

Minutes of the Audit and Risk Committee

2 September 2019  
at Fire Service Headquarters, Vauxhall Road,  
Birmingham B7 4HW

**Present:** Councillors Miks (Chair), Gill (Vice Chair), Barrie, Miller and Spence  
Mr Ager (Independent)  
Peter Farrow, Audit Manager  
John Matthews, Internal Audit  
ACO Gary Taylor, Strategic Enabler (Process)

**Apology:** Richard Percival, Grant Thornton  
Karen Gowreesunker, Strategic Enabler (Strategic Hub)

As well as the Members of the Committee the following attended the meeting:

Mike Griffiths, Treasurer  
Kal Shoker, Finance Manager  
Councillor Brackenridge, Chair (Observing)  
Emily Maine, Grant Thornton

At the beginning of the meeting everyone introduced themselves.

45/19 **Declarations of Interest**

Cllr Brackenridge declared a non-pecuniary interest as he is in receipt of a fire service pension.

46/19 **Minutes of the Audit and Risk Committee held on 29 July 2019**

**Resolved** that the minutes of the Audit and Risk Committee held on 29 July 2019 be approved as a correct record with the following amendment.

Cllr Barry should read Cllr Barrie in the list of attendees.

In the penultimate paragraph on page 9 of the minutes, on the final line the word “should” to be deleted.

#### 47/19 **Corporate Risk Update**

Assistant Chief Officer (ACO) Taylor (Strategic Enabler – Process) presented the Corporate Risk Update. As agreed by the Audit Committee on 25 July 2016 the updates are now provided bi-annually.

The Update covered Quarters 4 2018/19 and Quarter 1 2019/20. The report included the Corporate Risk Assurance Map Summary and the Position Statement for Quarter 1 2019/20. In accordance with the Services risk management strategy, the Corporate Risk Assurance Map Summary was submitted for approval by the Audit and Risk Committee following its submission and discussion at the Corporate Performance Review Meeting.

Corporate risks are those risks which, if they occurred, would seriously affect the Authority’s ability to carry out its core function or deliver its strategic objectives as set out in the Plan. At the time of the meeting, the Service maintained 9 corporate risks, some of which had more than one element.

Each corporate risk is assigned to a Risk Owner, who is a member of the Strategic Enabling Team. The Risk Owner has the overall responsibility for monitoring and reviewing the progress being made in managing the risk.

To enable for effective risk management, the Risk Owner would have periodically undertaken an assessment of each corporate risk. The frequency of this review would be based upon the estimated risk rating undertaken based on likelihood or impact. The likelihood was a measure of probability of a given risk occurring using a scale of 1 (low) to 4 (high). The impact was a measure of the severity or loss should the risk occur again, using a scale of 1 (low) to 4 (high).

To ensure that Members are kept informed of corporate risk matters, a Corporate Risk Assurance Map Summary for Quarter 1 2019/20 (Appendix 1) and the Position Statement for Quarter 1 2019/20 (Appendix 2) were included.

In undertaking a review of corporate risks, the Risk Owners had reviewed the Corporate Risk Assurance Map.

The Assurance Map provided details of:

- The strategic objectives and performance indicators relevant to the risk.
- The risk scores
- A description of events that could lead to the corporate risk being realised.
- The control measures in place designed to reduce the likelihood of risk realisation or its impact should the risk be realised.
- Additional control measures currently implemented to further reduce the likelihood or impact.
- Control owners who are responsible for the implementation maintenance and review of individual control measures.

As part of the review each Risk Owner had considered the risk score and rating and updated the Assurance Map. The Risk Owner had provided assurance that the control measures identified were still effective in the management of risk and identified whether any new risk events or controls could have been implemented or were required.

Where ongoing additional controls were being implemented, Risk Owners would have confirmed the progress in implementing such controls.

## **Increase/Decrease in Overall Corporate Risk Score**

During the six months (Quarter 4 2018/19) there had been an increase in the risk scores for Corporate Risk 4.1, Protection. This risk score increased from 6 (Likelihood 2 x Impact 3) to 9 (Likelihood 3 to Impact 3).

This was due to the high demand and complexity in the building applications received. These applications included two high profile developments; High Speed Rail (HS2) and the Commonwealth Games. Additional investment for Protection resources into the Planning and Building Applications team was agreed by the Authority in November 2018, however it would take approximately 12 months for the additional Protection officers to become competent.

