

West Midlands Fire and Rescue Authority

Audit Committee

**You are summoned to attend the meeting of Audit Committee to be held on
Monday, 13 November 2017 at 10:30**

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 | Minutes of the Audit Committee held on 4 September 2017 | 3 - 10 |
| 4 | Pension Treatment of Temporary Allowance - flexibility allowance (Falls Response) final | 11 - 12 |
| 5 | Treasury Management - Mid Year Review Report 2017-18 | 13 - 28 |
| 6 | Annual Audit Letter 2016-17 | 29 - 48 |
| 7 | Audit Committee Update | 49 - 60 |
| 8 | Internal Audit Progress Report 13 November 2017 | 61 - 68 |
| 9 | The Pension Regulator - Scheme Returns 31 March 2017
Firefighters Pension Scheme | 69 - 72 |
| 10 | Assessment of Good Practice and Effectiveness | |
| 11 | Audit Committee Work Programme | 73 - 78 |

- 12 Update on Topical, Legal and Regulatory Issues (Verbal Report).
- 13 Exclusion of the public and press
Chair to move:- *"That the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 for the reasons stated below."*

Agenda – Private Session

- 14 Emergency Services Mobile Communications Programme Update
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Distribution:

Adam Aston - Member, Mohammed Idrees - Member, Robert Sealey - Member, Paul Singh - Member, Tersaim Singh - Chairman, Fiona Williams - Member

Clerk Name: Karen Gowreesunker

Clerk Telephone: 0121 380 6678

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Agenda prepared by Julie Connor

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

Minutes of the Audit Committee

4 September 2017
at Fire Service Headquarters, Vauxhall Road, Birmingham
B7 4HW

Present: Councillors T Singh (Chair), Aston, Idrees,
Sealey, Singh, Williams
Mr M Ager (Independent)

33/17 **Minutes of the Audit Committee held on 24 July 2017**

Resolved that the minutes of the meeting held on 24 July 2017 be approved as a correct record.

34/17 **Audit Committee Update**

The Committee noted the Audit Committee Update from Grant Thornton. The update focussed on progress of the audit and high level summary.

The Auditor confirmed that the Whole of Government Accounts would be completed week commencing 17 August 2017 and the Annual Audit Letter would be presented to the next Audit Committee.

Mr Richard Percival, Grant Thornton, updated the Committee on:

- The Home Secretary's Statutory Inspection Report

The inspection report into Avon Fire and Rescue Authority had been published and focused on the Authority's functions in respect of governance, and failings in leadership and culture had meant that that Avon Fire and Rescue Authority has not secured continuous improvement in the way in which is

functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Auditor felt that this was an important document for Members to read and a link to the whole document was provided.

- On the 19 July 2017 the Home Office agreed that Her Majesty's Inspectorate of Constabulary (HMIC) undergoes a major expansion to take on the role of inspectorate of fire and rescue authorities in England.
- Grant Thornton had published an Income General report to help local authorities to maximise their ability to generate income by providing:
 - Case study examples
 - Local authority spend analysis
 - Examples of innovate financial mechanism
 - Critical success factors to consider

It was noted that Kal Shoker, Deputy Treasurer, would be taking part in a Panel on the 22 September 2017.

- Grant Thornton had produced an Income Generation report and a Manifesto for a Vibrant Economy

A Vibrant Economy Index had been produced that identified six broad objectives for society; prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability and community trust and belonging.

The Members had attended a presentation at an earlier meeting of the Policy Planning Forum on the future governance of the Fire Authority. The Independent Member asked the Auditor and Internal Auditor for their views on the plans for the Audit and Scrutiny Committee of the Combined Authority or Reformed Fire Authority.

The Auditor stated that the decision would lie with whoever is charged with the governance of the fire authority and there was quite a way to go before the governance framework was in place.

Peter Farrow, Head of Audit for the Combined Authority, stated that fire didn't have representation at the moment on the Audit Committee of the Combined Authority.

It was noted that in Manchester, there was one audit committee for fire, police and the combined authority.

35/17 **Corporate Risk Update**

The Committee received the Position Statements for Quarters 4, 2016/17 and Quarter 1 2017/18 for each risk.

The Deputy Chief Fire Officer stated that he would be looking at a better way of presenting the information provided in the Appendices in the future.

The Corporate Risk Assurance Maps covered Quarter 4, 2016/17 and Quarter 1, 2017/18.

In Quarter 4 2016/17 there were no increases or decreases in any of the risk scores.

In Quarter 1, 2017/18 there were increases in six of the risk scores, which was described as quite dramatic, however, it was explained that the risks relating to People, Prevention, Business Continuity and Preparedness and Business Development had all increased due to the ongoing national discussions regarding the pay award and the potential withdrawal of support for the National Joint Council trials.

The Union had agreed to continue with the trials at the current moment.

Appendix 1 and 3 of the report provided the direction of travel for each risk.

Resolved that the six monthly Corporate Risk Assurance Map Summary for Quarter 4, 2016/17, Appendix 1 and Quarter 1 2017/18, Appendix 3 be approved.

36/17 Minutes of the Pension Board held on 20th July 2017

Mr Neil Chamberlain, Director of Commercial Services, West Midlands Police attended the Audit Committee for the first time in his capacity as Chair of the Pensions Board to present the Minutes of the Pension Board held on 20th July 2017.

Mr Chamberlain stated that the Pensions Board met every six months and this was the first full meeting he had attended. The Board had discussed its Terms of Reference and the amendments required were set out in a separate report to the Audit Committee for approval.

An Actions List formed part of the minutes and the Chair of the Pension Board had asked the Advisor to the Pension Board to provide more detail in the Risk Register to reflect the full degree of risk.

The Chair stated the Pension Board had struggled with attendance and wanted to ensure that the right people were regularly attending. An appointment process for new Members would be considered following the February 2018 meeting of the Pension Board as the three yearly appointments could be extended for further period(s) subject to re-nomination and/or election.

The Chair would undertake a skills audit of the Members of the Pensions Board to address any areas of weakness and arrange for any training required to ensure continuity, recognising that the Pension Board was fairly new. The experience gained in other sectors would also be looked at.

The minutes of the Pensions Board held on 20 July 2017 were received.

37/18 **Pension Board Amended Terms of Reference**

The Committee received the Pension Board Amended Terms of Reference.

The Terms of Reference had been amended in respect of the process for appointing a deputy chair, the following had been added:

“In the absence of the Independent Chair, a Chair person will be selected on a rotational basis between employee and employer representatives.”

A new Section had been added in respect of Reporting Breaches providing a formal approach to reporting breaches in broad terms, nationally and to the Regulator.

