



# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**Monday, 17 September 2018 at 11:00**

**FIRE SERVICE HEADQUARTERS,  
99 VAUXHALL ROAD,  
BIRMINGHAM, B7 4HW**

**Car Parking will be available for Members at Fire Service Headquarters.**

**Accommodation has been arranged from 10.00 am for meetings of the various Political Groups.**

<b>Distribution of Councillors</b>	
<b><u>Birmingham</u></b>	D Barrie Z Iqbal K Jenkins S Spence
<b><u>Coventry</u></b>	C Miks S Walsh
<b><u>Dudley</u></b>	A Aston N Barlow
<b><u>Sandwell</u></b>	J Edwards C Tranter
<b><u>Solihull</u></b>	P Hogarth
<b><u>Walsall</u></b>	S Craddock A Young
<b><u>Wolverhampton</u></b>	G Brackenridge J Dehar
<b><u>Police &amp; Crime Commissioner</u></b>	D Jamieson
<b><u>Co-opted Members</u></b>	Prof. Simon Brake – Walsall CCG Sarah Middleton – Black Country LEP

# Fire Authority

You are summoned to attend the meeting of Fire Authority to be held on  
Monday, 17 September 2018 at 11:00

at Fire Service HQ, 99 Vauxhall Road, Nechells, Birmingham B7 4HW

for the purpose of transacting the following business:

## Agenda – Public Session

- 1 To receive apologies for absence (if any)
- 2 Declarations of interests in contracts or other matters
- 3 Chair's announcements
- 4 Minutes of the Fire Authority held on 25 June 2018 5 - 20
- 5 Audit Findings 2017-2018 21 - 42
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<b>14</b>	<b><u>Updating The Constitution</u></b>	<b>263 - 266</b>
<b>15</b>	<b><u>Contract Awards Summary to 30 September 2018</u></b>	<b>267 - 270</b>
<b>16</b>	<b><u>Result of Recent Fire Safety Prosecution</u></b>	<b>271 - 272</b>
<b>17</b>	<b><u>Minutes of the Audit Committee held on 23 July 2018</u></b>	<b>273 - 282</b>
<b>18</b>	<b><u>Notes of the Joint Consultative Panel held on the 26 July 2018</u></b>	<b>283 - 288</b>
<b>19</b>	<b><u>Exclusion of the public and press</u></b> Chair to move:- <i>"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 for the reasons stated below."</i>	

## **Agenda (not open to public and press)**

### **20 Trade Dispute** Verbal Update

**Agenda prepared by Julie Connor**

**Strategic Hub, West Midlands Fire Service**

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**This agenda and supporting documents are also available electronically on the West Midlands Fire Service website at:- [www.wmfs.net](http://www.wmfs.net)**

Clerk Name: Karen Gowreesunker

Clerk Telephone: 0121 380 6678

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**Minutes of the West Midlands Fire and Rescue Authority**

**25 June 2018 at 1100 hours at  
Fire Service Headquarters, Vauxhall Road, Birmingham**

Present: Councillor John Edwards (Chair)  
Councillor Zafar Iqbal (Vice Chair)  
Councillors Aston, Barrie, Barlow, Brackenridge,  
Craddock, Dehar, Hogarth, Iqbal, Miks, Spence,  
Tranter, Young, Walsh

Mr M Ager, Independent Member

Visitor: Janette Morris, Liaison Officer, HMCIPFS  
Birmingham Mail Representative

**36/18 Apologies for Absence**

Councillor Jenkins

**37/18 To Elect the Chair of the Authority for the ensuing year**

**Resolved** that Councillor Edwards be elected Chair of the Authority for the period ending with the annual meeting in 2019.

**38/18 To Elect the Vice Chair of the Authority for ensuing year**

**Resolved** that Councillor Iqbal be elected Vice Chair of the Authority for the period ending with the annual meeting in 2019.

#### 39/18 **Declarations of Interest in contracts or other matters**

Councillor Edwards declared a non-pecuniary interest in Minute No. 44/18 Governance of the Authority and Minute No. 50/18 Monitoring of Finances.

Councillor Brackenridge declared an interest in Minute No. 50/18 Monitoring of Finances in respect of the Firefighters' Pension Scheme.

#### 40/18 **Chair's Announcements**

The Chair thanked everyone for electing him as Chair, possibly for the final year before the move to the Combined Authority.

The Chair welcomed the new Members:

Councillor Kerry Jenkins – Birmingham  
Councillor Zafar Iqbal – Birmingham  
Councillor Jas Dehar – Wolverhampton

and welcomed the Members who had survived “the cull” of the Authority to the leaner and fitter Reformed Fire Authority. The Chair stated that this would be the last year of the Fire Authority before the governance move towards the Elected Mayor. The Order was awaiting confirmation from the Home Office, but had received approval from the Authority, West Midlands Combined Authority and the Elected Mayor. Discussions were ongoing with the Home Office and the Combined Authority but the move was on target to take place in Spring 2019.

A new Governance and Transformation Committee had been introduced to deal with the details of the move.

Members requested that the Members' Awareness Day scheduled for the 9 July 2018 be rearranged due to the unavailability of some members.

Members were reminded of the Fire Control Governance Board scheduled to take place on the 9 July 2018 at 1400 hours at West Midlands Fire Service Headquarters.

Members noted the first meeting of the newly named Audit and Risk Committee would take place on Monday 23 July 2018 at 1030 hours.

It was noted that the LGA Conference would be taking place in Birmingham on 3 – 5 July 2018.

Members were requested to complete new Declarations of Interest Forms and return to the Democratic Services Officer.

Members were also requested to complete new CMIS forms and return to the Democratic Services Officer.

New Members were asked to complete their Payroll Form.

41/18 **Minutes of the Fire Authority held on 16 April 2018**

**Resolved** that the minutes of the Fire Authority meeting held on 16 April 2018, be confirmed as a correct record.

42/18 **Membership of the Authority 2018/19**

The Clerk reported on the membership of the Authority 2018/19 and confirmed that Co-opted Members would be appointed following approval of agenda item no 45/18.

43/18 **Questions on the Discharge of Functions**

**Resolved** that the following Councillors be nominated under Section 41 of the Local Government Act 1985, to answer questions raised in the course of proceedings of constituent councils on the discharge of the Authority's functions:

	<u>Lead Councillor</u>	<u>Substitute Councillor</u>
Birmingham	Iqbal	Jenkins
Coventry	Walsh	Miks
Dudley	Aston	Barlow
Sandwell	Edwards	Tranter
Solihull	Hogarth	
Walsall	Craddock	Young
Wolverhampton	Brackenridge	Dehar

#### 44/18 **Governance of the Authority 2018-19**

The Authority considered a report on the governance and reformation of the Fire Authority, through the creation of "The Fire and Rescue Authority (Membership) Order 2017", amendments to the Constitution including the structure and membership of all Committees together with the Terms of Reference. The report set out:

Article 2 Members of the Authority be amended to include

*2.1 (i) The Authority comprises of 18 members, 15 of whom are elected councillors, two co-opted members and a further membership to be held by the West Midlands Police and Crime Commissioner. The 15 members will be elected from the seven constituent district councils comprising the West Midlands.*

*Inserting:*

*Role purpose:*

- A wider consideration of collaborative opportunities through being more reflective of its partnerships*
- Wider support of the priorities of public services across the West Midlands to enable increased value for local communities*
- A more diverse membership providing for increased challenge and scrutiny.*

The proposed Membership of all Committees had been revised to reflect the new Reformed Fire Authority.

The proposed Terms of Reference of the Fire Authority had been amended to include the roles and responsibilities of the Executive Committee. The Committee would now comprise 15 Members, the Police and Crime Commissioner and 2 Co-optees.

Article 4, The Authority, (Appendix 1) had been amended to include the roles and responsibilities of the Executive Committee.

The Executive Committee would be disestablished.



Article 6, Executive Committee, would be deleted.

The Policy Planning Forum would no longer provide a forum for training and would now comprise of 15 Members, Police and Crime Commissioner and 2 Co-optees. Training and development for members would continue to be provided through the member training and development plan.

Article 5, Policy Planning Forum, would be amended to reflect the changes.

A new Governance and Transformation Committee was proposed to advise the Authority on the transition to the Mayoral West Midlands Combined Authority. The Committee would comprise 7 Members (one from each Constituent Authority) and a position exists on this committee for 1 Co-optee.

A new Article 6 for the new Governance and Transformation Committee, would be included in the Constitution.

The Scrutiny Committee terms of reference would be amended in line with the disestablishment of the Executive Committee, its findings would be reported directly to the Fire Authority. The Committee now comprises 7 Members and a position would exist for 1 Co-optee.

A new Article 7, Scrutiny Committee, reflecting the changes, would be included in the Constitution.

The Audit Committee would now become the Audit and Risk Committee to reflect its role in monitoring the Authority's Risk Register. It would comprise 5 Members and 1 Independent member and a position would exist for 1 Co-optee.

A new Article 8, Audit and Risk Committee, reflecting the changes would be included in the Constitution.

The Appointments, Standards and Appeals Committees would be combined into one Committee and comprise of 7 Members (one from each Constituent Council) and 1 Independent Member for Standards Issues only.

For Appointments Committee only, Cllr Brackenridge will become a full Member of the Committee replacing Cllr Dehar.

A proposed new Article 9, Appointments, Standards and Appeals Committee, amalgamating Articles 9, 10 and 11, would be included in the Constitution.

The existing Articles 9, 10 and 11 would be deleted.

The Employer Representatives of the Joint Consultative Committee would be reduced from 6 to 5.

Following a review of the Employee Relations Framework the Joint Consultative Panel Roles and Responsibilities will be reviewed and reported to the 17 September 2018 meeting of the Authority for approval.

The Constitution would be updated to include the amendments to the Articles.

A new Committee Structure was provided.

There was no percentage increase in the Members Allowances, however, the scheme had been amended to recognise the changes to the Committee Structure and appropriate allowances.

Following approval of the Committee Structure, an Independent Remuneration Panel would be requested to review the Members Allowances Scheme and the outcome of the review would be reported to the Authority on the 17 September 2018.

The Clerk to make any consequential amendments to the Constitution.

Members felt it unpalatable to increase allowances, and noted that travel expenses had been removed in 2011 and allowances had been frozen since 2011/12.

## **Resolved:**

- (1) that following the reformation of the Fire Authority through the creation of “The Fire and Rescue Authority (Membership) Order 2017”(Appendix 13), amendments to the Constitution regarding the structure and membership of all Committees together with their Terms of Reference, be approved.
- (2) That the calendar of meetings for 2018/19, as set out in Appendix 8 be approved;
- (3) That no percentage increase be made in Members’ Allowances in 2018/19 by way of indexing or otherwise;
- (4) That the Members’ Allowances Scheme for 2018/19 as set out at Appendix 9 be approved;
- (5) That an independent review panel will be convened to review the Members’ Allowances scheme and that the result of the review will be presented to the Authority meeting scheduled to take place on 17 September be noted;
- (6) That the Clerk be authorised to make any necessary consequential amendments to other constitution documents in light of decisions made with regard to governance arrangements for 2017/18.

## **45/18 Appointment of Co-opted Members**

The Authority received a report regarding the appointment of the Co-opted Members of the Authority. At the AGM of the Authority held on 26 June 2017, the Authority opened its membership to four co-opted Members as part of the move to the Reformed Fire Authority and to further enhance collaborative working with partner organisations. Following developments as part of the future governance work stream the number of co-opted members was subsequently revised to two.

Two co-opted members were proposed from partner agencies and organisations, aligned to the vision of the Service of

‘making the West Midlands safer, stronger and healthier’. Two co-opted members were proposed:

- Professor Simon Brake, Chief Officer, Walsall Clinical Commissioning Group
- Sarah Middleton, Chief Executive, Black Country Consortium

The proposed co-opted members had been made based on their skills, experiences and collaborative focus they bring to the Authority. Both co-optees will bring considerable experience and influences within their respective sector of health, community and business, complimenting and enhancing the Authority’s commitment to collaborated working and continued improvement.

It was noted that the co-opted members will undertake their roles as non-voting observers and are not subject to the receipt of an allowance, but can claim travel expenses when travelling outside of the West Midlands county whilst on official business.

**Resolved** that the appointment of Professor Simon Brake and Sarah Middleton as co-opted members of the Authority be approved.

#### 46/18 **Political Balance and Membership of Committees and Panels 2018/19**

The Authority considered the Constitution and political balance of committees and assignment of members to committees and panels for 2018/19.

It was noted that the current Independent Member, Mr Ager, and Mr Tomkinson, the Independent Member of the Standards Committee, had both agreed to continue in role for a further year, or until such time as the Reformed Authority moves to the West Midlands Combined Authority.

Amendments would be made to the initials of two Councillors on the Members List and Appointments to Committees and Panels.

