

Minutes of the Audit and Risk Committee

19th July 2021 at 10.30 hours

Conducted as a public meeting at Headquarters and digitally via Microsoft Teams

Present: Councillor Catherine Miks (Chair),
Councillors Barrie, Chadda, Miller, Spence, Mr Ager, Avtar Sohal (Grant Thornton), Neil Chamberlain (West Midlands Police and Chair of WMFS Pension Board

Apologies: Nil received

Officers in attendance: Mike Griffiths, Paul Gwynn, Kal Shoker

21/21 **Declarations of Interest**

There were no declarations of interest registered.

22/21 **Minutes of the Audit and Risk Committee held on 07 June 2021**

Resolved that the minutes of the Audit and Risk Committee held on 07 June 2021 be approved as a correct record of proceedings.

23/21 **Statement of Accounts 2020-2021**

Mike Griffiths (West Midlands Fire Service (WMFS) Section 151 Officer) presented the report. The Statement of Accounts are draft for auditing, for which Grant Thornton as the Services' External Auditors had recently commenced a four-week duration of process for completion. The outcomes of the audit will be reported to the Committee.

It was acknowledged the Statement of Accounts is a substantial and detailed document, the core information being the Income and Expenditure Statement and Balance Sheet. Members attention was drawn to the following three areas:

1. The Un-earmarked General Fund Reserves (identified within the Movement of Reserves Statement) shows a modest adjustment upward of £15,000 at 31/03/21 from the balance identified for 31/03/20. When setting the budget, it was not anticipated there would be use of general balances.
2. The Earmarked General Fund Reserves (identified within the Movement of Reserves Statement) shows upward movement of £6.78 million. Two specific items that impacted this increase were identified as Section 31 Rate Relief Grant and the provision of COVID-19 funding, which the Government paid in advance of anticipated use during the financial year.
3. The Balance Sheet records a reduction in Long-Term Borrowing and the trend in debt reduction is anticipated to continue. The size of 'Other Long-Term Liabilities' is predominantly related to pensions with the figure exceeding £1billion.

The Chair enquired if the level of COVID-19 funding for this year 2021/22 would be sufficient. Mike Griffiths stated expenditure was reported quarterly to the Home Office and the end of quarter 2 will show if funding is potentially satisfactory to cover costs.

There were no other matters arising from Members.

The Chair concluded with compliment on the usual high standard of reporting and practical summary of a comprehensive document.

The Committee **approved** the draft Statement of Accounts for 2020/2021 (unaudited) and **noted** the draft Statement of Accounts summary for 2020/21.

24/21 **Treasury Management 2020-2021**

Kal Shoker (WMFS Finance Manager) presented the report, explaining the Fire and Rescue Authority is required to produce an annual Treasury Management report of activities and gain Member approval of actual prudential and treasury indicators.

It was re-affirmed that the Fire and Rescue Authority approved its Treasury Management Strategy at its meeting on 17 February 2020 as part of the Budget Setting report and the Audit and Risk Committee meeting on 26 October 2020 received a mid-year Treasury Management update.

The Committee were requested to note three specific areas of treasury management activity for the period of the report 2020/21:

1. Capital Expenditure

The Authority's capital expenditure was £2.304m which was funded entirely by use of revenue contributions. The largest spend on capital was £0.661m on Vehicle Replacement Programme, £0.537m on Coventry Fire House and £0.396m on Boiler Replacements.

No borrowing was undertaken to finance any capital expenditure in 2020/21.

2. The Authority's Debt

As at 31st March 2021, the Authority's total external debt was £33.7m of which £31.4m was in respect of borrowing undertaken through the Public Works Loans Board (PWLB) and the balance £2.3m is in respect of the Authority's share of the ex-West Midlands County Council debt. The value of long-term assets held by the Authority as at 31st March 2021, which the loans have helped fund was £135.2m.

The average rate of interest payable on this debt was 5.3%.

3. The Authority's Investment

As at 31st March 2021, the Authority's investments totalled £36.7m which are invested with Sandwell MBC as part of the treasury management arrangement with them.