ACO Taylor explained that the Performance Indicator had shown that officers were not responding to all planning applications within the 15 day consultation period. However, following the increase in capacity in the Fire Safety Team, compliance had increased by 40% to significant compliance of 78%.

Officers were using some investment for existing and qualified staff to undertake work on overtime.

As well as HS2 and the Commonwealth games there was more demand for new properties.

Nationally the chronic impact of the shortage of fire safety expertise was also being recognised.

In Quarter 1 2019/20 there was a decrease in Corporate Risk 1.1 External (Political and Legislative) Environment. This decreased from 6 (Likelihood 3 x Impact2) to 2 (Likelihood 1 x Impact 2).

The change in Our Plan 2019-2022 indicates there is currently limited risk of public service reform impacting on the delivery of core service delivery.

ACO Taylor confirmed that health commissioning work had now ceased, the transfer of governance to the Mayor would not progress and governance of WMFS would continue through the Reformed Fire Authority.

The Position Statement attached as Appendix 2 to the report provided the detail of the risk management activity undertaken or ongoing in respect of the Authority's 9 Corporate Risks for the six months (Quarter 4 2018/19 and Quarter 1 2019/20).

- Corporate Risks 1.1, 1.2, 2.3, 4.1, 5.2, 8.1 and 8.2 were awarded a green confidence (substantial) opinion, which is the highest level that can be awarded.
- Corporate Risks 2.1, 2.2, 3.1, 3.2, 6.1, 7.1, 7.2, 9.1 and 9.2 were awarded an amber (satisfactory) confidence opinion. In all cases, work is in progress to enable for a green rating to be attained.

### Position Statements

**Corporate Risk 2 – People** The risk owner is confident that positive progress continues to be made in the delivery of several elements of the collective agreements and the Employee Relations Framework (ERF) has now been issued. An E-Cademy learning package for all employees is being developed, to enable all employees to ensure a greater understanding of the ERF and the specific elements in it. The Cultural Review was coming to a close and the outcomes will also provide opportunities.

**Corporate Risk 3 – Prevention** An IT solution to assist with Safe and Well visits was currently being developed as part of the introduction of Tymly, this was currently being piloted in the Black Country South. This was with the view to eventually rolling it out across the organisation.

**Corporate Risk 5 – Response** The continuation of the flexible use of resources to achieve the £3.8M savings outlined in the Financial Efficiency Plan shortfall and to deliver a balanced budget in 2019/20, means that there is

an overall reduction in fleet availability. The reduction in fleet in done dynamically and currently includes Brigade Response Vehicles and 2<sup>nd</sup> PRL's riding at 4, instead of 5 personnel.

ACO Taylor stated that the flexible response was working well but changes were having some impact, but the Service was maintaining its Service Delivery Model and its risk based attendance standard.

### **Corporate Risk 6 – Business Continuity**

**and Preparedness** The Emergency Planning team are monitoring all events that will have an impact on business continuity and alongside Local Resilience Forum Partners continue to engage with specific EU Exit No Deal planning. West Midlands Fire Service are maintaining awareness of updated government planning assumptions and have continued engagement with the Ministry of Housing Communities and Local Government.

Regular updates would be provided at Policy Planning Forums and briefings would be provided to Members on an ongoing basis. Councillors would then be able to pass this information onto their colleagues.

ACO Taylor confirmed that all authorities are undertaking their own Business continuity activities in the conurbation with category 1 and 2 responders.

In response to a Members question about Brexit preparedness, ACO Taylor stated that there was a high level of confidence and the Service was as prepared as it could be. In respect of the broader Business Continuity arrangements for possible Industrial Action levels of confidence had reduced.

**Corporate Risk 7 – Information, Communications and Technology** The organisation continues to take a cloud-based approach to data storage thus reducing the reliance on in-house processes, procedures and infrastructure to access and maintain data.

Cloud based solutions for business continuity and disaster recovery are being considered to improve resilience.

**Corporate Risk 8 – Finance and Assets** The budget was set in February 2019 with several significant issues still to be determined regarding future funding impacts. This specifically related to the Firefighters Pension Scheme, Firefighters pay awards, the outcome of the Governments Fair Funding Review and a lack of clarity around future Government funding settlements linked to the uncertainty of the timing and impact of public sector Comprehensive Spending Reviews. Details regarding these issues have not yet been determined.