## **Resolved:**

- (a) That the political balance and membership of committees and panels for 2018/19, as set out at Appendix 1, be approved;
- (b) That the appointment of Mr Ager as an Independent non-voting member of the Audit and Risk Committee be affirmed;
- (c) That the appointment of the co-opted members to the Scrutiny and Governance and Transformation Committees be approved;
- (d) That the appointment to the roles of Chairs and Vice Chairs of Committees and panels, as set out at Appendix 1 be approved;
- (e) That the appointment of Mr R Tomkinson to the role of independent person, appointed in pursuance of Section 28 of the Localism Act 2011, for the term of office expiring 30 June 2019, or until such time as the Reformed Authority moves to the West Midlands Combined Authority.

## **47/18 Appointment of Representatives to Serve on other Bodies**

The Authority considered the appointment of representatives to serve on other bodies during 2018/19. The Authority noted the principles of proportionality apply where the Authority makes more than three appointments to bodies specified in the Act. An indication was given in the appendix where proportionality applies.

Councillor Peter Hogarth was congratulated on his appointment as Leader of the Opposition Group.

The appointment of representatives to serve on other bodies were agreed as:

**Local Government Association General Assembly**  
Councillors Edwards, Iqbal, Walsh and Hogarth

**Local Government Association – Fire Service Commission**  
Councillor Edwards, Iqbal and Hogarth

**West Midlands Road Safety Partnership**  
Councillor Aston

**Association of Metropolitan Fire and Rescue Authorities**  
Councillors Edwards and Iqbal

**Fire Control Governance Board**  
Councillors Edwards, Iqbal, Tranter and Hogarth

**West Midlands Fire Service Business Safety Ltd (Dormant)**  
Councillors Edwards, Iqbal, Dehar and Hogarth

**West Midlands Combined Authority**  
Councillor Edwards

48/18 **Member Attendance at Conferences, Seminar and Visits**

The Authority considered a report setting out the arrangements for Authorising attendance at conferences, seminars and visits.

It was noted that the Local Government Association Annual Fire Conference was being held in Brighton in March 2019.

Members were encouraged to visit fire stations as and when they wished and the wording (up to two visits per quarter would be removed).

It was noted that in respect of the Asian Fire Services Association Conference, Councillor Dehar, would also attend.

**Resolved** that the events for 2018/19, as set out in the Appendix to the report, be approved for the purposes of the payment of travel and subsistence allowances and conference fees (where appropriate) subject to the necessary budgetary provision being available.

#### 49/18 **Governance Statement 2017-18**

The Authority considered a report seeking comments and consideration of the Annual Governance Statement for 2017/18 attached as Appendix 1 to the report. The Audit Committee had received the draft Governance Statement for 2017/18 at their meeting held on 4 June 2018.

Under the Local Government Act 1999 the Authority has responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded.

The Authority also has responsibility for proper arrangements for the governance of its affairs including arrangements for the management of risk.

The Authority's Governance Statement required the signatures of the Chair of the Authority and Chief Fire Officer and would be available to view at the end of June 2018.

The Internal Auditor had given the Authority its highest rating available of reasonable assurance.

The 2017/18 statement of accounts were currently being audited.

**Resolved** that the Authority's Governance Statement 2017/18 be received.

#### 50/18 **Monitoring of Finances**

The Authority noted its first budgetary report of the year to the end of May 2018.

Appendix A showed some volatility but it was noted that this was early in the budgetary year. As part of the Authority's 2018/19 budget setting process the current year's budget reflects an estimated transfer from general balances of £1.500m. There was a modest favourable variance of £0.006m

Appendix B provided statistical data relating to the Firefighters Pension Scheme.

The scheme analysis shown at Appendix C for the capital programme indicated expenditure at the end of May 2018 as £1.205m. The Treasurer stated there would be significant capital spending on the rebuilding of the Coventry Fire Station.

The funding of capital project was being met from earmarked reserves, however, the Authority noted that there would be a significant reduction to the earmarked reserves over the next year or two as identified in previously approved budget report.

**51/18 Annual Report of the Scrutiny Committee 2017-18**

The Chair of Scrutiny Committee thanked the officers and staff who have supported the Committee over the previous year.

Councillor Brackenridge wished it be noted that he had not attended the June meeting of the Scrutiny Committee as he has been required to attend a meeting of the Audit Committee, in his role as substitute, in order to make the meeting quorate.

The Annual Report of the Scrutiny Committee was received.

**52/18 Annual Report of the Audit Committee**

Councillor Aston, in the absence of the previous Chair of the Audit Committee presented the Annual Report of the Audit Committee and paid tribute to the Treasurer, the Finance Department and both the internal and external auditors for their work with the Audit Committee

The Annual Report of the Audit Committee was received.

**53/18 Minutes of the Executive Committee held on 26 March 2018**

The minutes of the Executive Committee held on 26 March 2018 were received.



54/18 **Notes of the Policy Planning Forum – 26 March 2018**

The notes of the Policy Planning Forum held on 26 March 2018 were received

55/18 **Minutes of the Audit Committee held on 26 March 2018**

The minutes of the Audit Committee held on 26 March 2018 were received.

56/18 **Minutes of the Scrutiny Committee held on 26 March 2018**

The minutes of the Scrutiny Committee held on 26 March 2018 were received. Received

57/18 **Notes of the Joint Consultative Panel held on 16 April 2018**

The notes of the Joint Consultative Panel held on 16 April 2018 were received.

58/18 **Notes of the Policy Planning Forum – 4 June 2018**

The notes of the Policy Planning Forum held on 4 June 2018 were received

59/18 **Minutes of the Audit Committee held on 4 June 2018**

The minutes of the Audit Committee held on 4 June 2018 were received.

60/18 **Minutes of the Scrutiny Committee held on 4 June 2018**

The minutes of the Scrutiny Committee held on 4 June 2018 were received.

61/18 **Minutes of the Executive Committee held on 6 June 2018**

The minutes of the Executive Committee held on 6 June 2018 were received.

62/18 **Verbal Update on Trade Dispute**

This item was moved to the private agenda as a confidentiality agreement regarding the negotiations on the Trade Dispute had been signed and agreed with the National Fire Brigades Union.

63/18 **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)

64/18 **Verbal Update on Trade Dispute**

Members were provided with an update by the Chief Fire Officer on the current position in respect of the Trade Dispute with the Fire Brigades Union. The negotiations were confidential and a non-disclosure agreement had been agreed. A debate took place on the current position.

Members voted on the resolution put forward by Councillor Greg Brackenridge and seconded by Councillor Ann Young, that a meeting of the Joint Consultative Panel be held at the end of July to look at the current information available in relation to the Trade Dispute.

Eight Labour Members voted for the resolution  
Four Conservative Members voted against the resolution  
Two Councillors abstained from voting

**Resolved** that a meeting of the Joint Consultative Panel should be called at the end of July for Members to look at current information available in relation to the Trade Dispute.

65/18 **Planned Procurement Exercise for 2018-19**

The Authority received a report for approval of the tender exercises for the provision of various works, goods and services to West Midlands Fire and Rescue Authority during 2018/19 for:

1. Wide Area Network
2. Cleaning Consumables
3. Waste and Recycling

**Resolved** that the tender exercise for the provision of various works, goods and services to West Midlands Fire and Rescue Authority during 2017/18 be approved.

The meeting concluded at 1237 hours

Contact Officer: Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net
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# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Item 5

**17 SEPTEMBER 2018**

## **1. AUDIT FINDINGS 2017/2018**

Report of the Treasurer.

RECOMMENDED

THAT the content of the Audit Findings Report (AFR) be noted.

## **2. PURPOSE OF REPORT**

This report is submitted to advise the Authority that Grant Thornton has produced the AFR. The AFR is submitted to inform Members of the audit work undertaken by the external auditors and the findings as a consequence of this work.

## **3. BACKGROUND**

- 3.1 The AFR sets out and reports the key messages arising from the external audit work undertaken during the year. The AFR is designed to support the Auditor's opinions and conclusions and is a requirement of the Code of Audit Practice.
- 3.2 The AFR was presented to the Audit Committee on 23 July 2018 and outlined the findings of the audit work undertaken. The Auditor indicated that the AFR was a very good report.
- 3.3 Following the Audit Committee meeting, the auditor issues an unqualified opinion on the Authority's 2017/18 financial statements included in the Authority's Statement of Accounts.
- 3.4 As part of the external audit work programme, the auditor was also required to provide a value for money conclusion. In carrying out this work the auditor is required to follow the National Audit Office's Auditor Guidance Note 3 (AGN 03).

The AGN 03 identifies the following criterion for auditors to evaluate:

*“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”.*

- 3.5 As a consequence of this work, the auditor concluded that for 2017/18 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.
- 3.6 Representatives from Grant Thornton will present and explain the findings detailed in the AFR to the Authority.
- 3.7 The AFR is attached as Appendix A.

#### 4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is required and has not been carried out. The matters contained in this report do not relate to a policy change.

#### 5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

#### 6. **FINANCIAL IMPLICATIONS**

The scale of fees for undertaking West Midlands Fire and Rescue Authority's external audit work for 2017/2018 is £38,636.

### **BACKGROUND PAPERS**

Statement of Accounts 2017/2018 located in the Financial Management Section.

The contact officer for this report is Deputy Chief Fire Officer Phil Hales, telephone number 0121 380 6907.

MIKE GRIFFITHS  
TREASURER

Ref. AU/2018/Sep/20808183

# Audit Findings

*Year ending 31 March 2018*

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West Midlands Fire and Rescue Authority  
July 2018



# Contents



## Your key Grant Thornton team members are:

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

## Introduction

This table summarises the key issues arising from the statutory audit of West Midlands Fire & Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;</li><li>other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements</li></ul>	<p>Our audit work was completed on site during May and June. We have not identified any adjustments affecting the Authority's reported financial position. We did identify a small number of disclosure errors and requested some adjustments to improve the presentation of the financial statements. These changes were agreed and have been made in the final version of the accounts. Those of note are detailed in Appendix A.</p> <p>We anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 23 July 2018, as detailed in the committee agenda. Our audit is substantially complete although we are finalising our procedures in the following areas.</p> <p>These outstanding items include:</p> <ul style="list-style-type: none"><li>receipt of management representation letter;</li><li>updating our post balance sheet events review to the date of signing the opinion; and</li><li>review of the final set of financial statements,</li></ul> <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that West Midlands Fire &amp; Rescue Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised from page 9.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit</li></ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Financial Statements Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

We have substantially completed our audit of your financial statements and subject to any outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 23 July 2018, as detailed in the committee agenda. These outstanding items include:

- receipt of management representation letter;
- updating our post balance sheet events review to the date of signing the opinion; and
- review of the final set of financial statements,

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for West Midlands Fire & Rescue Authority.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	£2,489,000	Financial performance of the Authority focusing on expenditure.
Performance materiality	£1,867,000	Previous quality of the working papers and response to audit processes. Quality of financial systems and internal controls.
Trivial matters	£124,000	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for specific transactions, balances or disclosures	£100,000	Materiality has been reduced for remuneration disclosures to £100k due to its sensitive nature and public interest.

# Significant audit risks




Risks identified in our Audit Plan	Commentary
<p><b>1. Improper revenue recognition</b></p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p><b>Auditor commentary</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition,</li> <li>• opportunities to manipulate revenue recognition are very limited, and</li> <li>• the culture and ethical frameworks of local authorities, including West Midlands Fire &amp; Rescue Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for West Midlands Fire &amp; Rescue Authority.</p>
<p><b>2. Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• reviewed entity controls,</li> <li>• reviewed journal entry processes and selected unusual journal entries for testing back to supporting documentation,</li> <li>• reviewed accounting estimates, judgements and decisions made by management,</li> <li>• reviewed unusual significant transactions, and</li> <li>• reviewed significant related party transactions outside the normal course of business.</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls. In particular, the findings of our review of journal controls and testing has not identified any significant issues.</p>
<p><b>3. Valuation of pension fund net liability</b></p> <p>The Authority's LGPS pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>The Firefighters Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being sensitive to small adjustments in the assumptions made.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement,</li> <li>• reviewed the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation,</li> <li>• gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made, and</li> <li>• reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liabilities.</p>

# Reasonably possible audit risks




Risks identified in our Audit Plan	Commentary
<p><b>4. Employee remuneration</b></p> <p>Payroll expenditure represents a significant percentage (58%) of the Authority's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle,</li> <li>• undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding,</li> <li>• review the reconciliation of the payroll system to the general ledger and to the financial statements to agree completeness of costs, and</li> <li>• performed a trend analysis and detailed substantive testing of pay costs to ensure employee remuneration costs were accurate and complete.</li> </ul> <p>Our audit work has not identified any issues in respect of employee remuneration.</p>
<p><b>5. Operating expenses</b></p> <p>Non-pay expenses on other goods and services also represents a significant percentage of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriateness,</li> <li>• gained an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controls, and</li> <li>• performed expenditure cut-off testing by agreeing to source documentation to ensure that expenditure is recorded in the correct financial year.</li> </ul> <p>Our audit work has not identified any issues in respect of operating expenses.</p>
<p><b>6. Firefighters pension scheme</b></p> <p>The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the Authority's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls, and</li> <li>• performed detailed testing on new firefighters pension benefit payments.</li> </ul> <p>Our audit work has not identified any issues in respect of firefighter pension benefits payable.</p>