“Pension Board members are required to report breaches of the law to the Regulator where they believe there is a legal duty that has not or is not being complied with or the failure to comply will be of material significance to the Pensions Regulator in the exercise of its functions. 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 a separate policy document.”

Resolved that the Pension Board Terms of Reference, as amended, be approved.

38/17 **Pension Board Annual Report 2016/17**

The Committee noted the Pension Board's first Annual Report. The Chair of the Pension's Board stated that the Board was fairly new and the Regulator was providing information on what the Board should be providing regularly. The Annual Report highlighted the activities of the Pension Board over the previous 12 month period, member attendance, and the Board's main achievements. The Chair stated that the Board were still working examining the quality of the information provided by the Pension Adviser.

It was noted that the word “Committee” should read Board in respect of the Pension Board.

A process of elections would be arranged to take place during 2018.

In answer to a question about the creation of a Discretions Policy, it was agreed that further information would be circulated to Members following the meeting.

Further training for Members of the Pensions Board would be arranged during 2018.

39/17 **Work Programme**

The Committee noted and agreed its Work Programme for 2017/18 and that the next meeting of the Audit Committee would be on 13 November 2017.

40/17 **Update on Topical, Legal and Regulatory Issues**

The Treasurer informed the committee of the procurement of external audit services. The Audit Committee were informed that Grant Thornton had been awarded the biggest lot.

For the Fire Authority, Grant Thornton would be appointed as the External Auditor from the 22 September 2017 by the CFO. The contract would run for five years from 2018/19.

41/17 **Update on Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)**

The Deputy Chief Fire Officer informed the Committee of the latest position in respect of HMICFRS.

There would be five HMICFRS Inspectors in England and over the following two months they would be preparing an inspection process that would be looking at economy, efficiency and leadership. It was noted that the Inspectors would not be looking at governance arrangements.

The Inspection of the operational aspects of the Fire Service was still being debated by the Home Office and Local Government Association (LGA) but it was noted that the fire inspection model would not be the same as the police model. The Inspectorate were currently recruiting staff and the first inspections would begin in Spring 2018.

A report setting out the full details of the Inspectorate would be presented to the Authority in the form of a presentation to the Policy Planning Forum or a Fire Authority Report as soon as further information was available.

One Member asked when the previous Inspectorate had been abolished and felt that the Service had come full circle.

It was confirmed that there had been a variety of inspection processes since the previous Inspectorate through the Office of the Deputy Prime Minister, and the Audit Commission, the Comprehensive Performance Assessment and Comprehensive Area Assessment and latterly through the LGA Peer Review process.

The Fire Service were now under the Home Office and undertaking the inspection route. Positive conversations had been had with the HMICFRS.

It was felt that previous inspections had been more about how a fire service looked than how it had performed

The HMICFRS would not be looking at governance as they did not see this as part of their role, but if the Inspectors felt there was a problem with governance they would ask the LGA to assist and the situation in Avon Fire and Rescue was given as an example, where the National Fire Chief's Council were working with the LGA and Members of the Authority.

(The meeting ended at 1257 hours)

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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 4

AUDIT COMMITTEE

13 NOVEMBER 2017

1. PENSION TREATMENT OF TEMPORARY ALLOWANCE – FLEXIBILITY ALLOWANCE (FALLS RESPONSE)

Report of the Chief Fire Officer.

RECOMMENDED

THAT the Audit Committee in its role as Scheme Manager confirm that the Flexibility Allowance being paid to employees undertaking work under Business Continuity arrangements for Falls Response is pensionable.

2. PURPOSE OF REPORT

This report is submitted to request the Audit Committee in its role as Scheme Manager confirm that the Flexibility Allowance being paid to employees undertaking work under Business Continuity arrangements for Falls Response is pensionable.

3. BACKGROUND

- 3.1 The treatment of the Flexibility Allowance differs depending on the rules of the various Pension schemes. For members of the Local Government Pension scheme the payment is fully pensionable. For members of the 2015 the payment is not pensionable. Under the rules of the 1992 and 2006 Firefighters' Pension schemes, the payment may be pensionable at the discretion of the Scheme Manager.
- 3.2 To enable West Midlands Fire Service to continue to respond to Falls Response incidents, following the decision of the Fire Brigades' Union to withdraw their support for the service, a team of volunteers has been seconded to deliver the work.
- 3.3 The seconded employees will be paid the higher of their own salary or that of a firefighter, plus a 25% flexibility allowance.

- 3.4 As the Secondment is a temporary arrangement the additional 25% flexibility allowance is only pensionable for members of the 1992 and 2006 Firefighters' Pension schemes at the discretion of the Scheme Manager.
- 3.5 To encourage staff to apply to work on the Falls Response service West Midlands Fire Service wishes to use its discretion to make the allowance pensionable.

4. **EQUALITY IMPACT ASSESSMENT**

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

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 7 firefighters who are in the 1992 Firefighters' Pension scheme currently undertaking work under Business Continuity arrangements for Falls Response. Making the allowance pensionable for these staff would incur costs of approximately £1,400 per month.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

2006 Firefighters' Pension Scheme Order as amended
1992 Firefighters' Pension Scheme Order as amended

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

PHIL LOACH
CHIEF FIRE OFFICER

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

13 NOVEMBER 2017

1. **TREASURY MANAGEMENT – MID YEAR REVIEW
REPORT 2017/18**

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 Treasury Management Strategy Statement and Annual Investment Strategy and its Prudential Indicators in February 2017. Part of the requirements of the Treasury Strategy and Prudential Code are that periodic reports are presented to Members.

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

3. **BACKGROUND**

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

3.2 Appendix 1, the mid-year Review Report 2017/18 meets the requirement of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code of Capital Finance in Local Authorities (the Prudential Code). The Authority is required to comply with both Codes through regulations issued under the Local Government Act 2003.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

These are contained in the attached Appendix.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

Authority's Budget and Precept Report – February 2017

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

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

WEST MIDLANDS FIRE SERVICE



Treasury Management Strategy Statement and Annual Investment Strategy

Mid-year Review Report 2017/18

1. Background

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

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

As a consequence treasury management is defined as:

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

2. Introduction

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

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- Receipt by the Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.

- Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit Committee.

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

- An economic update for the first six months of 2017/18;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Authority's capital expenditure (prudential indicators);
- A review of the Authority's investment portfolio for 2017/18;
- A review of the Authority's borrowing strategy for 2017/18;
- A review of any debt rescheduling undertaken during 2017/18;
- A review of compliance with Treasury and Prudential Limits for 2017/18.

