

Minutes of the Audit Committee

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

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

Apology: Councillor Aston

42/17 **Minutes of the Audit Committee held on 4 September 2017**

Resolved that the minutes of the meeting held on 4 September 2017 be approved as a correct record.

43/17 **Pension Treatment of Temporary Allowance – flexibility allowance (Falls Response) final**

The Committee received a report in its role as Scheme Manager requesting that it confirmed that the Flexibility Allowance being paid to employees undertaking work under the Business Continuity arrangements is pensionable.

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.

The seconded employees will be paid the higher of their own salary or that of a firefighter, plus a 25% flexibility allowance. This is to encourage staff to apply to work on the Falls Response service.

As the Secondment is a temporary arrangement the additional 25% flexibility allowance is only pensionable for members of the 1992 and 2005 Firefighters' Pension schemes at the discretion of the Scheme Manager. For members of the 2015 the payment is not pensionable. There are 7 firefighters who are in the 1992 Firefighters Pension scheme currently undertaking work under the Business Continuity arrangements for Falls Response. Making the allowance pensionable for these staff would incur costs of approximately £1,4000 per month based on the number of staff undertaking the work.

Resolved that the Flexibility Allowance being paid to employees undertaking work under Business continuity arrangements for Falls Response is pensionable.

44/17 **Treasury Management – Mid Year Review Report 2017-18**

The Committee considered the Treasury Management Mid Year Review Report 2017/18.

The Authority agreed its Treasury Management Strategy Statement and Annual Investment Strategy and its Prudential Indicators in February 2017 and part of the requirements of the Treasury Strategy and Prudential Code are that periodic reports are presented to Members. The Mid Year update was presented to the Audit Committee with the key areas being:

Capital Expenditure was approved in February 2017 at £13.1m. This has been updated and now reflects the outturn position and financing decisions for 2017/18. The Forecast outturn has been revised to £7.2m. The decrease is mainly due to slippage in the refurbishment of Coventry and Aston Fire Stations and Vehicle Replacement Programme.

The Authority had outstanding Debt of £38.6m as at 31 March 2017. Borrowing of £35.2m has been undertaken with the Public Works Loan Board (PWLB) and the remaining £3.4m relates to the ex-West Midlands County Council. The estimated average rate of interest payable on this debt in the current financial year is 5.4%

The Authority held £73m investments as at the 30 September 2017 with Sandwell MBC as part of the pooling of bank account arrangements. The interest received for the first six months of the year was 0.232% against a benchmark of the average 7 day LIBID rate at 0.110%. On the 2 November 2017 the bank rate had increased from a ¼% to a ½% and it is anticipated that the rate increase will result in a slightly greater interest received return in the second half of the year.

Resolved that the Treasury Management – Mid Year Review Report 2017/18 be noted.

45/17 **Annual Audit Letter 2016-17**

The Audit Committee received and noted the Annual Audit Letter (AAL). The letter is 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 the titles and dates of when reports had been issued.

The Annual Findings Report had been presented to the Audit Committee on 24 July 2017 and outlined the findings of the audit work undertaken.

Following the meeting on 24 July 2017, the auditor had issued an unqualified opinion on the Authority's 2016/17 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 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.

The final fees charge for the audit and provision of non-audit services was just over £38,000.

46/17 **Audit Committee Update**

The Committee noted the contents of the Audit Committee Update. The Update included a summary of emerging national issues and developments that may be relevant to the Fire and Rescue Authority. The External Auditors progress to date was reported and the Key dates were set out in the report:

Accounts Audit Plan January 2018
Interim accounts audit January - March 2018
Final accounts audit June – July 2018

The Value for Money conclusion will run alongside the work plan.

Members attention was drawn to the following Sector Issues:

the National Fire Chiefs Council (NFCC) Hackett Review, and independent review of the building regulations and fire safety;

the NFCC call for sprinklers to be fitted to new build schools;

Local Authority 2016/17 revenue Expenditure and Financing report produced by the Department of Communities and Local Government;

And Grant Thornton's Publication – The Board: creating and protecting.

A discussion followed on the fitting of sprinklers and how the building regulations have been interpreted. The government have not committed any additional money for the fitting of sprinklers and discussions are on going.

It was noted that Birmingham City Council had made a decision to fit sprinklers to all of its high rise buildings.

The Fire Service strategy was that new buildings or those significantly altered should have sprinklers fitted and it was felt timely for a review of building regulations to take place and it was felt they were no longer fit for purpose. The Service also supported retrospective fitting of sprinklers where they are needed, subject to appropriate risk analysis. It was noted that the Regulations do not make the fitting of sprinkler enforceable in all buildings.

In response to a Members enquiry about the cost of fitting sprinklers in schools, the DCFO responded stating generally not only was the cost of the building, but also a big loss to the community, education of the children, children's work, finding somewhere else to provide the education and the trauma to parents and children.

The cost to install sprinklers could be absorbed into the costs of a new build, and the fitting of sprinklers can provide for more design flexibility, creating a special and open plan design.

It was noted that the Fire Service attend Planning Committees and often state the benefits of fitting sprinklers. When the Fire Service are consulted under the building regulations the benefits of sprinklers are always reinforced with developers and planners.

The DCFO agreed to provide information on the costs on the fitting of sprinklers in schools.

47/17 **Internal Audit Update**

The Committee noted a report which detailed the progress made against the delivery of the 2017/18 Internal Audit Plan. The information contained within the report included a summary of the work completed, with no significant issues being raised.

48/17 **The Pension Regulator – Scheme Returns 31 March 2017 - Firefighters Pension Scheme**

The Committee noted the contents of the annual returns to the Pension Regulator in relation to the Firefighters Pension Scheme and that the return was submitted during September 2017.

49/17 **Assessment of Good Practice and Effectiveness**

The Audit Committee agreed to discuss this item at its next meeting.

50/17 **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 15 January 2018.

51/17 **Update on Topical, Legal and Regulatory Issues**

There was no new information to be presented.

52/17 **Exclusion of the Public and Press**

Resolved 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 relating to the financial or business affairs of any particular person (including the authority holding that information).

53/17 **Emergency Services Mobile Communications Programme Update**

The DCFO introduced Group Fire Control Officer Gill Cook. GFCO Cook gave a presentation alongside the report to provide a better insight into the Corporate Risk in respect of the Emergency Services Mobile Communications Programme (ESMCP) which is a national project to replace the Airwave radio system, and will deliver the Emergency Services Network (ESN), a national communication system that will be used on the fireground and include the Police and Ambulance Services.

It was noted that there are three national strategic change drivers influencing the scope and timing of the proposed replacement mobile radio communication system for the three emergency services (3ES).

The strategic objectives of the government's national ESN programme are that it is better, smarter and cheaper.

The local programme is being managed through the establishment of a Regional Management Team and Local Project Teams. They will be guided by the Programme Board (Regional Deputies).

The top 3 current risks to the project are:

- the significant number of financial unknowns which means funding requirements cannot be confirmed.
- Transition schedule review/programme slippage – there are a currently a significant number of timing unknowns and therefore local scheduling cannot be confirmed.
- The timing and funding of proposed deliverables are of concern with regard to enabling organisations to make timely and informed, effective and efficient decisions.

Members openly discussed the programme and the associated risks to increase understanding.

(The meeting ended at 1118 hours)

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