# Accounting policies

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.</li> <li>Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</li> <li>Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</li> <li>Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as receipts in advance.</li> <li>The precept included in the CIES is the Authority's share of accrued income for the year.</li> </ul>	<p>The majority of the Authority's income is from government grants and contributions therefore the revenue recognition policies included within the accounts are appropriate for the Authority's activities.</p> <p>The policies are also consistent with the CIPFA code.</p>	 Green
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include: <ul style="list-style-type: none"> <li>Useful life of PPE</li> <li>Revaluations</li> <li>Impairments</li> <li>Accruals</li> <li>Valuation of pension fund net liability</li> <li>Provisions</li> </ul> </li> </ul>	<p>We have reviewed the Authority's accounting policies in relation to judgements and estimates made in the financial statements against the requirements of the CIPFA code. The policies are consistent with the requirements.</p>	 Green
<b>Other critical policies</b>	<ul style="list-style-type: none"> <li>Accounting policies are detailed in note 1 to the financial statements. There are 19 policies covering the material disclosures in the accounts.</li> </ul>	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.</p>	 Green

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2 <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3 <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4 <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Authority.</li> </ul>
5 <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send a bank confirmation request. This permission was granted and the requests were sent. These requests were returned with positive confirmation.</li> </ul>
6 <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7 <b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>There were no significant difficulties encountered whilst undertaking our audit work.</li> </ul>
8 <b>Matters on which we report by exception</b>	<p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Authority acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
9 <b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>Work is not required as the Authority does not exceed the threshold.</li> </ul>

# Value for Money

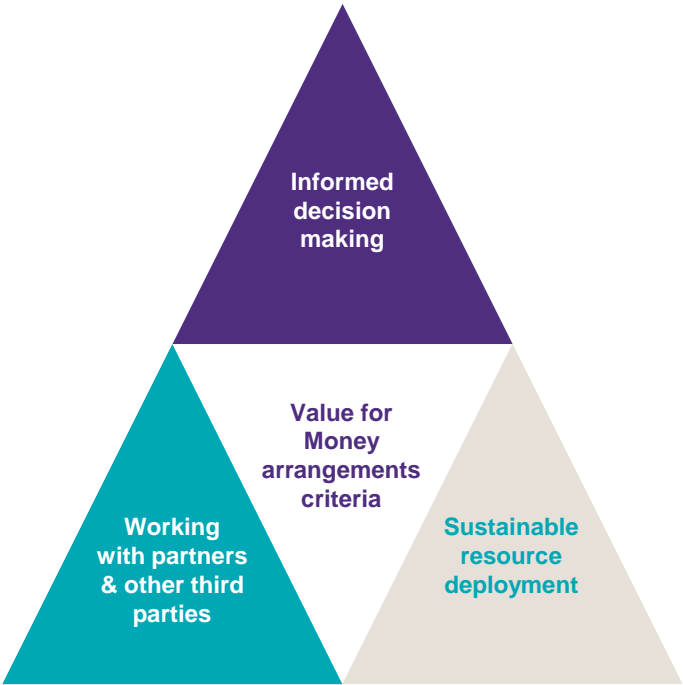
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in February 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. This risk is in relation to the development of governance arrangements with the West Midlands Combined Authority (WMCA). We communicated this risk to you in our Audit Plan dated March 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Whilst we have not identified any further significant risks for 2017/18. We do however recognise that the Authority is operating within a dynamic environment as part of the West Midlands.



# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- the Authority's progress towards preparing governance arrangements to join the WMCA.
- the financial strategy and assumptions relating to the Authority once it has joined the WMCA, including income streams and use of reserves.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on pages 11 and 12.

## Background

The governance model being implemented in the West Midlands is similar to the model used in Greater Manchester. The West Midlands Combined Authority (WMCA) will be responsible for the fire service, including all employment responsibilities, all properties, and all rights and liabilities. The Mayor will have the power to 'exercise' these fire and rescue functions and the ability to delegate decision making and operation of functions, as appropriate. It is anticipated that the Mayor will delegate these functions to the CFO.

Scrutiny will be provided by a Mayoral Fire Advisory Committee, with membership from each constituent authority. This Committee will report back to the WMCA Board on the impact of the decisions made by the Mayor.

The intended benefits are to:

- Improve the accountability of the Fire and Rescue Service through an elected Mayor.
- Allow Fire and Rescue to work more effectively with other West Midlands bodies to improve services for local people.
- Save public money by sharing corporate services such as human resources, finance and IT.

This arrangement is still subject to Home Office approval. The target date for implementation is 1 April 2019.

Since April 2018 the Authority has been seeking to settle its dispute with the Fire Brigades Union. As part of its response the Authority's Executive Committee has decided that the 'Plan', (the Authority's service and financial strategy for the three years 2018 to 2021), should be revised. In particular the revised employment contract has been withdrawn, resulting in the Authority no longer being able to provide "Wider Health Related" services as planned. This impacts on the delivery of the Financial Efficiency Plan (FEP), reducing projected income generation by £2.0 million.

The Authority has a significant funding issue to respond to. It is likely in the short term that there will be a call on working balances to balance the 2018/19 financial position. Over the medium term the FEP will need a significant re-assessment to ensure a deliverable sustainable financial plan is in place.

It is clearly important that the Fire Authority can demonstrate to the WMCA Board that it has a realistic financial strategy in place to deliver a financially sustainable service as part of the new governance framework.

## Overall conclusion

We have gained sufficient assurance that there are no significant VFM risks relating to the proposed WMCA governance arrangements which adversely impact on our VFM conclusion for 2017/18.

Based on the work we performed to address the significant risk, we have concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix C. We have discussed our findings from our work with management.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.



## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<b>Governance</b>	<u>Delivering efficiencies</u>	<b>Auditor view</b>
	Development and implementation of combined governance arrangements for WMFRA and WMCA.	<p>The Authority considers that being part of the Mayoral WMCA will create further opportunities to progress transformation and create greater efficiencies enabled through a single structure with potential for efficiencies across all the governance models which were appraised considering opportunities such as (but not restricted to) emergency planning, shared estates, data sharing.</p> <p>Progressing transformation and delivering greater efficiencies is challenging. The outcome of the recent Fire Brigades Union (FBU) ballot illustrates this. The delivery of the Authority's workforce reform programme included the introduction of revised employment contracts for new firefighters. These are designed to enable sustainable service delivery including wider health activities. Over 100 firefighters have been recruited on this revised contract.</p> <p>The FBU dispute has focused on this new contract, with 74% of FBU members voting to take industrial action over this issue. In June 2018 the Authority's Executive Committee (comprising of Members from constituent authorities) decided to withdraw the new entrant contract. This requires the Authority to reconsider service changes, workforce planning and options to close the funding gap to ensure it delivers its service and financial priorities.</p> <p>The "wider health related" services are a key element of the Authority's wider integration strategy, increasing its role in delivering outcomes in conjunction with other public sector services, including Police, Health bodies and Local Government bodies. The FEP includes £2.0 million of income generated by wider health related services. This is an integral part of the financial strategy and the new entrant contract was a key part of the delivery of this. If the Authority is no longer able to provide the service as planned the ability to expand and grow this strand of the business model will be curtailed.</p>	<p><u>Delivering efficiencies</u></p> <p>It is vital that the fire service remains open and flexible to opportunities for delivering service requirements with limited resources. Partnership working will be key to this which has been recognised by the Senior Leaders of both the Fire Service and the Authority.</p> <p>The Authority needs to demonstrate how financial sustainability is deliverable with the withdrawal of the new entrant contract.</p> <p>It is likely that a use of working balances will be required to support 2018/19 budget delivery. However, the continued use of balances is not sustainable. In our view significant funding alternatives or service reductions should be identified by the Authority before the transfer to WMCA.</p> <p>Without the expansion of wider health related services there will be significant limitations on the level of integration possible with the WMCA constituent Local Authorities, Health partners and West Midlands Police.</p> <p>The Authority needs to re-assess its wider integration strategy.</p>

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<b>Governance</b>	<u>Pace of change</u>  Development and implementation of combined governance arrangements for WMFRA and WMCA.  WMCA is a key driver of public service reform in the region. In 2016/17 WMFRA signalled its intention to become part of WMCA's overall governance structure. The Policing and Crime Act 2017 was prime legislation for facilitating closer collaboration between the police and fire and rescue services. However, the West Midlands PCC has not exercised this power to take on responsibility for Fire services. This enabled the Authority and WMCA to pursue and progress joint future structural and governance arrangements.  There is continuous reporting through WMCA Board. This ensures that members are aware of progress and engages Leaders from the seven constituent West Midlands Local Authorities to enable informed decision making on this key structural issue.  WMFRA is managing the 'Future Governance Project' which is in the initial phases of setting up a 'governance implementation project'. To date key milestones have been achieved, but full implementation is dependent on approval of the Parliamentary Order in December 2018. There is a risk that this may be delayed.  <u>Revised governance arrangements</u>  The proposed model submitted to the Home Office for approval in May 2018 sets out that: <ul style="list-style-type: none"> <li>• WMCA will be the employer of WMFS staff and will own all properties, rights and liabilities, having the appropriate structures in place to support the requirements of employer status, as well as any liabilities that result from this.</li> <li>• The Mayor (only) will have the power to 'exercise' fire and rescue functions and the ability to delegate decision making and operation of functions, as appropriate.</li> </ul> <b>Accountability</b> – the Mayor will delegate functions to the Chief Fire Officer (CFO) enabling the CFO to be directly accountable for managing staff, employee relations, workforce development, resources and assets to support the delivery of day to day functions, as well as the development of future delivery of services aligned to the strategy agreed with the Mayor.  <b>Scrutiny</b> – development of a proposed Mayoral Fire Advisory Committee, reflecting the membership of each constituent authority. It is proposed that the WMCA Board delegates the role of reviewing decisions made by the Mayor to the committee and receives reports back on these matters.  This proposed model seeks to create an efficient and effective decision making structure, which will support the Mayor in focusing on strategy and setting direction for the fire service. A governance review was undertaken with a scheme setting out the roles, accountabilities and powers required by each individual and body in the proposed new governance model. This was followed by consultation with constituent councils and a public consultation. This sets out the importance of a clear split between the advisory/review responsibilities of the Mayoral Fire Advisory Committee and the statutory scrutiny responsibilities of Overview & Scrutiny Committee.	<b>Auditor view</b>  <u>Pace of change</u>  There is continuous reporting through WMCA Board to engage Leaders from the seven constituent West Midlands Local Authorities to enable informed decision making on this key structural issue.  There is a risk that full implementation may be delayed by the Parliamentary timetable.  <u>Revised governance arrangements</u>  The Governance arrangements should provide a clear split between the roles of holding to account and scrutinising. The proposed sets this out in the roles of the Mayoral Fire Advisory Committee and Overview & Scrutiny Committee.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<b>Governance</b>	<u>Managing risk</u>	<u>Auditor view</u>
	Development and implementation of combined governance arrangements for WMFRA and WMCA.	<p>In response to this changing agenda (both politically and structurally), the Authority has continued to report progress against its strategic risks which includes Public Service Reform. There is an acceptance that to meet the complex and diversifying needs of the public, more cross sector working is required.</p> <p>The Corporate Risk Assurance Map reported to the Audit Committee focuses on key strategic risks for the Authority. Whilst this broadly touches on the governance reform, the project of driving structural and governance change has a separate risk register. This is reported to the Authority's internal programme board and/or the Executive team, depending on the level of risk and its status. General monitoring takes place via project meetings.</p> <p>Our review has identified additional risks for which there is currently no resolution. These are known to the Authority and will be addressed as part of the 'getting into the detail' once the overarching governance structure is approved. In summary, they relate to financial, people, governance and wider public sector risks.</p> <p>Financial risks – these include the financial impact of the decision to withdraw the new entrant contract, revenue funding and precepting, funding of pension liabilities, budget setting responsibilities and the discharge of the Chief Finance Officer role under section 151 of the Local Government Act 1972, management of assets and the impact of harmonising accounting policies.</p> <p>People risks – these include staff management and liaising with trade unions.</p> <p>Governance risks – includes managing tensions between fire service objectives and the broader Combined Authority priorities where these are not consistent.</p> <p>Wider public sector risks – including the impact of the likely curtailment of wider health related services on further integration with public sector partners, and opportunities to extend and develop partnerships with other emergency service organisations including Warwickshire Fire and Rescue Service and West Midlands Ambulance Service.</p>	<p><u>Managing risk</u></p> <p>Risks are being managed at an Authority level and at a project level but the detail of how arrangements will be delivered is not yet being worked through due to the uncertainty of the over-arching governance arrangements. This will be addressed as part of the next phase of the project, but should not be over-looked as there are significant issues which remain unresolved.</p> <p>The CFO should continue to ensure that risks are appropriately managed and reported on to those with oversight of the arrangements.</p>

# Independence and ethics

## **Independence and ethics**

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified.