3. Economic update

Economic performance to date and outlook

UK. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

Ref: AU/AC/KS/

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

Capita Asset Services interest rate forecast

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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Bank rate	0.25%	0.40%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
5yr FRA rate	1.50%	1.60%	1.70%	1.75%	1.80%	1.85%	1.90%	1.95%	2.00%
10yr FRA rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%
30yr FRA rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%
5yr FRA rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%

Capita Asset Services undertook its last review of interest rate forecasts in August 2017 after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate “over the coming months”. It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018.

Since Capita Asset Services undertook its last review of interest rate forecasts, the MPC announced on 2 November 2017 an increase to the Bank Rate of 0.25% to 0.50%, the first increase since July 2007.

The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

4. Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by the Authority on 20th February 2017. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Prudential Indicator 2017/18	Original Prudential Indicator	Revised Prudential Indicator
Authorised Limit	£46m	£46m
Operational Boundary	£42m	£42m
Capital Financing Requirement (31.3.17)	£39m	£39m

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

This section of the report provides an update on:

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

Prudential Indicator for Capital Expenditure

The table below shows the capital programme which was approved by the Authority 20th February 2017, it has since been revised to reflect the impact of capital expenditure and financing decisions in 2016/17.

Capital Expenditure 2017/18	Approved Feb 2017 £000	Revised Estimate £000	Forecast Outturn £000
Land & Buildings:			
Coventry Fire Station	5,100	4,954	2,500
Aston Fire Station	3,900	3,910	250
Training at Heights Facilities	0	317	326
Boiler Replacement Programme	264	264	105
Roof Replacements	66	66	66
Windows & Door Replacements	281	505	550
Rewires	55	332	260
Primary Control Room	500	600	600
X-Plan	376	0	0
Secondary Control Room Relocation	0	74	74
Vehicles:			
Vehicle Replacement Programme	2,530	3,130	2,380
ICT & Equipment:			
MDT Upgrade/Replacements	0	46	46
Oracle Licensing	0	25	0
Total	13,072	14,223	7,157

Changes to the Financing of the Capital Programme

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

Capital Expenditure 2017/18	Approved Feb 2017 £000	Revised Estimate £000	Forecast Outturn £000
Total Spend	13,072	14,223	7,157
Financed by:			
Capital Receipts	0	0	0
Capital Grants / Contributions	453	613	613
Revenue Contribution to Capital	12,619	13,610	6,544
Total Financing	13,072	14,223	7,157
Borrowing Need	0	0	0

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

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

Prudential Indicator – CFR

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

Prudential Indicator – External Debt / the Operational Boundary

	2017/18 Original Estimate	2017/18 Revised Estimate
Prudential Indicator – CFR		
Total CFR (31.3.17)	£39m	£39m
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	£42m	£42m
Total debt 31 March 2017	£39m	£39m

Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2017/18 Original Estimate	2017/18 Revised Estimate
Gross borrowing (Excluding Ex WMCC)	£35m	£35m
CFR (31.3.17)	£39m	£39m

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

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

Authorised limit for external debt	2017/18 Original Indicator	2017/18 Revised Indicator
Borrowing	£46m	£46m

6. Investment Portfolio 2017/18

In accordance with the Code, it is the Authority's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Authority's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

The Authority held £73m of investments as at 30 September 2017 (£58m at 31 March 2017) and the investment portfolio yield for the first six months of the year is 0.232% against a benchmark (average 7-day LIBID rate) of 0.110%.

The Treasurer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/18.

The Authority's budgeted investment return for 2017/18 is £0.175m, and performance for the year to date is in line with the budget.

Investment Counterparty Criteria

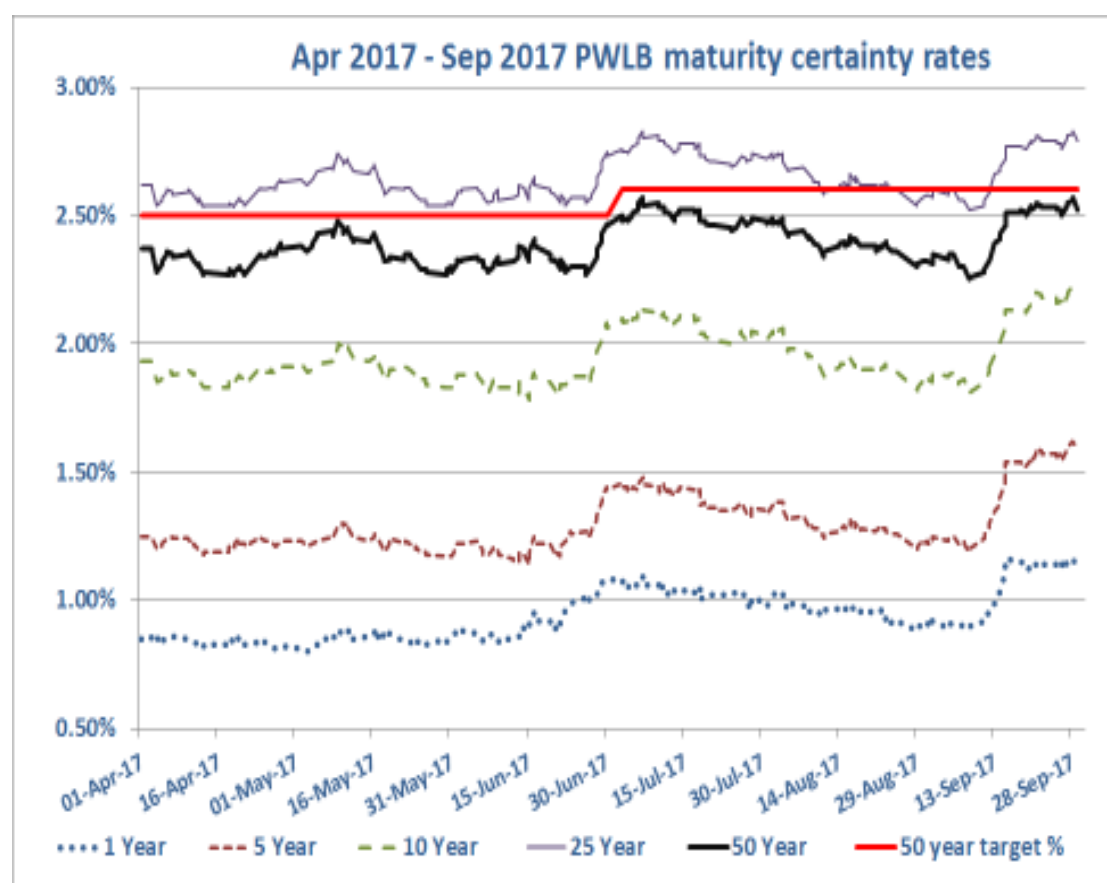
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

7. Borrowing

The Authority's CFR for 2017/18 is £39m (31.3.17). The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

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

The graph below show the movement in PWLB rates for the first six months of the year (to 30.9.17):



8. Debt Rescheduling

No debt rescheduling was undertaken during the first six months of 2017/18. The Treasurer will continue to monitor opportunities for restructuring the Authority's debt during the remainder of the year.

