

**BIRMINGHAM CITY COUNCIL**

**ECONOMY, SKILLS & TRANSPORT O&S COMMITTEE –  
PUBLIC MEETING**

**10.30AM hours on 27<sup>th</sup> March 2019, Committee Room 2, Council House –  
Action Notes**

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**Present:**

Councillor Tahir Ali (Chair)

Councillors John Clancy, Fred Grindrod, Simon Morrall and Julien Pritchard

**Also Present:**

Phil Jones, Director, Grant Thornton

Baseema Begum, Research & Policy Officer

Rose Kiely, Group Overview & Scrutiny Manager

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**1. NOTICE OF RECORDING/WEBCAST**

The Chairman advised the meeting to note that members of the press/public may record and take photographs.

**2. DECLARATIONS OF INTEREST**

None.

**3. APOLOGIES**

Cllrs Ken Wood, Lou Robson and Phil Davis.

**4. ECONOMY AND SKILLS ACTION NOTES**

The Committee agreed the action notes for the meeting held on the 27<sup>h</sup> February 2019.

## **5. WEST MIDLANDS LOCAL GOVERNMENT PENSION FUND**

(See document No. 1)

The Chair, Cllr Ali introduced the item for discussion and explained the purpose of the meeting and outlined that apologies had been received from the Director of the West Midlands Pension Fund Board for not being able to attend due to a Board meeting taking place at the same time.

Cllr Ali added further that the Pension Fund had sent a briefing paper to share with Members ahead of the meeting and this was circulated.

Phil Jones from Grant Thornton, the City Council's auditor was welcomed by the Chair to give feedback on issues related to the Council's accounts.

During the meeting a number of questions and issues were raised:-

- What is the economic impact of the Pension Fund in Birmingham and the wider West Midlands region and how can the Fund's assets be better used in the regional economy?
- The level of the contributions made by the City Council was seen as being too high when compared to other Pension Funds in the country (an example of a similar sized fund, West Yorkshire was given where contributions by its members was shown to be far less) and the subsequent impact of this on the Council's revenue account.
- Can judgements made in respect of the level of liabilities and the discount rate be challenged by the Council and/or its auditor to understand how and why they are made? What is the Council obliged to accept on trust and must the Council follow the set process? Members recognised that this was an issue for the Pension Fund's auditor to clarify.
- The attachment of liabilities to the City Council's assets and why there is a liability showing on its accounts for this and the impact on Council's balance sheet. It was clarified that City Council finance officers would be in a better position to provide an answer to this.
- Members noted the democratic deficit that Birmingham has on the Pension Fund Board. Currently Birmingham is the largest local authority contributor to the Fund and with the greatest number of employees paying in however it is under-represented on the Pension Fund Board of which there are 15 members (Birmingham has a single member).
- Members were interested in the investments made by the Fund, how much was paid in investment management costs and who the investment fund managers are as this information was not clear.

In response Phil Jones, Grant Thornton explained that:

- He was only able to comment on those areas relevant to the City Council's accounts and to ensure that as its auditor Grant Thornton are carrying out their role correctly and ensuring that the Council achieves value for money in its transactions.

- Actuaries employed by Pension Funds make assumptions on how likely employees are likely to live and this contributes towards the decision made on the levels of contributions that members need to make to ensure that there are sufficient funds for people to claim at retirement. These are reviewed in line with how well investments made perform to ensure that employee benefit obligations can be met and to ensure that member authorities are making the right level of contribution.
- CIPFA guidelines are followed in terms of accounting and in line with the legal framework. As the Council's auditor, Grant Thornton can only base its response on the figures it is presented with and those that are passed to it by the Pension Fund.
- A comparison is done with other Pension Funds and Councils in relation to the assumptions made by actuaries to ensure that it is broadly in line with what happens elsewhere (i.e. reasonable). Furthermore Grant Thornton seeks the professional opinion of other sources of expertise in this matter to ensure that the opinion they are giving is correct.

It was acknowledged by Members that some of these issues needed further discussion and clarification with Pension Fund representatives and other parties that could help and assist the Committee to understand the depth and impact of some of the issues with greater clarity.

Following the discussion the Committee identified its next steps:-

- That a further meeting would be required to explore the issues raised with the Pension Fund and requested that the Chair, Cllr Ali write to the Pension Fund to request that a representative attend the June meeting;
- The CBI and a policy pension expert are invited to help Members to understand and ask the correct questions of the Pension Fund at this meeting;
- Following its meeting in June a report is presented to Full Council with a summary of key points raised at the sessions and recommendations that can be debated by all members.
- That recommendations within the report should include the key role that Audit Committee has in scrutinising issues relating to the discount rate and the impact that this has on the behaviour of investments. Furthermore the Economy & Skills O&S Committee investigates the economic aspects of how the Pension Fund assets can be used to invest in local economies.

#### **RESOLVED:-**

1. Phil Jones will provide further clarification on if the City Council is obliged to accept the actuarial judgement made by the Pension Fund.
2. The Chair will respond to the offer made by the Pension Fund to discuss further areas in detail and will write on behalf of the Committee to invite representatives of the Fund to a future meeting of the Committee in June 2019.
3. The points from the meeting will be drafted to form the basis of a report to Full Council outlining how specific areas of work can be taken forward by the Audit Committee and the Economy & Skills Committee.

## **6. WORK PROGRAMME**

Cllr Ali informed the Committee that meetings would be held in June and September in the new municipal year.

It was also confirmed that the Cabinet Member for Education, Skills and Culture would be attending to give her annual report and the Leader would be presenting the Local industrial strategy.

Following Cllr Grindrod's request at the last meeting for a representative of the GBSLEP to be invited to talk about the new operating model, it was confirmed that Katie Trout, Director would be attending the Committee's April meeting.

Cllr Grindrod asked that the Committee consider looking into the how businesses are transitioning to the Green New Deal. Cllr Ali will raise this at the next Co-Ordinating O&S Committee to ensure cross-over with other interested Committees can be accommodated if required.

## **7. REQUEST(S) FOR CALL-IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)**

None.

## **8. OTHER URGENT BUSINESS**

None.

## **9. AUTHORITY TO CHAIRMAN AND OFFICERS**

Agreed.

### **RESOLVED:-**

That in an urgent situation between meetings the Chair, jointly with the relevant Chief Officer, has authority to act on behalf of the Committee.

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The meeting finished at 11:31 hours.