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Detail	Auditor recommendations	Adjusted?
Disclosure	<ul style="list-style-type: none"> <li>Note 15.4.4 – Fair value hierarchy for financial assets and financial liabilities</li> </ul>	<p>The following amendments were made to page 57:</p> <ul style="list-style-type: none"> <li>Total liabilities were amended from £4,955k to £69,779k.</li> <li>Total assets were amended from £6,741k to £58,120k.</li> </ul> <p>The correction to the totals within the disclosure note did not require any changes to the core financial statements</p>	✓
Disclosure	<ul style="list-style-type: none"> <li>Note 5 – Material Items of Income and Expenditure</li> </ul>	<p>Note 5 was updated to include commentary that the Authority took the option of making a 3 year lump sum pension payment to West Midlands Pension Fund.</p> <p>This provided savings above that which could have been obtained by investing the surplus funds. The decision to invest was agreed with us as auditors prior to any transaction being made. A number of members of the West Midlands Pension Fund took this option.</p>	✓
Disclosure	<ul style="list-style-type: none"> <li>Note 6 – Events after the reporting period</li> </ul>	<p>Note 6 was updated to include commentary on the recently balloted industrial dispute.</p> <p>Since the financial year end, the Fire Brigade Union has balloted its members to determine whether industrial action would be taken. Following a ballot which voted in favour of industrial action by members, discussions between Senior Management and the Union are on-going.</p>	✓
Disclosure	<ul style="list-style-type: none"> <li>Various</li> </ul>	A small number of other presentational and disclosure amendments have been made.	✓

# Fees

We confirm below our final fees charged for the audit.

**Audit Fees**

	Proposed fee	Final fee
Authority Audit	£38,636	£38,636
<b>Total audit fees (excluding VAT)</b>	<b>£38,636</b>	<b>£38,636</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

No non-audit or audit related services were undertaken for the Authority.

# Audit opinion

**We anticipate we will provide the Authority with an unmodified audit report**

## Independent auditor's report to the members of West Midlands Fire and Rescue Authority Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of West Midlands Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement and Notes to the Core Financial Statements, including a summary of significant accounting policies, and include the firefighters' Pension Fund Account comprising the Notes to the Pension Fund Account, the Net Assets Statement and the Notes to the Pension Fund Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members

those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Financial Statements set out on pages 6 to 15, the Narrative Report, the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

### Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the Financial Statements, the Narrative Report and the Annual Governance Statement for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16 and 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability

to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority. The Audit and Risk Committee is Those Charged with Governance.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this



We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*Richard Percival*

Richard Percival  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

23 July 2018



# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**17 SEPTEMBER 2018**

## **1. STATEMENT OF ACCOUNTS 2017/2018**

Report of the Treasurer.

RECOMMENDED

- 1.1 THAT the Statement of Accounts for 2017/2018 as set out in Appendix A be noted.
- 1.2 THAT the Statement of Accounts summary for 2017/2018 set out in Appendix B be noted.

## **2. PURPOSE OF REPORT**

This report is submitted for Members to note the Authority's Statement of Accounts for the financial year ended 31 March 2018.

## **3. BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of July. The Audit & Risk Committee at its meeting on 23 July 2018 approved the Statement of Accounts for 2017/18.
- 3.2 It is a further requirement of the Regulations that Members are informed of any material changes required by the external auditors. The Audit Findings Report was presented to the Audit & Risk Committee on 23 July 2018 outlining the findings of the audit work undertaken. Following the Audit & Risk Committee meeting, the auditor issued an unqualified opinion on the Authority's 2017/18 financial statements included in the Authority's Statement of Accounts.
- 3.3 The Accounts show net cost of services in 2017/2018 of £118.445 million which includes the use of £5.596 million General Fund Balances. Earmarked Reserves have decreased by £4.750 million to £38.984 million and General Reserves have decreased by £0.846 million to £8.390 million.

- 3.4 The total Provision of Services in 2017/2018 shows a deficit of £67.439 million, after allowing for the required accounting treatment of pensions governed by International Accounting Standard – Nineteen (IAS19). Capital expenditure totalled £4.527 million.
- 3.5 A Statement of Accounts is attached as Appendix A and a Summary of Accounts is attached as Appendix B, both are also available on the Fire Service Internet and can be viewed at <https://www.wmfs.net/your-fire-service/openness/documents>.
- 3.6 A hard copy of the full Statement of Accounts can be supplied to individual Members on request and will be available to view at the Authority meeting.

#### 4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

#### 5. **LEGAL IMPLICATIONS**

The course of action recommended in this report will enable the Authority to meet its statutory obligations under the Accounts and Audit Regulations 2015.

#### 6. **FINANCIAL IMPLICATIONS**

These are contained in the report and the Statement of Accounts.

### **BACKGROUND PAPERS**

Accounts and Audit Regulations 2015  
Code of Practice on Local Authority Accounting 2017/2018  
Final Accounts Files – Finance Office

The contact officer for this report is Deputy Chief Fire Officer Phil Hales, telephone number 0121 380 6907.

MIKE GRIFFITHS  
TREASURER

Ref. AU/2018/Sep/20808182

**WEST MIDLANDS FIRE SERVICE**

# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**



## **Financial Statements & Notes to the Accounts**

# **2017/2018**

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# **Independent auditor's report to the members of West Midlands Fire and Rescue Authority**

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of West Midlands Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement and Notes to the Core Financial Statements, including a summary of significant accounting policies, and include the firefighters' Pension Fund Account comprising the Notes to the Pension Fund Account, the Net Assets Statement and the Notes to the Pension Fund Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Who we are reporting to**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Treasurer is responsible for the other information. The other information comprises the information included in the Financial Statements set out on pages 7 to 95 other than the financial statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the Financial Statements, the Narrative Report and the Annual Governance Statement for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.



## **Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 17 and 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Risk Committee is Those Charged with Governance.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*Richard Percival*

Richard Percival

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

23 July 2018

# NARRATIVE REPORT BY THE TREASURER

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## 1. Introduction

The West Midlands Fire Service (WMFS) covers an area approaching 92,000 hectares (350 sq. miles) and provides a fire and rescue service to a population of approximately 3 million people living in a million dwellings. It covers the cities of Birmingham, Coventry and Wolverhampton and the Metropolitan Boroughs of Dudley, Sandwell, Solihull and Walsall.

WMFS is accountable to the public via the West Midlands Fire and Rescue Authority, made up of 27 Elected Members of the seven Councils in the West Midlands. Headed by the Chair of the Fire Authority they set the direction for the Service in the best interests of the community. The Service is managed directly by three Brigade Managers – the Chief Fire Officer (CFO), Deputy Chief Fire Officer and Assistant Chief Fire Officer.

The Service's activities are governed by the Home Office and legislative responsibilities are set out in the Fire and Rescue Services Act 2004 and the Fire and Rescue National Framework for England.

WMFS works towards 'Making the West Midlands Safer, Stronger and Healthier'. The Chief Fire Officer together with the Strategic Enabling Team (SET) and Authority work towards achieving three priorities:

### Prevention: Safer and Healthier Communities

- The number of people killed or seriously injured by fire-related incidents will reduce as we focus, with our partners, on the risks faced by the most vulnerable people in our communities.
- Arson related incidents will fall, supporting safer and stronger communities, as a result of our partnership working.
- Fewer people will be killed or seriously injured on West Midlands roads, as we work with the West Midlands Combined Authority and other organisations to develop and deliver interventions that support the West Midlands Regional Road Safety Strategy.
- The safety, health and well-being of the most vulnerable people in our communities will improve through our interventions delivered to tackle the effects of an increasing demand in health and social care services.

### Protection: Stronger Businesses and Safer Communities

- We will ensure high risk buildings including residential high rise, are assessed to ensure public safety and provide reassurance from the risks of fire.
- We will ensure Businesses become safer from fire through interaction with our people delivering integrated Prevention, Protection and Response services.
- We will enhance economic growth by providing clear advice and flexible support in collaboration with other regulators and partner agencies.

- We will utilise an evidence based approach to risk reduction to enable effective engagement with the most vulnerable businesses and members of the community.
- We will reduce the impact of Automatic Fire Alarms, to minimise unnecessary disruption and costs to businesses, other organisations and our communities.

#### Response: Dealing Excellently with Emergency Incidents

- The most serious emergency incidents will be attended, on average, within 5 minutes to save life, protect homes and businesses and keep our transport networks moving.
- Our commitment to Operational Excellence will reduce risk to life and property and enable an assertive, effective and safe emergency response to all incidents whilst supporting firefighter safety.
- At all incidents, we attend we will lead and co-ordinate rescue operations whilst working collaboratively with other agencies to deliver an excellent response and meet public safety and expectations.
- We will enhance resilience & deliver a local, national and international response to major incidents, emerging threats, and humanitarian situations through our specialist response teams.

We deliver our priorities with effective delivery through collaboration outcomes:

#### Value for Money

- Government funding reductions will be met and our Service Delivery Model, which focuses on public safety and vulnerability, will be maintained.
- Assets will be used effectively and efficiently in support of delivering Service priorities.
- Alternative funding and efficiency opportunities will be identified and delivered through collaborative activities and by exploring Commercial, Social Value and Sponsorship commissioned opportunities, to support the delivery of our strategy and public safety, through targeting the most vulnerable.

#### People

- Ensure an agile, flexible and accountable workforce to enable the sustained delivery of our strategy by individuals and teams through adaptability, authenticity and cohesion.
- An environment where benefits of physical, emotional and mental health and wellbeing are understood and valued equally to enable our staff to respond positively to opportunities for change.

- Diversity, Inclusion, Cohesion and Equality will be enabled for the most vulnerable people in our communities by addressing social and health inequalities.
- Have a workforce reflective of the communities we serve. Through an approach known as 'positive action' we will attract, recruit and support progression for individuals with protected characteristics.

#### Information & Communication Technology (ICT)

- Provide assurance and intelligence for evidence based decisions with accurate, useful and timely information provided to our communities and our mobile workforce.
- The secure and reliable sharing of data with our partners will enable the cost-effective and joined-up delivery of services to the most vulnerable people in our communities.
- Our Digital Strategy will enable us to improve user experience and enable assertive, effective and safe delivery of services through collaboration with individuals, teams and partners.

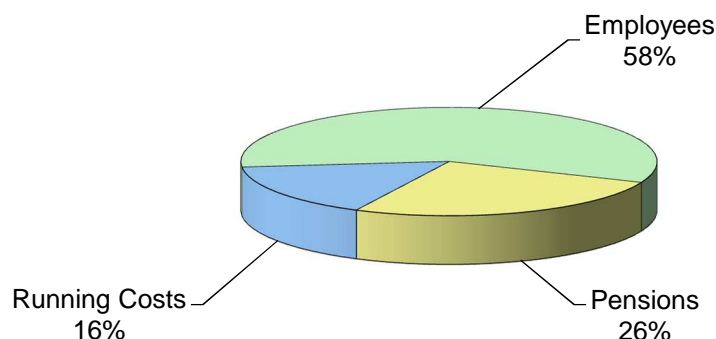
Further information can be found on our website [www.wmfs.net](http://www.wmfs.net)

2. This narrative report provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.
3. The Authority's accounts for the financial year 2017/2018 are set out on the following pages and consist of:
  - The Comprehensive Income and Expenditure Statement (CIES), the Authority's main revenue account, covering income and expenditure on all services.
  - The Movement in Reserves Statement (MIRS), which shows the movement in the year on the different reserves held by the Authority.
  - The Balance Sheet, which sets out the financial position of the Authority at 31<sup>st</sup> March 2018.
  - The Cash Flow Statement, showing movements in cash and cash equivalents during the year and the cash position at the year-end.
  - The Pension Fund Account, which summarises the movements relating to the firefighters' pension schemes.