9. Revised CIPFA Codes

CIPFA is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.

10. MIFID II

The EU has set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on the Authority apart from having to complete forms sent by each institution dealing with the Authority and for each type of investment instrument used apart from for cash deposits with banks and building societies.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY Item 6

AUDIT COMMITTEE

13 NOVEMBER 2017

1. **ANNUAL AUDIT LETTER 2016/17**

Joint report of the Chief Fire Officer and the Treasurer.

RECOMMENDED

THAT the Audit Committee notes the Annual Audit Letter (AAL) attached as an Appendix to this report.

2. **PURPOSE OF REPORT**

This report is submitted to inform the Audit Committee of the findings of the external audit work undertaken for the audit year 2016/17 which is summarised in the AAL.

3. **BACKGROUND**

3.1 The AAL summarises the key findings from external audit work undertaken for the 2016/17 audit year. The audit comprised two elements:

- To audit and give an opinion on the Authority's financial statements.
- An assessment of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

3.2 The Annual Findings Reports presented to the Audit Committee on 24th July 2017 outlined the findings of the audit work undertaken.

3.3 Following the Audit Committee meeting, the auditor issued an unqualified opinion on the Authority's 2016/17 financial statements included in the Authority's Statement of Accounts.

- 3.4 As part of the external audit work programme, the auditor was also required to provide a value for money conclusion. In carrying out this work, the auditor is required to follow the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – Auditor Reporting. The NAO Code of Audit Practice specifies the following criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for tax payers and local people."

- 3.5 As a consequence of this work, the auditor concluded that for 2016/17 the Authority had proper arrangements in all significant respects to secure economy, efficiency and effectiveness and to ensure it delivered value for money in its use of resources.
- 3.6 The Treasurer has been consulted and has agreed the content of the AAL.
- 3.7 Representatives from Grant Thornton will present and explain the findings detailed in the AAL to the Audit Committee.

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**

There is a legal requirement for the Authority to consider the AAL Statutory Instrument 2015 No. 234 – The Accounts and Audit Regulations 2015.

6. **FINANCIAL IMPLICATIONS**

The agreed scale fee for the provision of external audit services for the audit year 2016/17 was £38,636.

7. ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report.

BACKGROUND PAPERS

The Audit Findings 2016/17 – Agenda item 4 – Audit Committee
24th July 2017.

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

The Annual Audit Letter for West Midlands Fire and Rescue Authority

Year ended 31 March 2017

October 2017

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at West Midlands Fire and Rescue Authority (the Authority) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Authority and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Audit Committee (as those charged with governance) in our Audit Findings Report on 24th July 2017. We also presented to the full Authority meeting on 18th September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Authority's financial statements on 24th July 2017.

Value for money conclusion

We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 24th July 2017.

Whole of government accounts

We completed work on the Authority's consolidation return following guidance issued by the NAO and issued an unqualified report on 21st August 2017.

Certificate

We certified that we had completed the audit of the accounts of West Midlands Fire and Rescue Authority in accordance with the requirements of the Code on 21st August 2017.

Key messages

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

We reported in our Audit Findings Report the following key messages from our audit of the financial statements:

- The financial statements were, yet again, of good quality, delivered by an effective closedown process and supported by excellent working papers.
- Draft financial statements were presented for audit by 31 May 2017, a month earlier than the current submission deadline.
- Of particular note was the speed and efficiency queries were responded to by Authority staff across all departments.
- We did not identify any adjustments affecting the Authority's reported financial position.
- We did identify a relatively small number of disclosure errors, and requested some adjustments to improve the presentation of the financial statements.

Due to the excellent engagement between the finance and audit teams, the on-site work was delivered in a shorter timescale and our audit opinion was issued in July 2017. This is in line with the revised statutory deadline in 2017/18.

We focused our value for money conclusion work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- Financial resilience – The Authority has historically managed its finances well and has consistently achieved savings targets. However delivering savings year on year becomes increasingly harder. Further savings of £9.415 million are required in the 4 years 2016/17 to 2019/20.

- Partnership working with other emergency services – The Authority is working in partnership with West Midlands Police and other emergency services where the opportunity arises. Development of the West Midlands Combined Authority Mayoral arrangements and the recent legislative changes is now forcing a faster paced change.

Based on our work we concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The changing landscape

The fire sector continues to face a period of unprecedented change. Following the announcement in January 2016 to transfer responsibility for fire and rescue to the Home Office, the Authority has responded well by engaging with partners and ensuring that key Senior Fire Leads are present at the table for any negotiations on how the service will be delivered in future as part of the wider service to local tax payers.

The Fire Authority is clear that it needs to drive forward the efficiency agenda. Reductions in funding, changes to legislation and the establishment of regional arrangements through the combined authority, provide a catalyst to challenge current delivery. Discussions with West Midlands Police and the seven Local Authorities within the West Midlands Combined Authority (WMCA) have been driven by the Chief Fire Officer who also holds the role of Chief Executive for Public Service Reform for the WMCA. These continuing discussions provide confidence that the Authority is taking a planned approach to optimising their joint use of resources and aligning overall oversight of services.

The Authority is well positioned financially to support the transformations required to deliver further savings. An Efficiency Plan has been developed, setting out £10 million of savings and increased income to meet the future financial gap. This includes £4 million from more flexibility in staff deployment, and a further £2 million from business development. Delivering this level of additional income will be challenging.

The Service is thinking creatively around how it optimises its resources. Using the skills and the capacity of Fire Officers in a planned way has allowed the Service to win contracts to deliver first response for elderly people following a fall. This supports the overall preventative agenda of the Authority by gaining access to vulnerable groups whilst also providing an income stream. The scale of the overall challenge to deliver efficient, effective services that meet the needs of the community in an environment of core funding reductions is significant but the management of the Service and the Fire Authority has demonstrated a commitment to meet this challenge.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Authority's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £2.26 million, which is 2 per cent of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration and related party transactions.