**Corporate Risk 9 – Business Development** The recommendation was for Corporate Risks 9.1 and 9.2 to be removed. This was due to the Fire Authority directing officers to develop alternative options to make appropriate budget reductions in order to set a balanced budget. The revised strategy was presented and agreed at the 18 February 2019 Authority meeting, where it was agreed that “Our Plan” and the balanced budget would be delivered through the flexible risk-based management of resources daily. There was no longer a requirement to achieve alternative funding targets through business development and the wider health contracts that were in place were closed on the 3 April 2019.

The Committee discussed the issue of Safe and Well visits and the fact that some elements were considered nationally outside of the role map. ACO Taylor stated that there was an arrangement with staff and FBU and currently Safe and Well visits were continuing on the basis of good will, but it was down to individual choice with questions around wider vulnerability. Some staff were uncomfortable to ask questions for example about receiving benefits. Where this happened the crews had the option to give the occupier a tablet device to complete the full set of Safe and Well questions personally.

As the Service had now stopped delivering commissioned health work, some partnership referrals were suffering.

Officers were using their best efforts to engage with making representations to Councils about safeguarding of residents but were struggling to get traction with local authorities and this was less effective than falls response referrals. The Chair felt it was important to find a way to engage with the most vulnerable.

ACO Taylor stated because there was no longer day to day engagement and the Authority had withdrawn from health contracts, officers were having to work in a different way, but the commitment was still there to refer people to the Safe and Well list.

It was suggested that this could be an area for discussion at the forthcoming Policy Planning Forum with the potential to look at this work through a Scrutiny Review and that Elected Members would have more influence in their own Councils.

Cllr Greg Brackenridge stated that the focus for Safe and Well visits was on quality rather than quantity.

Cllr Brackenridge suggested a Conference could be held with Cabinet members on this subject in a similar way to the Conference being held on prevention and protection and sprinklers.

ACO Taylor confirmed that the Service was delivering safe and well visits and the mechanism for individual referrals but was struggling with external engagements.

It was confirmed that in Wolverhampton City Council the partnerships referrals system was more effective as the withdrawal from the falls contracts was longer and allowed more time to embed the referral pathway. However, in other areas there was a quicker withdrawal and the relationships and pathways were broken.

The Chair would suggest that the Scrutiny Committee look at this work further.

The Independent Member stated that considerable efforts had been for the transfer of governance to the West Midlands Combined Authority and enquired if central government would have any views on this matter.

Cllr Brackenridge stated that the Authority's view was not to go down this road again. The government had removed the red lines from the Order and had asked Leaders to sign within 36 hours notice. The Order had not been approved.

It was noted that the PCC or Mayor could put in a bid to take over the governance arrangements for the Fire Service but following conversations there did not appear to be any appetite to follow this route.

The other option would be for primary legislation.

ACO Taylor confirmed that some of the collaborative benefits still exist and officers were still working positively with local partners for efficiency and effectiveness.

In response to a Member's enquiry about the Risk Score of 9 showing as both green and amber, it was confirmed that this was due to professional judgement applied by the Risk Owner.

The Committee thanked ACO Taylor for a thorough report on risk.

**Resolved** that the Corporate Risk Map Summary (Quarter 1, 2019/20, Appendix 1) be approved and the Position Statement noted the Audit and Risk Committee be approved.

**Resolved** that the removal of Corporate Risks 9.1 and 9.2 be approved.

48/19 **Request of a Member to Discontinue Pension Payment of Periodical Contributions - New Firefighters' Pension Scheme (2006)**

The Committee, in their role as Scheme Manager, considered a request from a firefighter to discontinue payment of his periodical contributions under the rules of the New Firefighters' Pension Scheme (2006).

Members were provided with background information including details of Part 11, Chapter 2, Paragraph 8 of the New Firefighters' Pension Scheme (2006).

The request to stop paying the additional payment related to financial circumstances as set out in the Appendix to the report.

In answer to a Member's question, it was confirmed that this was the first occasion where a firefighter had requested to stop paying additional payments. Very few firefighters make additional payments and additional payments only affect the individual and not the Authority and each case was to be judged on its own merits.

Another Member felt that the Committee were not in a position to give financial advice and it was down to individuals to make extra payments and accept the changes to their future pension.

**Resolved** that the Committee, in their role as Scheme Manager, have decided that the request of a firefighter to discontinue payment of his periodical contributions under the rules of the New Firefighter' Pension Scheme 2006 be approved.