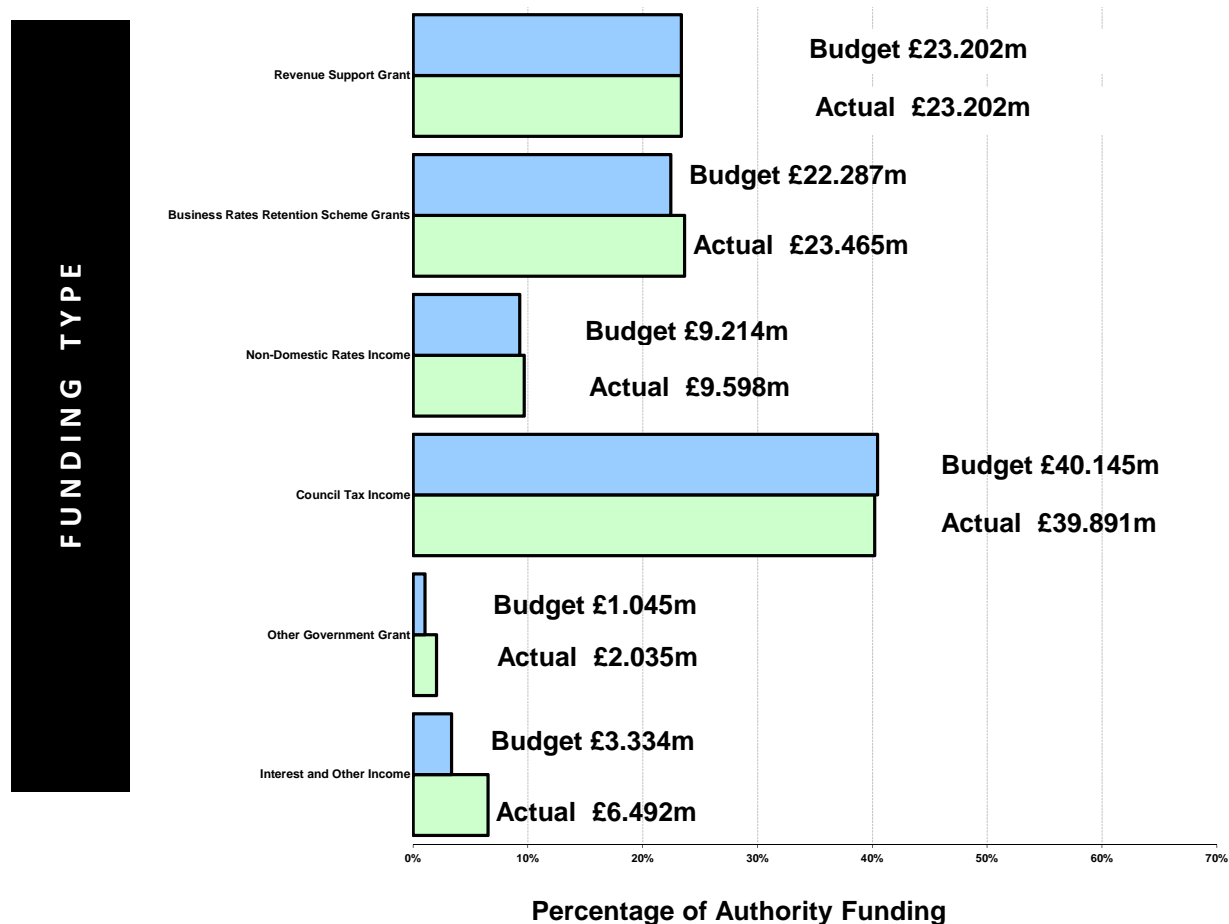
The accounts are supported by notes to the core financial statements.

4. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in notes to the accounts.

5. The CIES shows a deficit on provision of services of £67.439m. After statutory adjustments, such as the removal of depreciation and impairments and applying International Accounting Standard Nineteen (IAS19) entries in relation to pension costs, the Authority shows an overall deficit of £10.367m.
6. The total expenditure of the Authority in 2017/18 was £172.122m. The types of costs incurred were:



7. The total income of the Authority to fund expenditure in 2017/18 was £104.683m, which came from:



8. In 2017/18 the Authority spent £4.527m on capital projects, the largest of these being £2.089m on the redevelopment of Coventry Fire Station, £0.805m on vehicle replacements and £0.308m on the installation of energy saving windows & doors. The total expenditure on capital schemes was financed by a combination of Capital Grants and Direct Revenue Financing. Note 29 provides details of capital expenditure and capital financing.

9. In 2017/18 appropriations of £4.750m were made from earmarked general fund reserves and £0.846m from un-earmarked general fund reserves.
10. The Authority, at its February 2017 meeting authorised the limit for external debt at £42m and the statutory limit for external debt at £46m. As at 31<sup>st</sup> March 2018, the Authority's actual long-term principal borrowing was £36.002m and short-term principal borrowing was £1.361m as per Note 15.3.
11. The 2017/18 accounts include the impact of IAS19. The effects of IAS19 are shown within the CIES and Balance Sheet. There is no effect on council tax from the implementation of this standard. The figures disclosed represent a snapshot in time. The accounts show that there is a significant shortfall between the forecast cost of pensions and the current level of assets built up in the pension fund. The Government Actuaries Department (GAD) review the defined benefit arrangements and appropriate levels of employer & employee contributions.
12. During 2017/18 only extremely limited recruitment activity for some essential support staff has taken place. Recruitment of firefighters has taken place during the year due to the need to maintain staffing levels in line with the numbers required for the operational staffing level (1,220) to meet the Authority's SDM. Funding levels in future years mean that the situation will need to be closely monitored and reviewed.
13. **Financial Outlook**

As part of the settlement for 2016/17, an offer was made for a multi-year funding settlement. Any Authority wishing to take up the four year funding settlement to 2019/20 was required to set out their proposals in an Efficiency Plan to qualify for the four year settlement from April 2016. The settlement offer (provisional for 2018/19 and 2019/20) would result in a cumulative budget deficit of circa £10m if the Service did not make any efficiency savings. The Authority at its meeting on 19 September 2016 considered and approved the Efficiency Plan which was submitted to the Home Office.

The areas where savings are anticipated and reflected within the medium term financial strategy are:

- £4m – Staffing
- £2m – Alternative funding
- £1m – Internal restructures
- £1m – Service reductions
- £2m – Council tax base

Further details of the Efficiency Plan can be found at <http://94.236.33.181/cm15/>.

On 19 December 2017, the Ministry of Housing, Communities and Local Government (MHCLG) announced the provisional Finance Settlement for 2018/19 at £53.030m, resulting in a core funding reduction of £1.673m. The Government also proposed a council tax referendum threshold of 3% for Fire and Rescue Authorities. On 6 February 2018, MHCLG confirmed the Authority's 2018/19 total core funding.

The Authority set its 2018/19 budget on 19<sup>th</sup> February 2018, setting a council tax requirement of £41.305m which resulted in a council tax increase of (2.99%), £1.70 at Band D.

The projected budget includes a number of efficiency measures which were set out in the Efficiency Plan as well as enabling any actions to be undertaken arising out of the Authority's Corporate Risk Register. The Corporate Risk Register has identified a number of major risks that would seriously affect the Authority's ability to carry out its functions. The very nature of the risks have made it extremely difficult to quantify any funding impact that would arise were the risk to materialise and in the short term would result in a demand on the Authority's General Fund Balance.

Due to the estimated scale of Government funding reductions in future years, increased budget pressures (particularly the impact of higher pay award assumptions) and the need to assist with transformational service changes, the further use of the General Fund Balance is anticipated in 2019/20 and 2020/21. Whilst the Government settlement figures up to 2019/20 have provided some greater funding certainty than previously, additional budget pressures, e.g. anticipated increases in firefighter pension employer rates, further anticipated Government funding reductions beyond this time period and a lack of any direct capital and transformation funding being available, means that the level of the Un-earmarked General Fund Reserves is estimated to be approximately £5 million by the end of 2020/21.

#### **14. West Midlands Combined Authority**

In September 2015 the Government released a consultation entitled "Enabling Closer Working between the Emergency Services". This was followed by a move of government department for the Fire and Rescue Service on 5 January 2016 from the Department of Communities and Local Government to the Home Office. The outcomes to the consultation introduced the Policing and Crime Bill, which received Royal Assent in January 2017, and proposed a new duty to collaborate on each of the blue light emergency services.

A statement made by the Home Secretary in May 2016 clearly outlined a desire from central government to affect a change which would create an impetus for further reform of Fire and Rescue Authorities. The Government and Home Office are committed to implementing governance structures which provide more scrutiny, transparency and accountability of decision making.

In view of Home Office expectations around the reform of the Fire Service, and as the Government pushes forward local devolution and public sector reform, the West Midlands Fire & Rescue Authority (WMF&RA) has considered how it works with, responds to and influences these changes.

To support this a Future Governance Working Group was commissioned incorporating a number of stakeholders from the West Midlands and independently chaired. Its focus was to understand the current and future potential for the delivery of collaborative services which increase efficiency, effectiveness and public safety as well as providing the evidence base to understand the most appropriate future governance model which would enable this to be achieved.



At its Authority meeting in February 2017, approval was given to pursue a strategy which would reform the WMF&RA. A combination of consultation outcomes, the Future Governance Working Group final report and the Authority's strategy supported the proposed route required for the Mayoral West Midlands Combined Authority (WMCA) to assume governance of West Midlands Fire and Rescue Service from the Authority. Subsequently in March 2017 the Authority secured the support of the WMCA for the proposed strategy to assume governance of the Service.

Following further engagement with the WMCA, a report was presented at the WMCA board in September 2017. The report's recommendation to prepare a Governance Review and Scheme pursuant to Sections 111 and 112 (1d) of Local Democracy, Economic Development & Construction Act 2009, and timelines for the proposed governance route were approved.

A formal public consultation on the proposed scheme was launched on 11<sup>th</sup> January 2018 for a period of eight weeks to 8<sup>th</sup> March 2018. The consultation sought views on the detail of the proposed scheme. This included the roles of the Mayor and WMCA, the proposed Mayoral Fire Advisory Committee (MFAC) and the Chief Fire Officer. The consultation also sought the views of the communities of the combined authority's area on the stated benefits of the proposed governance change and the transfer of powers to the Combined Authority.

The seven West Midlands Councils considered the outcomes of the public consultation after which the Authority at its June 2018 meeting approved the submission of the governance proposal to the Home Secretary. Receipt of the draft order from the Home Office is anticipated following the 2018 summer recess.

## 15. **Performance Indicators (PI)**

The Authority has an established Scrutiny Committee whose role is to scrutinise performance information including progress made against the 'The Plan'.


The setting of targets against operational and other performance indicators enables the Service to identify key areas for improvement which contribute to making the West Midlands safer, stronger and healthier. During 2017/18 the Scrutiny Committee received quarterly updates of the organisation's performance.

The five-minute attendance standard lies at the heart of the SDM which shows how staff based mainly at fire stations deliver the three strategic objectives of prevention, protection and response.





A summary of the performance indicators for prevention, protection and response is provided below and further details of Authority's performance monitoring through the Scrutiny Committee can be found at <http://94.236.33.181/cm5/>.








Key:	
Blue	Over performance against the tolerance levels
Green	Performance is within the tolerance levels
Red	Under performance against the tolerance levels

## Response

<b>PI 1</b>		<b>The Risk Based Attendance Standard</b> Target: under 5 minutes Actual: 4 minutes 46 seconds
Attendance times for Category 2, 3 & 4 incidents remain well within target: <ul style="list-style-type: none"> <li>• Category 2: 5 minutes 36 seconds (target is under 7 minutes)</li> <li>• Category 3: 5 minutes 01 seconds (target is under 10 minutes)</li> <li>• Category 4: 6 minutes 38 seconds (target is under 20 minutes)</li> </ul>		


## Prevention

<b>PI 2</b>		<b>The number of accidental dwelling fires</b> Annual Forecast: 1583 (1504 – 1614 tolerance) Actual for year: 1631
<b>PI 3</b>		<b>Injuries from accidental fires in dwellings (taken to hospital for treatment)</b> Annual Forecast: 62 (50 – 67 tolerance) Actual for year: 51
<b>PI 4</b>		<b>The number of deaths from accidental dwelling fires</b> Annual Forecast: Not applicable Actual for year: 9
<b>PI 5</b>		<b>The percentage of Safe and Well visits referred by our partners</b> Annual Forecast: 50% (50% - 52.5% tolerance) Actual to date: 50.3%

PI 6		<b>The number of Safe &amp; Well points achieved by the Brigade</b> Annual Forecast: 275,000 Actual for year: 270,395
PI 7		<b>The number of people killed or seriously injured (KSI) in road traffic collisions</b> Annual Forecast: Not applicable Actual for year: 726
PI 8		<b>The number of arson fires in dwellings</b> Annual Forecast: 190 (169 – 196 tolerance) Actual for year: 220
PI 9		<b>The number of arson fires in non-domestic premises</b> Annual Forecast: 158 (143 – 165 tolerance) Actual for year: 202
PI 10		<b>The number of arson vehicle fires</b> Annual Forecast : 904 (816 – 951 tolerance) Actual for year: 867
PI 11		<b>The number of arson rubbish fires</b> Annual Forecast: 1909 (1814 – 1946 tolerance) Actual for year: 1924
PI 12		<b>The number of arson fires in derelict buildings</b> Annual Forecast: 145 (130 – 151 tolerance) Actual for year: 132

## Protection

<b>PI 13</b>		<b>The number of accidental fires in non-domestic premises</b> Annual Forecast: 426 (383 – 447 tolerance) Actual for year: 437
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<b>PI 14</b>		<b>The number of false alarm calls due to fire alarm equipment in dwellings and non-domestic premises</b> Annual Forecast: 5457 (5184 – 5565 tolerance) Actual for year: 5408
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16. Further information about the accounts is available from:

Finance Manager,  
West Midlands Fire Service Headquarters,  
99 Vauxhall Road,  
Birmingham. B7 4HW.

Telephone : 0121-380-6920  
or E-Mail : kal.shoker@wmfs.net

17. Interested members of the public also have the right to inspect the accounts before the Audit is completed. The availability of the accounts for inspection is advertised on the Authority's website.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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### ***The Authority's Responsibilities***

The Authority is required to:

- (i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.
- (ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) approve the statement of accounts.

