

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 26 January 2015 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 Evans	Wrexham County Borough Council
J G Evans	Anglesey County Council
D Miles	Conwy County Borough Council
M Reece	Flintshire County Council
W P Shotton	Flintshire County Council
W O Thomas	Flintshire County Council
R Wright	Gwynedd Council

ALSO PRESENT:

D Docx (Deputy Chief Fire Officer); K Finch (Treasurer); R Simmons (Assistant Chief Fire Officer); S Forrest (Accountant, Treasurer's Department, Conwy County Borough Council); K V Williams (Audit, Conwy County Borough Council); J Brown (Finance Manager); S Redwood (KPMG); A Davies (Member Liaison Officer).

APOLOGIES:

Councillor C Hughes	Gwynedd Council
Councillor D Macrae	Conwy County Borough Council
Councillor D Simmons	Denbighshire County Council
G Owens	Deputy Clerk and Monitoring Officer

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES

2.1 The minutes of the meeting held on 15 September 2014 were submitted for approval.

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

3 MATTERS ARISING

3.1 (3.2) Firefighters' Pension Scheme – new governance requirements – the DCFO reminded Members that in addition to Cllr J R Skelland, Cllr B Dunn and Cllr W T Owen, Cllr D Macrae had also been nominated to sit on the Local Pension Board as endorsed by the FRA on 15 December 2014.

- 3.2 (5.4) Deeside fire station – the DCFO confirmed that the work is underway and the new station should be ready by Autumn 2015.
- 3.3 (7.3) Fitness Standard for Operational Personnel – in response to members' concerns about an older firefighter having to undertake the same fitness test as a younger firefighter, ACFO Simmons explained that all operational personnel from the principal officers down have to undertake the same nationally agreed fitness test. This year only one individual failed to pass the test and was given support from the physical activity coordinator. Extensive research had shown that cardio respiratory fitness test is the main test that needs to be undertaken to ensure an active and safe firefighter to be able to carry out the duties required.
- 3.4 **RESOLVED to note the updates and that at the next meeting, members will receive a presentation on NWFRS' work around health and fitness.**
- 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 policy for 2015/16. 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 It was noted that one of the risks for 2015/16 will be the introduction of two European Union directives into UK legislation which will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015. Members were given possible scenarios as to how this may affect public authorities.
- 4.3 Reverse Repurchase Agreements (Repos) had been added to the counterparty list following advice from the Treasury Consultants in order to diversify the investment portfolio. Ms Forrest explained that a Repo is the term used to describe a bank selling an investor some securities with a set date agreed to buy them back with interest; the value of the securities is more than 100% of the cash investment (101% to 103%) and will remain at that level until the end of the agreement, therefore, if the market falls the bank would have to top up the Repo. Interest rates for Repos are slightly higher than interest on cash deposits. However, by using Repos, the Fire and Rescue Authority's investments are secured on assets and thus are freed from the bail-in procedures. Members asked for further information, to be presented at the next Audit Committee meeting, prior to recommending the use of Repos to the Fire and Rescue Authority.

- 4.4 Members are required to recommend to the FRA, in advance of each financial year, the minimum revenue provision policy which ensures that an element of the accumulated capital spend each year is paid off through a charge to revenue. The revenue budget for the repayment of capital expenditure 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.
- 4.5 **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, subject to further information being provided at the next Audit Committee meeting on Repos;**
 - (iii) the strategy to be followed regarding the investment of Fire and Rescue Authority funds;**
 - (iv) Minimum Revenue Provision Statement.**

5 INTERNAL AUDIT STRATEGY

- 5.1 Keith Williams from Internal Audit, Conwy County Borough Council, presented the internal audit strategy for the Authority for 2015-19.
- 5.2 In relation to the Internal Audit Needs Assessment 2015/16, risk areas categorised as 'A' are high risk requiring an annual review. However, Conwy's Internal Audit does not wish to duplicate the work of the Wales Audit Office whose annual performance audit work includes financial management, performance management and governance arrangements and its financial audit covers the accuracy of the financial statements.
- 5.3 The Needs Assessment will be utilised to formulate Conwy's Internal Audit Annual Plan 2015/16, which will be established in consultation with the DCFO and reported to the Audit Committee in June 2015.
- 5.4 **RESOLVED to accept the internal audit strategy 2015–2019.**

6 ANNUAL AUDIT LETTER

- 6.1 The audit annual letter was presented to members. It confirmed that the Authority complied with its responsibilities relating to financial reporting and use of resources and that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Research into these areas had been undertaken as part of the improvement assessment work and any improvements will be reported in the Auditor General's annual improvement report to be published later in the year.
- 6.2 **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.**

7 RE-EMPLOYMENT POLICY AND PRACTICE

- 7.1 ACFO Simmons delivered a presentation on the Authority's policy and practice of re-employment as adopted by the Authority in 2007.
- 7.2 It was noted that re-employment of operational personnel within NWFRS was prompted by the introduction of a new tax regime for pensions introduced by the UK government in April 2006. Subsequently a Fire Service Circular W-FRSC (06)12 issued by the Welsh Assembly Government recommended fire and rescue authorities should have a policy or should review existing policies with respect to the retirement and re-employment of firefighters.
- 7.3 Members were informed of the eligibility criteria and it was noted that the Authority must abate any pension payable to a retired member to ensure that their pay following re-employment plus their annual rate of pension does not exceed the annual rate of pay immediately prior to retirement. There is no end date to the re-employment contracts and individuals must meet the same requirements as expected of any other operational members of staff. It was also noted that individuals had to be re-employed to the same level of role as before retirement. Very few individuals had been re-employed since 2010, when the last financial strategy was adopted, therefore any impact on promotion for other staff had been minimal.
- 7.4 **RESOLVED to note the information and members thanked ACFO Simmons for the presentation.**