We set a lower threshold of £113,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Authority's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Strategic Enabler of Finance and Resources are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Authority and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts of West Midlands Fire and Rescue Authority

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation. Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability.</p>
<p>Operating Expenses</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention, that being:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated) 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> We have documented our understanding of processes and controls in place around the accounting for operating expenses. We have carried out a walkthrough test to confirm the operation of controls were in line with our documented understanding We have tested the completeness of the subsidiary system (purchase ledger) and how it interfaces with the ledger. We have documented the processes in place for month and year end accruals. We have performed cut off testing of purchase orders and goods received notes. We have reviewed a schedule of goods received that have not yet been invoiced and concluded that they are below materiality and as such do not present a risk to the financial statements. We have performed testing of a sample of operating expenses to ensure they have been accurately accounted for and in the correct period. 	<p>Our audit work did not identify any significant issues in relation to the risk identified.</p>

Audit of the accounts of West Midlands Fire and Rescue Authority

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Fire Pensions Benefits Payable Benefits improperly computed / Claims liability understated Payments to retiring officers are low in volume but high in value and the Authority is reliant on effective controls to ensure the payments made are valid and accurate.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">• We have documented our understanding of processes and key controls in place around the accounting for Fire Fighters Pensions.• We have carried out a walkthrough test to confirm the operation of controls is in line with our documented understanding.• We have agreed pension disclosures in the financial statements to supporting evidence.• We have tested a sample of Fire Fighters pension payments covering the period 1st April 2016 – 31st March 2017 to ensure they have been accurately accounted for and in the correct period.	Our audit work did not identify any significant issues in relation to the risk identified.
Employee remuneration We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention, that being: <ul style="list-style-type: none">• Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">• Documented our understanding of processes and key controls in place around the accounting for Employee Remuneration.• Undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding• We have performed a review of monthly trend analysis of payments to identify and investigate any unusual or irregular movements.• We have reviewed the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and to the financial statements.• We have performed substantive testing of employees for accuracy of payment.	Our audit work did not identify any further significant issues in relation to the risk identified.

Audit of the accounts of West Midlands Fire and Rescue Authority

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Changes to the presentation of local authority financial statements</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none">• documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements• reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure• reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)• tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements• reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	<p>Our audit work did not identify any significant issues in relation to the risk identified.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 24th July 2017, in advance of the 30 September 2017 national deadline.

The financial statements submitted for audit were, yet again, of good quality, delivered by an effective closedown process and supported by excellent working papers. Draft financial statements were presented for audit by 31 May 2017, a month earlier than the current submission deadline. Of particular note was the speed and efficiency queries were responded to by Authority staff across all departments.

We did not identify any adjustments affecting the Authority's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded total comprehensive expenditure of £306,874,000. This overall deficit was mainly due to changes in the valuation of the pension liability in 2016/17. We did identify a relatively small number of disclosure errors, and requested some adjustments to improve the presentation of the financial statements.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Authority to the Authority's Audit Committee on 24th July 2017.

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We carried out work on the Authority's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 21st August 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in the table overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Financial resilience</p> <p>The Authority has historically managed its finances well and has consistently achieved savings targets. It is on course to deliver the 2016/17 budget. However delivering savings year on year becomes increasingly harder. Further savings of £9.415 million are required in the 4 years 2016/17 – 2019/20.</p> <p>This links to the Authority's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We have reviewed the Authority's Medium Term Financial Strategy (MTFS) and financial monitoring reports, assessing the assumptions used.</p>	<p>We are satisfied that information on the Authority's financial position is reported to those charged with governance on a periodic basis and in sufficient detail to allow key decision makers to direct the organisation in the achievement of the three E's. We did not identify any significant weakness in the medium term strategy. The strategy incorporates both financial and non-financial data and acknowledges the funding restraints the authority faces both now and in the future.</p> <p>In December 2016 the Authority received its provisional finance settlement for the three years to 2019/20. Broadly this indicated that central funding will be reduced by £10 million between 2016/17 and 2019/20. The Authority's proposed budget of £94.8 million for 2017/18 has been developed to deliver the vision, priorities, and outcomes set out in The Plan. The main assumption is the annual increase in the rate of Council Tax income by 1.99%. The long term forecast also takes in to account general inflation and price increases (c1% per annum), pay awards and pensions (c1% per annum) and rental increases (c2% per annum). These appear reasonable based on our understanding of the wider economy.</p> <p>To enhance the robustness of the MTFS projections, sensitivity analysis considers the change in key components of the budget. The Authority has also considered the impact of the 100% Business Rate Retention pilot in the West Midlands and fed into the consultation. The Authority is taking a wider view on economic growth impact for the whole area, rather than their own local impact demonstrating an externally facing focus.</p> <p>The Fire Authority set extensive and challenging key performance indicators. Whilst there is over-performance against the KPI for response (relating to the 5 minute attendance target for category 2, 3 & 4 incidents, around a third of the prevention targets have not been met. However, we are satisfied that these are not as a result of deficiencies in the deployment of resources or poor decision making.</p> <p>Sickness levels for both uniformed and non-uniformed / fire control staff is higher than projected performance. The narrative confirms that this is mainly due to a few long term sickness episodes. Short-term sickness is controlled and proactively managed through the line management processes in place.</p> <p>The Authority is actively monitoring performance in a range of areas and providing narrative commentary against adverse variances. This shows that the procedures in place are adequate for ensuring informed decision making is present for improving the delivery of the service.</p> <p>Finally, we note from our review of financial performance that the Authority surpassed budgeted expectations from both a revenue and capital perspective by coming in below budget for 2016/17. This is a positive indication of the planned delivery the medium term financial strategy supported by realistic budgets based on reasonable assumptions. Transformation is a key element of the commitment to the strategy of the Service as set out in The Plan and approved by the Fire Authority. However, it should be noted that the assumptions made around growth and additional income in future years are more ambitious than in previous Plans and the Authority is taking time to establish itself in new markets. There are positive signs, but the plans to close the financial gap going forward are challenging and will require close scrutiny where significant variances arise.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements.</p>