### ***The Treasurer's Responsibilities***

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the C.I.P.F.A. / L.A.S.A.A.C. Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Treasurer has:

- (i) selected suitable accounting policies and then applied them consistently
- (ii) made judgements and estimates that were reasonable and prudent
- (iii) complied with the local authority Code.

The Treasurer has also:

- (iv) kept proper accounting records which were up to date.
- (v) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this statement of accounts gives a true and fair view of the financial position and expenditure and income of the West Midlands Fire and Rescue Authority for the year ending 31<sup>st</sup> March 2018.



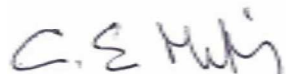
Mike Griffiths, C.P.F.A  
Treasurer

Date: 23<sup>rd</sup> July 2018

## **STATEMENT OF APPROVAL FOR THE STATEMENT OF ACCOUNTS**

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The statement of accounts for the year 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 was approved by the West Midlands Fire and Rescue Authority's Audit Committee on 23<sup>rd</sup> July 2018.



Cllr Catherine Miks  
Chair of the Audit and Risk Committee

Date: 23<sup>rd</sup> July 2018

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the MIRS and the Expenditure Funding Analysis (EFA).

2016/2017				2017/2018		
Gross Exp. £000	Gross Income £000	Net Exp. £000		Gross Exp. £000	Gross Income £000	Net Exp. £000
77,077	(2,885)	74,192	Service Delivery	85,499	(3,322)	82,177
21,677	(2,888)	18,789	Service Support	24,339	(2,147)	22,192
2,618	(15)	2,603	Corporate Management	3,264	(407)	2,857
11,638	(27)	11,611	Corporate Charges	11,337	(118)	11,219
113,010	(5,815)	107,195	Cost of Services	124,439	(5,994)	118,445
60	(86)	(26)	Other Operating Expenditure (Note 32)	1,520	(2,208)	(688)
50,354	(282)	50,072	Financing and investment income & expenditure (Note 12)	46,163	(251)	45,912
		(98,360)	Taxation and non-specific grant income (Note 13)			(96,230)
		58,881	(Surplus)/Deficit on Provision of Services			67,439
16,448	(15,388)	1,060	Surplus or deficit on revaluation of Property, Vehicles, Plant and Equipment assets (Note 11.1)	11,817	(13,976)	(2,159)
		246,933	Re-measurements of the net defined benefit liability/(asset)			(54,913)
		247,993	Other Comprehensive Income and Expenditure			(57,072)
		306,874	Total Comprehensive Income and Expenditure			10,367

## MOVEMENT IN RESERVES STATEMENT

This shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory amounts required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	Un-earmarked General Fund Reserves £000	Earmarked General Fund Reserves £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016	(9,233)	(40,165)	(49,398)	(1,122)	(2,593)	(53,113)	1,248,036	1,194,923
Movement in Reserves During 2016/17								
Total Comprehensive Income and Expenditure *	58,881	-	58,881	-	-	58,881	247,993	306,874
Adjustments between accounting basis and funding basis under regulations (Note 9)	(62,453)	-	(62,453)	1,061	2,034	(59,358)	59,358	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(3,572)	-	(3,572)	1,061	2,034	(477)	307,351	306,874
Transfers to/from Earmarked Reserves (Note 10)	3,569	(3,569)	-	-	-	-	-	-
(Increase)/Decrease in 2016/17	(3)	(3,569)	(3,572)	1,061	2,034	(477)	307,351	306,874
Balance at 31 March 2017	(9,236)	(43,734)	(52,970)	(61)	(559)	(53,590)	1,555,387	1,501,797
Movement in Reserves During 2017/18								
Total Comprehensive Income and Expenditure *	67,439	-	67,439	-	-	67,439	(57,072)	10,367
Adjustments between accounting basis and funding basis under regulations (Note 9)	(61,843)	-	(61,843)	(2,131)	98	(63,876)	63,876	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	5,596	-	5,596	(2,131)	98	3,563	6,804	10,367
Transfers to/from Earmarked Reserves (Note 10)	(4,750)	4,750	-	-	-	-	-	-
(Increase)/Decrease in 2017/18	846	4,750	5,596	(2,131)	98	3,563	6,804	10,367
Balance at 31 March 2018	(8,390)	(38,984)	(47,374)	(2,192)	(461)	(50,027)	1,562,191	1,512,164

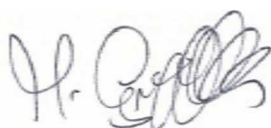


- \* The total comprehensive income and expenditure is now shown as one line on the basis that the columnar analysis of the usable and unusable reserves automatically separates the movements between the surplus and deficit on the provision of services and other comprehensive income and expenditure.

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the MIRS line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017 £000		Note	31 March 2018 £000
146,158	Property, Vehicles, Plant & Equipment	14	144,008
66	Heritage Assets		66
20	Intangible Assets		13
146,244	Long Term Assets		144,087
1,200	Assets Held For Sale	14	-
629	Inventories	16	725
15,098	Short Term Debtors	17	13,100
57,428	Cash and Cash Equivalents	18	51,379
74,355	Current Assets		65,204
(1,461)	Short Term Borrowing	15	(1,537)
(10,926)	Short Term Creditors	19	(11,637)
(405)	Grant Receipts in Advance – Revenue	28	(331)
(12,792)	Current Liabilities		(13,505)
(426)	Provisions	20	(722)
(37,363)	Long Term Borrowing	15	(36,002)
(1,671,815)	Other Long Term Liabilities	30	(1,671,226)
(1,709,604)	Long Term Liabilities		(1,707,950)
(1,501,797)	Net Assets		(1,512,164)
(53,590)	Usable Reserves		(50,027)
1,555,387	Unusable Reserves	11	1,562,191
1,501,797	Total Reserves		1,512,164



Mike Griffiths C.P.F.A (Treasurer)  
23<sup>rd</sup> July 2018

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<b>2016/2017 £000</b>		<b>2017/2018 £000</b>
<b>58,881</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>67,439</b>
<b>(64,706)</b>	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 21.2)</b>	<b>(66,795)</b>
<b>75</b>	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 21.3)</b>	<b>2,131</b>
<b>(5,750)</b>	<b>Net cash flows from Operating Activities</b>	<b>2,775</b>
<b>3,318</b>	<b>Investing Activities (Note 22)</b>	<b>2,010</b>
<b>1,073</b>	<b>Financing Activities (Note 23)</b>	<b>1,264</b>
<b>(1,359)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>6,049</b>
<b>56,069</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>57,428</b>
<b>57,428</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>	<b>51,379</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1. ACCOUNTING POLICIES

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#### **1.1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position as at the year-end, 31<sup>st</sup> March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a going concern basis.

#### **1.2. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as Income and Expenditure.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals of Income and expenditure are subject to a de minimis level of £1,000.

### **1.3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period; no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **1.5. Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance within England.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting Minimum

Revenue Provision (MRP) transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

## **1.6. Council Tax and Non-domestic Rates (NDR)**

Billing authorities act as agents, collecting council tax and NDR on behalf of the major preceptors. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR included in the CIES is the Authority's share of accrued income for the year. Regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The effect on the Surplus or Deficit on the Provision of Services for the year 2017/18 in the CIES is a surplus of £0.297m which is also reflected in the MIRS.

The Balance Sheet includes the Authority's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## **1.7. Employee Benefits**

### **1.7.1 Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the MIRS so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### **1.7.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **1.7.3 Post Employment Benefits**

Employees of the Authority are members of four separate pension schemes:

- Uniformed Firefighters – Original (1992) Scheme

This is an unfunded scheme, which is administered by the Authority in accordance with the MHCLG regulations. For such schemes, as there are no investment assets, IAS19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the CIES for movements in the liability and reserve. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the pension fund for these employees. The scheme was only open to those firefighters in the scheme as at 31<sup>st</sup> March 2006 and the employer's contribution is higher than for the new firefighters' pension scheme. All contributions are made into a pension fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the Government each year.

- Uniformed Firefighters – (2006) Scheme

On 1<sup>st</sup> April 2006 a new firefighters' pension scheme was established for new firefighters, retained firefighters and for uniformed employees carrying out operational duties in the old pension scheme who wished to transfer to the new scheme. This scheme is an unfunded scheme and operates in exactly the same way as the old scheme except for the reduced level of contribution from employees and employers which reflects the different conditions and benefits of the new scheme. All contributions are made into a pension fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the Government each year.

On 1<sup>st</sup> April 2015 a new modified section was established for employees who were employed as retained firefighters between 1<sup>st</sup> April 2000 and 5<sup>th</sup> April 2006.

- Uniformed Firefighters – (2015) Scheme

On 1<sup>st</sup> April 2015 a new firefighters' pension scheme was established. This scheme is a career average revalued earnings scheme for members starting after the 1<sup>st</sup> April 2015. Members of the 1992 and 2006 final salary schemes moved into this scheme, unless protection applied. This scheme is an unfunded scheme. All contributions are made into a pension fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the Government each year.

The combined pension fund for uniformed firefighters as at 31<sup>st</sup> March 2018 had a net deficit value of £1,629,080m.

- The Local Government Pensions Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, administered by Wolverhampton City Council. The pension costs that are charged to the Authority's accounts, £2.846m in 2017/18 in respect of these employees, are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The scheme is, however, funded.

These schemes provide defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the Authority.

These schemes are accounted for as defined benefits schemes:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund and the liabilities of the Firefighters Pension Schemes attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.55% for the Firefighters' Pension Schemes and for the Local Government Pension Scheme.
- The assets of West Midlands Metropolitan Authorities Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities — current bid price
  - unquoted securities — professional estimate
  - unitised securities — current bid price
  - property — market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost - the increase in liabilities as a result of years of service earned this year — allocated in the CIES to the services for which the employees worked.
    - Past service cost — the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES within the corporate charges Service line.



- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority — the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets — excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Changes in demographic and financial assumptions — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Pension Fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The top up grant is accounted for as an actuarial gain.

#### **1.7.4 Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **1.8. Events after the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period — the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period — the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **1.9. Financial Instruments**

### **1.9.1 Financial Liabilities**

The Authority has its own portfolio of loans payable directly to the Public Works Loan Board (PWLB); these are initially measured at fair value and carried at their amortised cost with the exception of Other Local Authority debt inherited from the former West Midlands County Council (WMCC) which is held at historic cost. Annual charges are made to the CIES based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Debt inherited from the former WMCC is managed by Dudley MBC and redeemed over a period of 40 years from 1<sup>st</sup> April 1986. Annual charges to the CIES for interest payable were charged on this debt in 2017/18 at a rate of 6.043%.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the CIES as they occur. Any premium or discount arising on restructured borrowing is respectively deducted from, or added to, the amortised cost of the new or modified loan and charged to the CIES over the life of the loan by an adjustment to the effective interest rate.

Creditors are carried on the balance sheet at contract amount.

### **1.9.2 Financial Assets**

Debtors are carried on the balance sheet at contract amount.

### **1.9.3 Fair Value Measurement**

IFRS 13 requires that local authorities measure some of their non-financial and some of their financial instruments at fair value.

The objective of the fair value approach is to estimate the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date. The measurement assumes that the transaction takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, the most advantageous market.

The Authority measures fair value using the same assumptions that market participants would use when pricing an asset or liability assuming that they will act in their own economic best interest.

For non-financial assets the Authority takes into account the participant's ability to generate economic benefits by using the asset in its highest and best use.

When determining fair value the Authority's valuers use techniques that are appropriate in the circumstances and for which sufficient data is available maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

These inputs are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can assess at the measurement date.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

## **1.10. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the CIES until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital Expenditure.

### **1.11. Inventories**

Inventories are included in the Balance Sheet at the latest price. This does not comply with the standard which requires the lower of cost and net realisable value. The total value of stocks held is approximately £725k (2016/17 £629k) and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

### **1.12. Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

The costs of support services provided to the Authority by Sandwell MBC have been recharged in accordance with Service Level Agreements. These specify the level of service to be provided and the charge.

### **1.13. Property, Vehicles, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, vehicles, plant and equipment.

#### **1.13.1 Recognition**

Expenditure on the acquisition, creation or enhancement of property, vehicles, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Expenditure along with associated grant income on non-current assets are capitalised subject to a de minimis level of £10,000.

### 1.13.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction — held at historical cost.
- Residential Homes — the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective. The Authority no longer provides residential homes to new tenants and any properties which become or are vacant, are held as surplus assets.
- All other assets — current value, determined on the basis of market value.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued annually to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. If an event occurs, such as a dramatic fall in land and property prices, which mean the current values are no longer appropriate, the assets will be revalued again. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the corporate charges service line in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **1.13.3 Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the corporate charges service line in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the corporate charges service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **1.13.4 Depreciation**

Depreciation is provided for on all property, vehicles, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

The following depreciation policies have been adopted:

- Operational Vehicles - straight line over 10 years.
- Ancillary Vehicles - straight line over 5 years.
- Equipment - straight line over 5 years.
- All property assets have been depreciated in line with their life expectancies.
- Freehold land is not depreciated.
- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

Wilkes Head & Eve (WHE), of 55 New Oxford Street, London, WC1A 1HB is a RICS (Royal Institution of Chartered Surveyors) Regulated Firm, are the Authority's valuers and were instructed to provide valuations for all land and property assets and recommend the appropriate life expectancies. A full valuation of all land and property assets was completed as at 31<sup>st</sup> March 2018. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value.

