p> <p>Treasurer</p> <p>Monitoring Officer/Director of Service Support</p> <p>Chair</p> <p>Director of Service Support</p> <p>Grant Thornton</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	
<p>27 June [Authority]</p>	<p>Approval of the Governance Statement 2014/2015</p> <p>Audit Committee – Terms of Reference, Annual Review (will now be reported to the Authority's AGM)</p>	<p>Treasurer</p> <p>Audit Manager</p>	

--	--	--	--