Significant risk	Work to address	Findings and conclusions
<p>Partnership working with other emergency services</p> <p>There is evidence that the Service is working in partnership with West Midlands Police, ambulance Service, NHS, Local Authorities and other Fire & Rescue Authorities where the opportunity arises. There is some uncertainty over what form further collaboration will take and how this will lead to wider integration. Development of the West Midlands Combined Authority Mayoral arrangements and the recent legislative changes is now forcing a faster paced change.</p> <p>This links to the Authority's arrangements for working effectively with third parties to deliver strategic priorities.</p>	<p>We have reviewed the project management and risk assurance frameworks established by the Authority in respect of the more significant projects, to establish how the Authority is identifying, managing and monitoring these risks.</p>	<p>Overall we have gained assurance that there are no significant VFM risks relating to partnership working which adversely impact on our VFM conclusion for 2016/17.</p> <p>The Mayoral West Midlands Combined Authority (WMCA) is a significant new governance structure and will be a key driver of public service reform in the region. West Midlands Fire Authority has signalled its intent to become integrated with the Mayoral WMCA as part of its overall governance structure. There is evidence of the consideration of decisions by the Fire Authority to enable informed decision making on this key structural issue.</p> <p>The legislation is clear that the Government is committed to closer collaboration between the police and fire and rescue services. This Government is clear that greater joint working between the emergency services can deliver better local accountability, an improved service for communities and significant savings for taxpayers. Similarly the Government believes that central policy making, as well as local delivery, can benefit from a more joined up approach and that this can be best achieved by transferring responsibility for fire and rescue policy from the Department for Communities and Local Government to the Home Office.</p> <p>In response to this changing agenda (both politically and structurally), the Fire Authority has refreshed its vision and rolling three year Plan following stakeholder consultation. The Authority has also reviewed its Corporate Risks and is leading on Public Service Reform for Mayoral WMCA. West Midlands Fire Service has made significant progress in reforming itself to meet the wider challenges of driven by changes in Government policy and the complex and diversifying needs of the public. Cross sector working is at the heart of meeting these needs going forward and there is a recognition that the role of the Fire Service goes beyond that of a traditional firefighting service.</p> <p>This is reflected in the recent change in the vision to 'Making the West Midlands Safer, Stronger and Healthier' and picks up the increasing role in delivering outcomes in conjunction with other public sector services, including Police, Health bodies and Local Government bodies. Key to this approach is evidence which shows the incidence of individuals with multiple public service needs, providing an opportunity for a joined up approach to service delivery which is both more efficient and effective.</p> <p>The recent Peer Challenge identified that "West Midlands Fire & Rescue Service is keen to be at the forefront of working on the wider health agenda.....tackling health inequalities through its prevention and community safety work. The Service makes use of data and intelligence to target its Safe and Well visits. The Vision to deliver this across the whole community will assist with future Fire Reform developments."</p> <p>West Midlands Fire Authority has consulted and adapted to ensure that its structure and processes support collaborative working. The public service reform agenda is challenging, and meeting the Mayoral WMCA timetable for this will be demanding.</p> <p>There is a risk that the development of combined governance arrangements with Mayoral WMCA are not in place as rapidly as planned. In response to this the Authority set up a Governance Working Group with an independent Chair and following a review it reported its findings and recommendations for the service with a focus on the scrutiny, accountability and transparency this provides to communities. The Authority wants to ensure that it has the best governance it can, to be able to respond to strategic governance arrangements both within the region and within emergency services.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of the Authority	38,636	38,636	38,636
Total fees (excluding VAT)	38,636	38,636	38,636

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Fees for other services

Service	Fees £
Audit related services: <ul style="list-style-type: none">• none	0
Non-audit services	0

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The table above summarises that no other services were identified.

Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	July 2017
Annual Audit Letter	October 2017



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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

13 NOVEMBER 2017

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

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

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

2. **PURPOSE OF REPORT**

This 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 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 as the Authority's external auditors.
- 3.3 Representatives from Grant Thornton will be in attendance at the meeting to discuss the reports with Members.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

None

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

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

Audit Committee Update for West Midlands Fire & Rescue Authority

Progress Report and Update Year ended 31 March 2018

November 2017

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Introduction

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

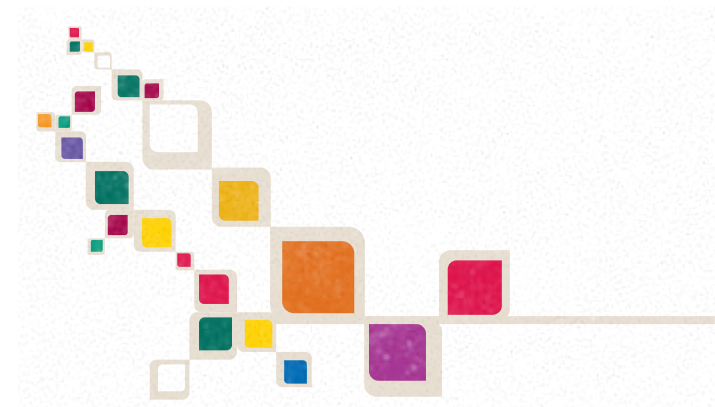
Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- The board: creating and protecting value:

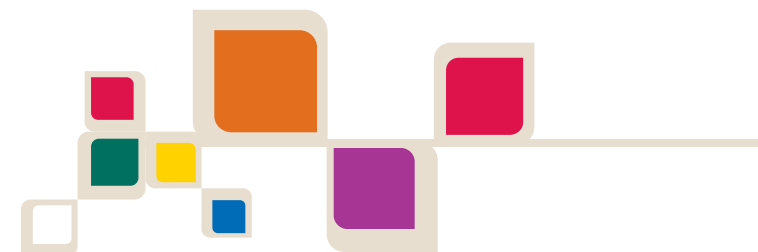
<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

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 Engagement Manager.

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.

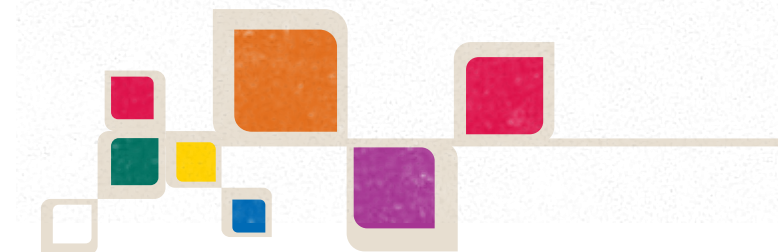


Progress to date



2017/18 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2017/18' by the end of April 2017.	April 2017	Yes	The 2017/18 fee letter was issued in April 2017.
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 2017/18 financial statements.	January 2018	No	We continue to assess the risks facing your Authority and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate. Once we have issued our plan, if there are any changes between our initial risk assessment and the delivery of our opinion we will discuss this with the Strategic Enabler for Finance and Resources before presenting to the Audit Committee.
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 – March 2018	No	We have already engaged with the finance team to: <ul style="list-style-type: none"> • streamline and improve the audit approach for 2017/18 where possible • discuss any technical issues early, including those impacting on future years. As in previous years, we plan to undertake 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.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2017/18 financial statements • proposed opinion on the Fire Authority's accounts • proposed Value for Money conclusion. 	June – July 2018	No	We plan to undertake our final accounts on site work from early June and report to the July Audit Committee. We plan to deliver your opinion by the 31 July 2018 meeting the shorter timescales for providing our opinion. We will issue the certificate once we have evidenced your financial statements on your website.