WHE also provide valuations for splitting land and building assets into individual components. Where an asset has major components whose cost is significant in relation to the total cost of the item and which have differing estimated useful lives, these components are depreciated separately. The Authority has adopted this as the basis for depreciation from 1<sup>st</sup> April 2011.

Where an asset it is deemed to be material for component accounting purposes, i.e. valued in excess of £1m, the following individual components have been identified:

- Main structure
- Roof
- Heating and associated systems
- Tower and associated functions
- Electrical
- Lift
- External

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **1.13.5 Non-Current Assets Held for Sale**

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use. The following criteria have to be met before an asset can be classified as held for sale under this section of the Code:

- The asset must be available for immediate sale in its present condition.
- The sale must be highly probable; with an active programme to dispose of the asset.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to complete within one year of the date of classification.

Assets Held for Sale are valued at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date, and are not subject to depreciation. Investment Properties that are to be disposed of are not reclassified as an Asset Held for Sale and remain as Investment Properties until disposed of, reclassified to short term investment properties where they are expected to be disposed of within a year of the balance sheet date.

## **1.14. Minimum Revenue Provision**

Under the Local Government Act 2003, the Authority is required to set aside an amount from revenue as a provision for debt repayment. This amount is known as the MRP.

The calculation is based on Asset Life Method, which is to make a provision over the estimated life of the asset for which borrowing was undertaken.

From 2015/16 onwards the proposed MRP policy was amended to an Annuity base.

The Treasurer has the discretion to make an additional provision.

## **1.15. Provisions and Contingent Liabilities**

### **1.15.1 Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year — where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **1.15.2 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.



## **1.16. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the Un-earmarked General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the Un-earmarked General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, local taxation, retirement and employee benefits and do not represent usable resources for the Authority — these reserves are explained in the relevant policies.

## **1.17. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **1.18. Restated Figures**

For comparative purposes, 2016/2017 figures are provided.

Note 10 Earmarked reserves show 2016/17 restated figures as the note has been reformatted to match how these reserves are reported to SET.

Note 24 Officers' remuneration show 2016/17 restated figures as the Strategic Enabler People Support Services and a redesignated post with effect from 25 May 2017 Strategic Enabler Portfolio report to the Chief Fire Officer.

## **1.19. Roundings**

Unless otherwise stated, the figures that follow have been rounded to the nearest £'000.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

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The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Authority.

The standards introduced in the 2018/19 Code that are relevant to the above are:-

- IFRS 9 Financial Instruments. This introduces extensive changes to the classification and measurement of financial assets and a new expected credit loss model for impairing financial assets. The impact will be to reclassify loans and receivable assets and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Authority's financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers. This presents new requirements for the recognition of revenue based on a control based revenue recognition model. The Authority does not have any material revenue streams within the scope of IFRS15.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. This applies to deferred tax assets related to debt instruments measured at fair value. The Authority does not have these debt instruments.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. This requires some additional analysis of cash flows from financing activities in future years.

The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

The Authority has concluded that there will be no material impact upon the 2018/19 Statement of Accounts.

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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In applying the accounting policies set out in the Accounts, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:-

- Insurance – The Authority continues to operate a self-insure scheme for all of its property and vehicle assets.
- No Residual Value of Assets – The Authority assumes that the residual value of plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.
- Property valued at Current Value – The Authority has had all its land and property assets valued on the basis of current value as at 31<sup>st</sup> March 2018. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value. In 2011 the Authority introduced component accounting to its land and property assets as part of its valuations.
- Government Funding - There remains a degree of uncertainty about future levels of core funding for local government although the offer of a provisional four year settlement by MHCLG is considered to be a reasonable basis to formulate medium term financial planning. The Authority has however determined that the level of uncertainty is not yet sufficient to indicate that the assets of the Authority may be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

#### **4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

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The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2018 for which there is a risk of a material adjustment in the following financial year are:

- Pensions Liability – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement age, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) and Barnett Waddingham provide the Authority with expert advice about the assumptions to be applied (Note 30).
- Provisions – The Authority has made an insurance provision for employee and public liability claims. The provision is based on the advice of the Authority's Risk Management advisor. However, the figure could increase or decrease based on the final settlement.
- Property, Plant and Equipment – The Authority's assets are depreciated over the useful life assigned by the external valuer. Assumptions are made about the level of repairs and maintenance which could affect the useful lives assigned to assets.

#### **5. MATERIAL ITEMS OF INCOME AND EXPENDITURE**

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##### **Local Government Pension Scheme Contributions 2017/18 - 2019/20**

On 28 April 2017 the Authority made a payment of £7.9m to the West Midlands Pension Fund in respect of pension contributions for the three years from 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2020. The full payment has been accounted for as a reduction in the Authority's net pension liability and accounting regulations require that only the amount due in relation to 2017/18 of £2.7m is recognised as a cost to the General Fund this year. Until 2019/20, there will be a difference between the net pension liability and the pension reserve, equal to the amount that has been paid in relation to future years. This difference will remain until the 2019/20 accounts.

## **6. EVENTS AFTER THE REPORTING PERIOD**

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The Fire Brigade Union (FBU) lodged a trade dispute with the Authority on 11<sup>th</sup> April 2018. Following a ballot for industrial action, the Authority was notified on 29<sup>th</sup> May 2018 that the outcome of the ballot supported a mandate for the FBU to commence industrial action.

The Executive Committee considered options on 6<sup>th</sup> June 2018 and resolved to revise “The Plan”, in a manner which was intended to resolve the trade dispute. It was recognised that as part of this decision there would be an impact upon the Service’s ability to deliver prevention, protection and response services against the requirements of the Integrated Risk Management Plan (IRMP), The ongoing Comprehensive Spending Review and the financial constraints this places on the Authority means that this decision would require a change to the Strategy, the associated budget and Financial Efficiency Plan.

The Authority would therefore need to consider alternative Service changes to meet the funding gap before the next budget setting exercise to ensure the ongoing budget was set on an appropriate basis.

## 7. EXPENDITURE AND FUNDING ANALYSIS

This shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2016/2017				2017/2018		
Net Expenditure Chargeable to the General Fund * £000	Adjustments between Funding and Accounting Basis (Note 7.1) £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the General Fund * £000	Adjustments between Funding and Accounting Basis (Note 7.1) £000	Net Expenditure in the CIES £000
67,368	6,824	74,192	Service Delivery	67,908	14,269	82,177
17,598	1,191	18,789	Service Support	19,962	2,230	22,192
2,274	329	2,603	Corporate Management	2,445	412	2,857
4,161	7,450	11,611	Corporate Charges	3,907	7,312	11,219
91,401	15,794	107,195	Cost of Services	94,222	24,223	118,445
(94,973)	46,659	(48,314)	Other Income and Expenditure	(88,626)	37,620	(51,006)
(3,572)	62,453	58,881	(Surplus)/Deficit on Provision of Services	5,596	61,843	67,439
(49,398)			Opening General Fund Balance	(52,970)		
(52,970)			Closing General Fund Balance @ 31 March	(47,374)		

\* As reported to SET.

## 7.1 Adjustments between funding and accounting

2016/2017	Adjustments for capital purposes (Note 7.2)	Net change for the pension adjustments (Note 7.3)	Other statutory differences (Note 7.4)	Total Adjustments
	£000	£000	£000	£000
Service Delivery	-	8,580	(1,756)	6,824
Service Support	-	1,170	21	1,191
Corporate Management	-	211	118	329
Corporate Charges	9,432	(1,982)	-	7,450
Cost of Services	9,432	7,979	(1,617)	15,794
Other Income and Expenditure	(1,265)	48,171	(247)	46,659
Total	8,167	56,150	(1,864)	62,453

2017/2018	Adjustments for capital purposes (Note 7.2)	Net change for the pension adjustments (Note 7.3)	Other statutory differences (Note 7.4)	Total Adjustments
	£000	£000	£000	£000
Service Delivery	-	14,303	(34)	14,269
Service Support	-	2,206	24	2,230
Corporate Management	-	450	(38)	412
Corporate Charges	8,842	(1,530)	-	7,312
Cost of Services	8,842	15,429	(48)	24,223
Other Income and Expenditure	(6,146)	44,063	(297)	37,620
Total	2,696	59,492	(345)	61,843

## **7.2 Adjustments for capital purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the corporate charges services line, and within other income and expenditure:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. MRP and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The taxation and non-specific grant income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## **7.3 Net change for the pension adjustments**

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## **7.4 Other statutory differences**

Other statutory differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For services this represents the impact of accruals for accumulating compensated absences.
- The adjustment under other income and expenditure for taxation and non-specific grant income represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.



## 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Authority's expenditure and income is analysed as follows:

2016/2017 £000		2017/2018 £000
	<b>Expenditure</b>	
90,469	Employee expenses	100,054
13,108	Other services expenses	15,543
9,433	Depreciation, amortisation and impairment	8,842
48,171	Pensions interest cost and expected return on pension assets	44,063
2,183	Interest payments	2,100
60	Other operating expenditure	1,520
163,424	<b>Total Expenditure</b>	<b>172,122</b>
	<b>Income</b>	
(3,034)	Fees, charges and other service income	(4,033)
(282)	Interest and investment income	(251)
(38,602)	Council tax income	(39,891)
(9,760)	Non-domestic rates income from West Midlands Local Authorities	(9,598)
(52,779)	Government grants and contributions	(48,702)
(86)	Disposal of non-current assets	(2,208)
(104,543)	<b>Total Income</b>	<b>(104,683)</b>
58,881	<b>(Surplus)/Deficit on the provision of services</b>	<b>67,439</b>

## **9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/2017	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
<b>Adjustments to Revenue Resources</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs transferred to/(from) the Pensions Reserve	(56,150)	-	-
Council tax and NDR transfers to/(from) Collection Fund Adjustment Account	247	-	-
Holiday pay transferred to the Accumulated Absences Reserve	1,617	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(9,139)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(63,425)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	61	(61)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	744	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	167	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>972</b>	<b>(61)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	1,122	-
Application of capital grants to finance capital expenditure	-	-	2,034
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>1,122</b>	<b>2,034</b>
<b>Total Adjustments</b>	<b>(62,453)</b>	<b>1,061</b>	<b>2,034</b>

2017/2018	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
<b>Adjustments to Revenue Resources</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</b>			
<b>Pension costs transferred to/(from) the Pensions Reserve</b>	(59,492)	-	-
<b>Council tax and NDR transfers to/(from) Collection Fund Adjustment Account</b>	297	-	-
<b>Holiday pay transferred to the Accumulated Absences Reserve</b>	48	-	-
<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)</b>	(9,968)	-	-
<b>Total Adjustments to Revenue Resources</b>	(69,115)	-	-
<b>Adjustments between Revenue and Capital Resources</b>			
<b>Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</b>	2,131	(2,131)	-
<b>Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)</b>	787	-	-
<b>Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)</b>	4,354	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	7,272	(2,131)	-
<b>Adjustments to Capital Resources</b>			
<b>Use of the Capital Receipts Reserve to finance capital expenditure</b>	-	-	-
<b>Application of capital grants to finance capital expenditure</b>	-	-	98
<b>Total Adjustments to Capital Resources</b>	-	(2,131)	98
<b>Total Adjustments</b>	(61,843)	(2,131)	98

## 10. MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside within the General Fund Balance for earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in both 2016/17 and 2017/18.

