

**NORTH WALES FIRE AND RESCUE AUTHORITY  
AUDIT COMMITTEE**

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 27 January 2014 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

J R Skelland (Chair)	Wrexham County Borough Council
A I Dunbar	Flintshire County Council
A Jones	Wrexham County Borough Council
D MacRae	Conwy County Borough Council
D Miles	Conwy County Borough Council
M Reece	Flintshire County Council
W P Shotton	Flintshire County Council
O Thomas	Flintshire County Council
R Wright	Gwynedd Council

ALSO PRESENT:

P Claydon (Assistant Chief Fire Officer); K Finch (Treasurer); G Owens (Deputy Clerk); S Forrest (Accountant, Treasurer's Department, Conwy County Borough Council); K V Williams (Audit, Conwy County Borough Council); C Dingle (Finance Manager); J Brown (Deputy Finance Manager); A Davies (Member Liaison Officer).

APOLOGIES:

Councillors:

J G Evans	Anglesey County Council
C Hughes	Gwynedd Council
G Lowe	Wrexham County Borough Council

Officers

Dawn Docx	Deputy Chief Fire Officer
Mike Halstead	Head of Audit, Conwy County Borough Council

Apologies also received from Wales Audit Office and KPMG.

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES

2.1 The minutes of the meeting held on 23<sup>rd</sup> September 2013 were submitted for approval.

2.2 **RESOLVED to approve the minutes of the last meeting as a correct record.**

### 3 MATTERS ARISING

3.1 There were no matters arising.

### 4 PRUDENTIAL INDICATORS, TREASURY MANAGEMENT STRATEGY, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY

4.1 The report presented to Members the Prudential Indicators, Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision (MRP) Policy for 2014/15. The Audit Committee's task was to ensure effective scrutiny of the treasury management strategy and policies and based on its findings make recommendations to the Fire and Rescue Authority. Ms Forrest led Members through the report, with the aid of a detailed presentation, and answered Members' questions.

4.2 The Local Government Act 2003 requires the Authority to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, and reflects the outcome of the Authority's capital appraisal systems.

4.3 The Chair commented that the affordability of the capital programme was quite a liability for the Authority, and it was explained that interest charges and capital repayments are built into the revenue budget. The Authority has a standstill budget for 2014-15 but it is recognised that Members will need to be mindful that the costs for servicing the approved capital programme increase year on year. The Treasurer reminded Members about the Authority's budget reduction strategy and that the pressures will build up for 2015-16.

4.4 In response to a question about the local authorities' contributions, the Treasurer explained that under the current finance regime the Authority still has jurisdiction over determining its own expenditure and local authorities cannot influence the Authority's budget setting process.

4.5 Ms Forrest went on to discuss the Authority's treasury management strategy including the borrowing position and investment strategy. She explained that currently it is still cheaper to borrow from other local authorities rather than from PWLB.

4.6 Members were informed about the risks for 2014/15 including the new legislation due to be introduced this year - Financial Services (Banking Reform) Act 2014. Ms Forrest explained how the Act will impact on how local authorities including FRAs will invest money in the future. The Authority will need to decide on the way forward with investments once the Act has been introduced. Cllr A Jones asked, when the new legislation is introduced, that Arlingclose prepare a briefing paper on the new banking reform for the Audit Committee.

- 4.7 The Authority is required to pay off an element of the accumulated capital spend each year through a charge to revenue, therefore Members have to approve the Minimum Revenue Provision policy in advance of each year. It was noted that the budget was set using the following criteria
- 4% of the outstanding balance of capital expenditure incurred on land and buildings
  - vehicles, plant and equipment based on the estimated life of the assets.
- 4.8 **RESOLVED to approve each of the four key elements of the report and the recommendations contained therein, and recommend these to the Fire and Rescue Authority:**
- (i) a list of prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;**
  - (ii) the Treasury Management Strategy outlining the strategy to be followed regarding short and long-term borrowing for 2014/15 in accordance with the CIPFA code of Practice on Treasury Management;**
  - (iii) the strategy to be followed regarding the investment of Fire and Rescue Authority funds;**
  - (iv) Minimum Revenue Provision Statement.**
- 5 INTERNAL AUDIT STRATEGY 2011-2015
- 5.1 Keith Williams from Internal Audit, Conwy County Borough Council presented the report which informs Members about the internal audit strategy up until 2015.
- 5.2 The terms of reference of Internal Audit are documented in the Service Level Agreement for the provision of financial services with Conwy County Borough Council for the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2015.
- 5.3 It was noted that a number of the risk areas which have an 'A' Risk Assessment are covered by the Wales Audit Office or KPMG. Such risk areas include Corporate Governance, Performance Management and Risk Management. The Internal Audit Team are limited to 50 days per annum, therefore having the external auditors assess the 'A' risk categories enables the Internal Audit team to concentrate on various day to day running aspects of the Service's work. Future reports to the Audit Committee will list who is responsible for which categories.
- 5.4 It was confirmed that all audit staff comply with the CIPD audit training package and are up to date with their training.
- 5.5 **RESOLVED to accept the Internal Audit Strategy 2011–2015.**

## 6 PENSIONS INFORMATION

6.1 The Deputy Finance Manager/Pensions Officer gave Members an overview of the current two firefighter pension schemes in place and the proposed new scheme to be implemented in 2015 following the introduction of the Public Service Pensions Act 2013. Members' questions were answered and the following issues were highlighted:

- currently, for every £1 paid into the Firefighters' Pension Schemes by the employee, the taxpayer contributes £5. Therefore, following the principles contained within the Hutton report the government is seeking to introduce a new pension scheme for all firefighters in April 2015. This will still be a defined benefits scheme but will be based on career average revalued earnings with reduced benefits and an increase in retirement age to 60
- it is important to remember that the FBU's dispute is with the Government and not with the employer
- all firefighters must have an annual medical check from the age of 40 upwards
- the subsidy paid from WG to FRA changes every year depending on the number of retirements each year.

6.2 **RESOLVED to note the information.**

## 7 ANNUAL AUDIT LETTER

7.1 As Victoria DeZouche from KPMG had sent her apologies the Deputy Clerk presented the annual audit letter in her absence.

7.2 Ms DeZouche had confirmed via email that the letter is a summary of the audit reports and opinions already provided for in previous reports in September and there are no issues that needed to be brought to the attention of the Audit Committee.

7.3 **RESOLVED to accept the Annual Audit Letter and note that it will be presented to the Authority and the public as part of the Annual Improvement Report.**