49/19 **Pensionable Pay Decision**

The Committee received a report providing information to enable them to make a decision, as required by the Firefighters' Pension Scheme regulations, as to whether

the allowance for the provision of Canine Response should be treated as pensionable pay.

West Midlands Fire Service had recently implemented a new allowance payable to a member of the Technical Rescue Unit for the provision of Canine Response.

At the Strategic Enabling Team meeting held on 12 December 2018 it was stated that in recognition of the additional responsibility and impact on personal time and in line with similar arrangements across other Fire and Rescue Services, proposed that a 10% pay enhancement should be attached to the role. The allowance recognised that:

- The dog is permanently resident with the employee;
- The employee has caring responsibilities for the dog and to ensure that it remains fit and healthy for work;
- The dog is available for duty in line with the employee's shift pattern and on call arrangements; and
- The employee needs to reach and maintain additional competencies to enable the dog to be deployed to operational incidents.

Pensionable pay for all schemes is defined as being the pay determined in relation to the performance of the duties of the role.

Members of the Committee were provided with Guidance from Home Office on the Firefighters' Pension Scheme and a fact sheet was attached as an appendix to the report.

Members of the Committee were also provided with details of the Firefighter Role map.

The definition of pensionable pay states that the pay must be in relation to the performance of the duties of the role and must be clear in terms of the decision.

There was no definition on what sort of allowances should be regarded as permanent or temporary.

Each case was to be considered on its merit.

The Pensionable Pay Guidance outlined the case law when interpreting the application of pensionable pay, the 'Blackburne Principles' were often cited. The judge cited that in order for pay to be pensionable it had to be:

- Calculated in accordance with ordinary rate of pay
- For work done under the Firefighters contract of employment
- Regular in nature, i.e. something to which the firefighter was entitled in the ordinary course of fulfilling duties under the contract, not a one off or unexpected payment.

The monthly allowance was for the care of the dog and regular payment would be made for the foreseeable future and met the tests.

A proportion of the allowances was for care and welfare of dog, food and vets charges. The dog lives with the firefighter to enforce the bond and to ensure that the relationship is enhanced. The dog also needs to be available when the firefighter is required.

The key decision for the Committee was whether the allowance related to the Firefighter Rolemap.

Members felt that the role was permanent, regular and not an additional contract and the requirements were discharged under Reference FF6 Support the effectiveness of operational response and FF8 Contribute to safety solutions to minimise risks to your community of the Firefighter Rolemap and there was evidence to support this.

**Resolved** that the allowance for the provision of Canine Response should be treated as pensionable pay.

### 50/19 Annual Audit Letter 2018/19

The Audit and Risk Committee received and noted the Annual Audit Letter 2018/19.

In line with the Code of Audit Practice, the Auditor is required to produce a letter at the end of the audit and it was intended to communicate key messages to the Authority and external stakeholders including members of the public.

The key messages included the financial statements audit, (including audit opinion) the Value for Money Conclusion and the Audit fees charge for audit and non-audit services and titles and dates of when reports had been issued.

The Audit Findings Report had been presented to the Audit and Risk Committee on 29 July and outlined the findings of the audit work undertaken.

The Auditor had issued an unqualified opinion on the Authority's 2018/19 financial statements included in the Authority's Statement of Accounts.

As part of the external audit work programme, the Auditor was also required to provide a value for money conclusion.

As a consequence of this work the audit concluded that for 2018/19, 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.

The Auditor had determined materiality for the audit of the Authority's financial statements to be £2,396,000 which is 2% of the Authority's gross revenue expenditure.

The Auditor had set a lower level of specific materiality for remuneration disclosure of £100,000 due to their sensitive nature and public interest.

The Auditor set a lower threshold of £119,802 above which the Auditor reported errors to the Audit and Risk Committee in their Audit Findings Report.

The Auditor stated that financial sustainability was a significant risk and reserves had dwindled.

As set out in the Audit Plan the Auditor felt there were real challenges for the Authority. All organisations have financial risks but this would remain an area of focus for Grant Thornton and they would continue to report on this at future meetings.

The final fee charge for the audit was £33,750. The planned fee was £29,750 but an additional charge of £4,000 had been added to cover the additional work required in Assessing the impact of the McCloud ruling, Pensions -IAS 19 work and PPE Valuation work of experts.

This figure still represented a reduction on the £38,636 charge in 2017/18.