Progress to date



2017/18 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2017/18 VfM Conclusion requires conclusions on whether:</p> <p><i>"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</i></p> <p>This change of guidance was issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	January – July 2018	No	<p>We will report the significant risks we have identified for your VfM conclusion as part of our audit plan. Work will be undertaken on these throughout the year and we will provide an indication of our conclusion in March 2018 ahead of the final accounts audit.</p> <p>Our work on the VfM Conclusion will include meetings with key Senior Officers and key document reviews.</p>
<p>Annual Audit Letter</p> <p>We will summarise all the work completed as part of our 2017/18 audit within one letter which will be issued after the opinion.</p>	October 2018	No	<p>This will summarise all work undertaken by Grant Thornton relating to 2017/18 and will be published on the PSAA website.</p>
<p>Engagement with the Fire Authority since the last Audit Committee meeting</p>	On-going	On-going	<p>Meetings with Key Senior Officers, to ensure our understanding of your business is maintained.</p> <p>CFO Phil Loach presented on Public Sector Reform in the West Midlands in our Strategic Financial Management Development Programme.</p> <p>Provided hard copy Grant Thornton publications relevant to the Fire Sector.</p>

Fire Sector Accounting and other issues



NFCC response to the Hackitt Review

Sector Issues

The Chair of the NFCC, Roy Wilsher, has recently submitted a response on behalf of the NFCC to Dame Judith Hackitt concerning the independent review of the building regulations and fire safety.

The submission has been put together through the NFCCs Protection and Business Safety Committee which comprises of a 'protection specialist' representative from every UK region and Devolved Assembly. The submission includes responses from 16 English and Welsh fire and rescue services which have been analysed, alongside The Call for Evidence published in September 2017 and therefore it is felt that the submission reflects the broad views from across the Fire and Rescue Services.

Considering the potential failures that have been identified in the wake of the Grenfell Tower fire, in this submission the NFCC has requested that the Independent Review gives particular consideration to the Coroner's recommendations following the fire at Lakanal House to ascertain whether all lessons and recommendations following that event have been appropriately implemented, particularly those relating to Approved Document B and to sprinklers.

The response from the NFCC is structured in line with the 10 questions set out by the review and covers a number of cross cutting themes, a key area being enforcement power for fire and rescue services and that there needs to be greater clarity over about who is responsible for complying with Building Regulations, and who is responsible for enforcing compliance.

It is also noted that consideration needs to be given over the independence and competence of fire risk inspectors; as it stands they are unregulated and remain unchallenged in most areas and as such this poses a risk. The NFCC response also sets out that they would like to see the review consider an improved focus on property protection and sustainability in building regulations.

The full terms of reference for the independent review are available here:

<https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-terms-of-reference>

The NFCC response to the review can be seen here:

https://www.nationalfirechiefs.org.uk/write/MediaUploads/Grenfell/NFCC_Submission_on_review_building_regs_final.pdf

NFCC calls for sprinklers to be fitted in new build schools

Sector Issues

The National Fire Chiefs Council is calling for all new school builds or refurbishments to have sprinklers fitted - a policy that is mandatory in Scotland and Wales. Figures show the proportion of new schools built with sprinklers had dropped from about 70% a decade ago to a third last year - and overall, in England and Wales, just 5% of schools have sprinklers.

An independent analysis made in 2017 which looked at over 2,000 incidents attended by the UK fire services in sprinkler-protected buildings, found that the sprinkler systems correctly operated on at least 94% of the fires and controlled or extinguished 99% of those fires.

According to NFCC, the impact of school fires is significant; while they have an impact in financial terms they also have a devastating impact on the communities schools serve, along with the environment and the disruption to students, teachers and families. The impact on children's education is not confined to lost course work but often includes longer travelling times, disrupted social groups and poorer facilities.

NFCC believes if sprinklers were considered at the design stage of new build or refurbishment of existing buildings, costs could be kept to a minimum.

Each year, more than 1,300 schools in the UK suffer fires large enough to be attended by fire and rescue services. Fifty-six per cent of these are classed as non-accidental. According to government estimates (DCLG), the average cost of school fires between 2000 and 2004 was £58 million per year

NFCC strongly believes sprinklers can play a significant role in both improving the life safety of occupants, especially in specialised housing, health care facilities and high-rise accommodation. In addition, it believes that sprinklers are the most effective way to ensure that fires are suppressed - or even extinguished - before the fire service can arrive.

In addition the sprinklers are an effective part of an overall fire safety solution and can be used efficiently to improve fire safety in a range of new and existing buildings and the NFCC supports the concept of risk-assessed retro fitting of sprinklers.

More information alongside a link to the independent analysis can be found here:

<https://www.nationalfirechiefs.org.uk/News/nfcc-calls-for-sprinklers-to-be-fitted-in-new-build-schools/186050>

Local Authority 2016/17 Revenue Expenditure and Financing

DCLG report

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.



Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton publications

Question:

- Have you read our report?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>



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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

13 NOVEMBER 2017

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager.

RECOMMENDED

THAT the Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT.**

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

3. **BACKGROUND**

The Internal Audit Progress Report contains details of the matters arising from internal audit work undertaken so far in the current year. The purpose of the report is to bring the Audit Committee up to date with the progress made against the delivery of the 2017/18 Internal Audit Plan. The information included in the progress report will feed into, and inform, the overall opinion in the Internal Audit Annual Report issued at the year end.

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

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

[IL0: UNCLASSIFIED]

(Official – WMFS – Public)

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

None

Peter Farrow
Audit Services Manager, Sandwell MBC

Internal Audit Progress Report @ 30 September 2017 Audit Committee – 13 November 2017



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

1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2017/18 Internal Audit Plan.

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

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

Limited	<ul style="list-style-type: none"> A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.
Satisfactory	<ul style="list-style-type: none"> A sufficient framework of key controls for objectives to be achieved, but the control framework could be stronger and controls are applied, but with some lapses.
Substantial	<ul style="list-style-type: none"> A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.

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

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

2 Summary of work completed and in progress @ 30 September 2017

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Completed:							
Risk Management	High	-	-	-	-	-	Substantial
Fixed Asset Accounting	KFS	-	-	-	-	-	Substantial
In progress:							
IT	High						
Fire Stations – Management of Fuel	Medium						
Payroll	KFS						
Pension Certification	High						

Key: KFS = Key Financial System

3 Issues arising

Risk Management

An audit of the risk management processes was undertaken. Our review focused on providing assurance that the mitigating controls for risk CR6 – relating to business continuity and preparedness, were being effectively operated and monitored. No issues of significance were identified.

Fixed Asset Accounting/Asset Planning

An audit of fixed asset accounting was undertaken in respect of planned capital expenditure. The review was undertaken to provide assurance that an appropriate process was in place to maintain details of fixed assets and to record them correctly in the accounts.

4 Other activities

CIPFA – Audit Committee Updates

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

Audit Committee – Terms of Reference

We submitted the Audit Committee Terms of Reference for annual review at the March 2017 meeting of the Audit Committee.