Interest is received on the Authority's average cash balance and is based on the average return achieved by Sandwell MBC plus 10 basis points which for 2020/21 was 0.24%. It was stated this compares favourably to the benchmark, the average 3-month London Interbank Bid Rate (LIBID) rate of 0.02%.

A Member enquired of the protection the Authority has from interest rate fluctuations. Kal Shoker confirmed that loans are fixed rate, whilst investments reflect market conditions which are challenging in terms of gaining income.

Mike Griffiths and Avtar Sohal (Grant Thornton) supplemented that value for money and financial sustainability are features of the External Audit report.

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

25/21 **Request for a Decision on Action to be taken in respect of Immediate Detriment Cases under the McCloud/Sargeant Ruling**

Mike Griffiths introduced the report and passed to Paul Gwynn (WMFS Payroll and Pensions Manager) for detailed presentation of contents.

The guidance issued by the Home Office in August 2020, the application of which was approved by the Committee at its meeting on 07 December 2020, was subject to revision on 10 June 2021. The updated guidance from the Home Office advised Fire and Rescue Authorities not to use the August 2020 guidance in cases where a pension scheme member would have been eligible for a 'contribution holiday' under the rules of the 1992 Scheme.

The Pension Administrator (WMFS Payroll and Pensions Manager) raised questions of clarification with the Authority Monitoring Officer that implementing the updated guidance will lead to the provision of different options to employees in different positions. The legal responses received to questions (included to the report) recommend the application of the updated guidance. The Pension Administrator also highlighted it is the responsibility of the Pension Section to ensure that benefits are paid to scheme members accurately in line with the scheme rules and any guidance in place at the date that benefits are due.

Members were in consensus that both guidance and legal opinion should be applied; agreeing there was not a realistic alternative. Concern was expressed that changing guidance would impact upon the resources available to consistently communicate with pension schemes members; the potential for challenge from individuals or representative bodies and; of increased costs of pension payments affecting long-term financial planning and sustainability of the Authority.

The Chair concluded debate with a statement that both Officers and Members were reliant upon a joint integrity when interpreting the guidance and its implications. The Chair stated assurance in this situation and referenced the Firefighters' Pension Scheme Internal Dispute Resolution Procedure, Pension Regulator and Supreme Court as processes of redress.

The Committee **approved** the recommendation that in line with the legal advice received, the Scheme Administrator continues to apply guidance issued by the Home Office in August 2020 and subsequently updated in June 2021.

26/21 **Minutes of the Pension Board 30 March 2021**

Neil Chamberlain (Chair of the Pension Board) presented the minutes for information to the Audit and Risk Committee in their role as Scheme Manager. It was confirmed the Board had conducted business via digital meetings during the COVID-19 pandemic; there had been an increase in the number of meetings to accommodate emerging national issues. Hence, it was expressed that the Scheme Manager could be reassured of the contribution of Board representatives in their advisory role to the Committee.

The Chair expressed thanks for the diligence of Members of the Pension Board in fulfilling their roles. There were no matters arising.

The Committee **noted** the content of the minutes.

27/21 **Minutes of the Pension Board 09 June 2021**

Neil Chamberlain (Chair of the Pension Board) presented the minutes for information to the Audit and Risk Committee in their role as Scheme Manager. The Terms of Reference were cited and the commitment expressed by both employee and employer representatives on the Pension Board to continue their roles until the publication of legislation to rectify Remedy in Autumn 2022. The skills and engagement of Board Members gained on this issue during the past eighteen months is beneficial to retain within the existing Board and subsequently assurance of advice to the Committee.

The Chair of the Audit and Risk Committee concurred with this approach and together with Members agreed the membership of the Pension Schemes be consulted upon the proposal and its approval by the Committee.

The Committee were also informed of the intention to present an Annual Report of the Pension Board 2020/21 to its next meeting.

The Committee **noted** the content of the minutes.

28/21 **Update on Topical, Legal and Regulatory Issues**

There were nil updates to report.

29/21 **Audit & Risk Committee Work Plan 2020-21 Draft July 21**

The Committee **noted and approved** its work programme for 2020-21.

The meeting closed at 11.50 hours.

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