It was noted that following consultation with the Treasurer some areas of the Annual Audit Letter would be amended prior to submission to the Fire Authority on the 30 September 2019.

As follows:

On pages 86 and 87 Key Findings, Significant risk in our Audit Plan, Financial Sustainability

- “FFPS – Employers Contributions – potential additional costs of £6.2m per annum assuming no government funding.” The figure should read £5.3m.

On page 88, Reports issued and fees

“As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £29,750 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed due to national issues outside of the Authority’s control, which have led to additional work. These are set out in the following table.”

The words “due to national issues outside of the Authority’s control” would be added.

In answer to a Member's enquiry it was confirmed that at the time the budget was set the estimated cost was £5.3m with the grant of £4.8m for the current year. However, when the actual figures were confirmed the costs were higher for all Authorities and this national issue was then raised with the Home Office who eventually covered the cost of £6.2m for WMFRA with a grant of £5.7m. There was the potential that the Authority would be required to pay this if not covered by the Home Office.

The Treasurer confirmed that in respect of the McCloud case, no further indication or clarity had been received on the figure quoted if all transitional arrangements had to be rectified

In answer to a question from the Independent Member on the significant risk identified in the audit plan on the Valuation of Property and Equipment and that the audit work had not identified any issues in respect of valuation of land or buildings, the Auditor stated that the Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. The valuation of land the buildings represents a significant estimate by management.

The valuer makes an assessment of assets and the Auditor undertakes testing on assumptions and never give positive assurance, but there is a low risk of estimation and uncertainty

The method of annual evaluation is of benefit for the Authority, however, other authorities use the previous year's valuation.

### 51/19 **Residential Homes**

The Committee received a report from the Treasurer on the current status of the Authority's Residential Homes (flat and houses). The facilities had been provided in the past for firefighter use. The Authority no longer provides residential homes to new tenants and any properties that become vacant are held as 'surplus assets' for accounting purposes.

The information had been requested by the Chair of the Audit and Risk Committee.

A table of residential home, sites and commentary was provided as an appendix.

In answer to a Member's enquiry it was confirmed there was a small level of cost dependent on the rateable value of the site.

Some of the properties are used for training and partnership work.

There was current interest from a third party in refurbishing and leasing a house at Kings Norton although access was an issue for the houses and flats at this station.

A planning application had been approved in relation to creation of new vehicular access with the intention of the disposal of the Houses at Perry Barr Fire Station.

A Housing Association may be interested in modernising or redeveloping the houses on this site. It was noted that the houses are near the area of the 2022 Commonwealth Games.

Members were concerned about the number of homeless in the Region and whether the Authority would be able to work with external partners in respect of vulnerable and homeless people.

The Audit and Risk Committee requested a further report outlining the options as the Lead Member of the Combined Authority's Reduction of Homeless Strategy is a Member of Sandwell Council and they may be able to assist.

The Chair requested further information to be provided to the next meeting of the Audit and Risk Committee.

### **52/19 Audit and Risk Workplan 2019-2020**

The Committee noted its Work Programme for 2019/12.

### 53/19 **Update on Topical, Legal and Regulatory Issues**

The Treasurer stated that an independent review had been announced with the outcomes being published towards the end of the year.

The Committee were informed that the government had indicated that the Chancellor would be announcing a 12 month spending round on the 4 September 2019.

ACO Taylor informed the Committee that in the absence of a pay settlement for the Fire Service, the National Fire Chiefs Council and the Local Government Association had written a joint letter highlighting the importance of fair pay across the sector.

### 54/19 **CIPFA Audit Committee Update 29**

John Matthews stated that the CIPFA Update had been circulated to Members and provided information to Audit Committees to enable them to keep up to date and improve their effectiveness. The document set out details of the CIPFA Statement on the Role of the Head of Internal Audit and the five principles that are used to deliver the organisation's strategic objective. Members of the Audit and Risk Committee should be aware of the five principles and the key steps.

In answer to a query about the Audit Commission, following a suggestion in 2010 by Eric Pickles MP, it was confirmed that the Audit Commission had been abolished in 2015 some of the staff had been TUPEd to other Audit companies and these companies now undertook the Audits.

A small body of people from the Audit Commission had been used to create a team who managed the PSAA Ltd and the National Fraud Office.

Members were requested to let Julie Connor know if they wished to attend any of the Training Opportunities available to members of the Audit and Risk Committee outlined in the document.

The meeting finished at 1208 hours.

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