Internal Audit Plan 2017/18

We submitted the Internal Audit annual plan for 2017/18 to the committee for approval at the March 2017 meeting.

Internal Audit Annual Report 2016/17

We presented the Internal Audit annual report for 2016/17 to the committee for comment and approval at the June 2017 meeting.

Audit Committee Annual Report

Assistance was provided in the preparation of the Annual Report of the Chair, on the work of the Audit Committee.

Counter Fraud

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

5 Service quality questionnaire feedback

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

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

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

13 NOVEMBER 2017

1. **THE PENSION REGULATOR – SCHEME RETURNS**
31 MARCH 2017 FIREFIGHTER PENSION SCHEMES

Report of the Chief Fire Officer.

RECOMMENDED

THAT Audit Committee in their role as Scheme Manager note the contents of the annual returns to The Pension Regulator (TPR).

2. **PURPOSE OF REPORT**

This report is submitted to bring the attention of the Audit Committee to the information submitted to TPR.

3. **BACKGROUND**

3.1 Under the Public Service Pension Act 2013, all Public Service Pension Schemes have a requirement to submit an annual return to TPR.

3.2 TPR have notified West Midlands Fire Service by email that the returns for the Firemen's Pension Scheme 1992 and the Firefighters' Pension Scheme 2006 are due during October and that the return for the Firefighters' Pension Scheme 2015 is due on the 1st November.

3.3 As Scheme Administrator, the Payroll & Pensions Manager completed and submitted the returns to TPR during September 2017.

- 3.4 The information provided on the returns is attached to this report 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.

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 of submitting the Scheme Returns to TPR.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

The Public Service Pension Act 2013
TPR Quick guide to information that must be provided to us
(Information for Public Service scheme managers)

The contact name for this report is DCFO Phil Hales, telephone number 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

Appendix 1

Data Common to both returns

Address – West Midlands Fire Service HQ
Manager of the Scheme – Audit Committee
Pension Board Members – Neil Chamberlain, Kulvinder Shoker,
Wendy Browning-Sampson, Stuart Bourne, Andrew Dennis
Employer Details – West Midlands Fire Service
Service Provider – In House Administrator, Carl Guest
Scheme Return Contact – Paul Gwynn

Scheme specific data as at 31st March 2017

Scheme Name – The Firemen’s Pension Scheme 1992
Active members – 361
Deferred members – 242
Pensioner members – 2,524
Total members – 3,127

Scheme Name – Firefighters’ Pension Scheme 2006
Active members – 13
Deferred members – 120
Pensioner members – 3
Total members – 136

Scheme Name – Firefighters’ Pension Scheme 2015
Active members – 912
Deferred members – 40
Pensioner members – 0
Total members – 952

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE WORK PROGRAMME 2017/18

Date of Meeting	Item	Responsible Officer	Completed
2017			
24 July	Audit Findings 2016/17 Statement of Accounts 2016/17 (Approval) Treasury Management Annual Report 2016/17 Minutes of the Audit Committee held on 12 June 2017 Audit Committee Draft Work Plan 2017/18	Grant Thornton Grant Thornton Treasurer Democratic Officer Democratic Officer	
4 September	Corporate Risk Six Monthly Report Audit Committee Update Minutes of the Audit Committee held on 24 July 2017 Minutes of the Pension Board held on 20 July 2017 Work Programme 2017/18	Director of Service Support Grant Thornton Democratic Officer Democratic Officer	

[IL0: UNCLASSIFIED]

18 September [Authority]	Audit Findings 2016/17 Statement of Accounts 2016/17 (note)	Grant Thornton Treasurer	

13 November	Treasury Management – Mid year review 2017/18 Briefing on ESMCP Annual Audit Letter 2016/17 Audit Committee Update Internal Audit Progress Report Assessment of Good Practice and Effectiveness Pensionability of Temporary Allowance – Flexibility Allowance (Falls Response) The Pension Regulator - Scheme Returns 31 March 2017 - Firefighter Pension Schemes Minutes of the Audit Committee held on 4 September 2017 Audit Committee Work Plan	Treasurer DCFO Grant Thornton Grant Thornton Audit Manager Audit Manager DCFO DCFO Democratic Officer Democratic Officer	
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2018			
15 January 2018	Internal Audit Progress Report Internal Audit Charter – Annual Review Audit Committee Update Minutes of the Audit Committee held on 13 November 2017	Audit Manager Audit Manager Grant Thornton Democratic Officer	

	Audit Committee Work Plan	Democratic Officer	
26 March 2018	<p>Audit Committee Update Communication with the Audit Committee for WMFRA Audit Plan 2017/18</p> <p>Internal Audit Plan 2017/18 Audit Committee Terms of Reference</p> <p>External Audit Work Programme and Scale of Fees</p> <p>Corporate Risk Report Six Monthly Update</p> <p>Minutes of the Pensions Board held in February 2018</p> <p>Minutes of the Audit Committee held on 15 January 2018</p> <p>Audit Committee Work Plan</p> <p><i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i></p>	<p>Grant Thornton Grant Thornton</p> <p>Grant Thornton</p> <p>Audit Manager Audit Manager</p> <p>Director of Service Support</p> <p>Director of Service Support</p> <p>Pensions Board Representative</p> <p>Democratic Officer</p> <p>Democratic Officer</p> <p><i>Audit Manager</i></p>	
4 June 2018	<p>Annual Internal Audit Report 2017/18</p> <p>Governance Statement 2017/18</p>	<p>Audit Manager</p> <p>Treasurer</p>	

	<p>Monitoring Policies and RIPA (Annual Whistleblowing Report) Annual Report of the Audit Committee for approval</p> <p>Audit Committee – Verbal Update</p> <p>Minutes of the Audit Committee held on 26 March 2018</p> <p>Audit Committee Work Plan</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts 2017/18</i></p>	<p>Monitoring Officer/Director of Service Support Chair</p> <p>Grant Thornton</p> <p>Democratic Officer Democratic Officer</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	
25 June 2018 [Authority]	<p>Governance Statement 2017/2018</p> <p>Audit Committee – Terms of Reference, Annual Review (will now be reported to the Authority's AGM)</p> <p>Annual Report of the Audit Committee 2017/18</p>	<p>Treasurer</p> <p>Audit Manager</p> <p>Chair</p>	
23 July 2018 (Audit Committee 2018/19)	<p>Audit Findings 2017/18</p> <p>Statement of Accounts 2017/18 (Approval)</p> <p>Treasury Management Annual Report 2017/18</p>	<p>Grant Thornton Grant Thornton</p> <p>Treasurer</p>	

	Audit Committee Draft Work Plan 2018/19	Democratic Officer
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