	Balance at 1 <sup>st</sup> April 2016	Transfers out 2016/17	Transfers in 2016/17	Balance at 31 <sup>st</sup> March 2017	Transfers out 2017/18	Transfers in 2017/18	Balance at 31 <sup>st</sup> March 2018
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
<b>Business Development</b>	Restated	Restated	Restated				
Project Management/Support	100	76	127	151	129	45	67
<b>Communications</b>							
Community Engagement	9	4	3	8	6	20	22
Communications/Media Events	51	26	27	52	60	24	16
<b>Finance &amp; Resources</b>							
Property Maintenance	1,381	346	191	1,226	182	166	1,210
Procurement of Operational Equip.	263	144	110	229	93	82	218
Loss of Use Recovery	37	-	3	40	-	10	50
Procurement Collaboration	-	-	65	65	43	1	23
<b>ICT</b>							
ESMCP-Local Transition	45	54	1,758	1,749	-	167	1,916
IT Equipment & System Upgrades	2,397	604	869	2,662	1,588	331	1,405
Firelink	-	-	223	223	223	278	278
<b>Intelligence &amp; Innovation</b>							
Distributed Training Model (DTM)				-	-	1,000	1,000
Project Management/Support	104	103	178	179	159	139	159
Legal Services	25	25	100	100	4	-	96
Care Quality Commission	-	-	60	60	1	-	59
Firefighting & Rescue Equipment	16	15	56	57	47	-	10
<b>People Support Services</b>							
Staff Training & Development	173	72	135	236	181	315	370
Health & Wellbeing	50	23	134	161	33	41	169
Training Equipment/Facilities	402	186	10	226	99	9	136
Time Management System	-	-	29	29	-	-	29
Project Management/Support	11	11	77	77	77	-	-
Ridership	-	-	400	400	400	-	-
<b>Prevention</b>							
Community Partnerships	496	269	158	385	197	258	446
Education Materials/Facilities	50	19	49	80	37	22	65
Youth Services	11	8	19	22	12	-	10
<b>Protection</b>							
Fire Safety	14	-	5	19	8	-	11
<b>Response</b>							
Tech Rescue	849	95	80	834	295	284	823
Service Delivery	585	406	131	310	815	912	407
Project Management/Support	46	38	-	8	120	112	-
<b>Capital</b>							
Capital Program Shortfall	8,562	15	90	8,637	2,214	4,528	10,951
Fire Station Investment	15,487	510	-	14,977	5,908	-	9,069
<b>Insurance</b>							
Insurance Reserve	7,443	140	-	7,303	584	468	7,187
<b>Corporate</b>							
Service Review	1,530	404	1,830	2,956	885	17	2,088
Digital Transformation	-	-	272	272	95	147	324
Gains Share	-	-	-	-	-	250	250
Holiday Pay	-	-	-	-	-	107	107
Seconded Staff	3	503	501	1	1,006	1,018	13
Personal Protective Equipment	25	73	48	-	33	33	-
<b>TOTAL</b>	<b>40,165</b>	<b>4,169</b>	<b>7,738</b>	<b>43,734</b>	<b>15,534</b>	<b>10,784</b>	<b>38,984</b>

## 11. UNUSABLE RESERVES

31 March 2017 £000		31 March 2018 £000
(58,009)	Revaluation Reserve	(58,720)
(59,378)	Capital Adjustment Account	(56,096)
1,671,815	Pensions Reserve	1,676,394
(383)	Collection Fund Adjustment Account	(680)
1,342	Accumulated Absences Account	1,293
1,555,387	Total Unusable Reserves	1,562,191

### 11.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, vehicles, plant, and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

2016/2017 £000		2017/2018 £000
(60,751)	Balance 1 April	(58,009)
(15,388)	Upward revaluation of assets	(13,976)
16,448	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	11,817
(59,691)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(60,168)
1,682	Amount written off to the Capital Adjustment Account	1,448
(58,009)	Balance 31 March	(58,720)

### 11.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The note below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/2017 £000		2017/2018 £000
<b>(62,768)</b>	<b>Balance 1 April</b>	<b>(59,378)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
<b>4,960</b>	<b>Charges for depreciation and impairment of non-current assets</b>	<b>4,830</b>
<b>4,466</b>	<b>Revaluation losses on Property, Vehicles, Plant and current assets</b>	<b>4,007</b>
<b>7</b>	<b>Amortisation of intangible assets</b>	<b>6</b>
<b>60</b>	<b>Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES</b>	<b>1,200</b>
<b>(53,275)</b>		<b>(49,335)</b>
<b>(1,682)</b>	<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(1,448)</b>
<b>(54,957)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(50,783)</b>
	<b>Capital financing applied in the year:</b>	
<b>(1,122)</b>	<b>Use of the Capital Receipts Reserve to finance new capital expenditure</b>	<b>-</b>
<b>(354)</b>	<b>Capital grants and contributions credited to the CIES that have been applied to capital financing</b>	<b>(74)</b>
<b>(2,034)</b>	<b>Application of grants to capital financing from the Capital Grants Unapplied Account</b>	<b>(98)</b>
<b>(744)</b>	<b>Statutory provision for the financing of capital investment charged against the General Fund</b>	<b>(787)</b>
<b>(167)</b>	<b>Capital expenditure charged against the General Fund and HRA balances</b>	<b>(4,354)</b>
<b>(59,378)</b>	<b>Balance 31 March</b>	<b>(56,096)</b>

### 11.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2016/2017 £000</b>		<b>2017/2018 £000</b>
<b>1,368,732</b>	<b>Balance 1 April</b>	<b>1,671,815</b>
<b>246,933</b>	<b>Re-measurements of the net defined benefit liability/(asset)</b>	<b>(54,913)</b>
<b>68,407</b>	<b>Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES</b>	<b>71,256</b>
<b>(12,257)</b>	<b>Employer's pensions contributions and direct payments to pensioners payable in the year</b>	<b>(11,764)</b>
<b>1,671,815</b>	<b>Balance 31 March</b>	<b>1,676,394</b>

On 28 April 2017 the Authority made a payment of £7.9m to the West Midlands Pension Fund. This payment was based on Barnett Waddingham's Rates and Adjustments Certificate for the amounts due for Employer Pension Contributions 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2020. There is a difference between the pension reserve and pension liability on the balance sheet of £5.168m for Employer Pension Contributions 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2020.

### 11.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance at the 31 March 2018 is (£0.680m) and was (£0.383m) as at 31 March 2017.



## 11.5 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2016/2017			2017/2018	
£000	£000		£000	£000
	2,959	Balance 1 April		1,342
(2,959)		Settlement or cancellation of accrual made at the end of the preceding year	(1,342)	
1,342		Amounts accrued at the end of the current year	1,294	
	(1,617)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(48)
	1,342	Balance 31 March		1,294

## 12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/2017 £000		2017/2018 £000
2,183	Interest payable and similar charges	2,100
48,171	Net interest on the net defined benefit liability/(asset)	44,063
(282)	Interest receivable and similar income	(251)
50,072	Total	45,912

## 13. TAXATION AND NON SPECIFIC GRANT INCOMES

2016/2017 £000		2017/2018 £000
(38,603)	Council tax income	(39,891)
(9,760)	NDR income from West Midland Local Authorities	(9,598)
(27,794)	Revenue support grant	(23,202)
(21,849)	Business rates retention scheme grants	(23,465)
(354)	Capital grants and contributions	(74)
(98,360)	Total	(96,230)

## 14. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

### 14.1 Comparative Movements in 2016/2017

2016/17	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2016	143,506	31,516	1,674	1,850	178,546
Additions	1,408	795	-	1,474	3,677
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(4,343)	-	30	-	(4,313)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,468)	-	2	-	(4,466)
De-recognition – Disposals	-	(996)	(129)	-	(1,125)
Assets reclassified (to) / from Held for Sale	(1,200)	-	-	-	(1,200)
Other movements in cost or valuation	-	665	1,020	(1,685)	-
At 31 March 2017	134,903	31,980	2,597	1,639	171,119
Accumulated Depreciation and Impairment					
At 1 April 2016	-	24,190	129	-	24,319
Depreciation charge	3,229	1,707	24	-	4,960
Depreciation written out to the Revaluation Reserve	(3,229)	-	(24)	-	(3,253)
De-recognition – Disposals	-	(936)	(129)	-	(1,065)
De-recognition – Other	-	(1,020)	1,020	-	-
At 31 March 2017	-	23,941	1,020	-	24,961
<b>Net Book Value</b>					
At 31 March 2016	143,506	7,326	1,545	1,850	154,227
At 31 March 2017	134,903	8,039	1,577	1,639	146,158

## 14.2 Movements on Balances 2017/2018

2017/18	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2017	134,903	31,980	2,597	1,639	171,119
Additions	1,037	434	-	3,056	4,527
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(971)	-	94	-	(877)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,000)	-	(7)	-	(4,007)
De-recognition – Disposals	-	(2,012)	(800)	-	(2,812)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	-	1,932	-	(1,932)	-
At 31 March 2018	130,969	32,334	1,884	2,763	167,950
Accumulated Depreciation and Impairment					
At 1 April 2017	-	23,941	1,020	-	24,961
Depreciation charge	3,012	1,793	25	-	4,830
Depreciation written out to the Revaluation Reserve	(3,012)	-	(25)	-	(3,037)
De-recognition – Disposals	-	(2,012)	(800)	-	(2,812)
De-recognition – Other	-	-	-	-	-
At 31 March 2018	-	23,722	220	-	23,942
<b>Net Book Value</b>					
At 31 March 2017	134,903	8,039	1,577	1,639	146,158
At 31 March 2018	130,969	8,612	1,664	2,763	144,008

### 14.3 Depreciation

The depreciation rates used in the table above are consistent with those described in the accounting policies statement.

### 14.4 Capital Commitments

As at the 31<sup>st</sup> March 2018, the Authority approved capital expenditure in future years of £24.631m of which £7.027m has been contractually committed leaving £17.604m as the uncommitted sum which relates to expenditure on property, plant and equipment.

The largest of these contractual commitments represents:

	£000
• Coventry Fire Station	3,983
• Vehicle Replacement Programme	2,448

### 14.5 Revaluations

The Authority had all of its property assets valued as at 31<sup>st</sup> March 2018 on the basis of current value. The work was completed by qualified external valuers, WHE. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors valuation manual 2014 edition which was effective from 6th January 2014 and is International Valuation Standards compliant. The use of the manual means there is certainty with the valuation process.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

## 15. FINANCIAL INSTRUMENTS

### 15.1 Balance Sheet

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
<b>Debtors</b>				
Financial assets carried at contract amounts	-	-	9,048	6,741
<b>Total included in Debtors</b>	-	-	9,048	6,741
<b>Investments</b>				
Cash and Cash Equivalents	-	-	57,428	51,379
<b>Total included in Investments</b>	-	-	57,428	51,379
<b>Borrowings</b>				
Financial liabilities at amortised cost	(34,196)	(33,112)	(1,264)	(1,361)
Financial liabilities at historical cost	(3,167)	(2,890)	(197)	(176)
<b>Total included in Borrowings</b>	(37,363)	(36,002)	(1,461)	(1,537)
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	(4,054)	(4,955)
<b>Total included in Creditors</b>	-	-	(4,054)	(4,955)

Debtors excludes payments in advance, Collection Fund and Her Majesty's Revenue and Customs receipts of £6.359m (2016/2017 £6.050m).

Creditors excludes receipts in advance, Collection Fund and Her Majesty's Revenue and Customs payments of £6.682m (2016/2017 £6.872m).

## 15.2 Income, Expense, Gains and Losses

	2016/17			2017/18		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
<b>Interest expense</b>	<b>2,183</b>	<b>-</b>	<b>2,183</b>	<b>2,100</b>	<b>-</b>	<b>2,100</b>
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>2,183</b>	<b>-</b>	<b>2,183</b>	<b>2,100</b>	<b>-</b>	<b>2,100</b>
<b>Interest income</b>	<b>-</b>	<b>(282)</b>	<b>(282)</b>	<b>-</b>	<b>(251)</b>	<b>(251)</b>
<b>Gains on de-recognition</b>	<b>(26)</b>	<b>-</b>	<b>(26)</b>	<b>(996)</b>	<b>-</b>	<b>(996)</b>
<b>Total income in surplus or Deficit on the Provision of Services</b>	<b>(26)</b>	<b>(282)</b>	<b>(308)</b>	<b>(996)</b>	<b>(251)</b>	<b>(1,247)</b>
<b>Net (gain)/loss for the year</b>	<b>2,157</b>	<b>(282)</b>	<b>1,875</b>	<b>1,104</b>	<b>(251)</b>	<b>853</b>

## 15.3 Loans Outstanding

The Authority has its own portfolio of loans payable directly to the PWLB. Loans are also outstanding to Dudley MBC, which represent the Authority's share of the outstanding loan debt of the WMCC abolished in 1986.

Under accounting requirements, the financial instruments shown in the balance sheet are shown at "amortised cost". This is the carrying amount and comprises the principal amount borrowed and adjusted for breakage costs or stepped interest loans (measured by an effective interest rate calculation) and includes accrued interest.

The amounts owing are as follows:

	2016/2017		2017/2018	
	Long-Term £000	Short-Term £000	Long-Term £000	Short-Term £000
<b>PWLB</b>	<b>34,196</b>	<b>1,012</b>	<b>33,112</b>	<b>1,084</b>
<b>Dudley MBC</b>	<b>3,167</b>	<b>252</b>	<b>2,890</b>	<b>277</b>
<b>Total Principal Amount</b>	<b>37,363</b>	<b>1,264</b>	<b>36,002</b>	<b>1,361</b>
<b>Plus Accrued Interest</b>	<b>-</b>	<b>197</b>	<b>-</b>	<b>176</b>
<b>Total Amortised Cost</b>	<b>37,363</b>	<b>1,461</b>	<b>36,002</b>	<b>1,537</b>

## 15.4 Fair Value Measurement

IFRS 13 requires that local authorities measure some of their financial instruments at fair value and to apply the relevant input levels of the fair value hierarchy that are detailed in 1.9.3 of the Authority's accounting policies.

### 15.4.1 Fair Value of Assets and Liabilities at Amortised Costs

Financial Liabilities and financial assets represented by loans and receivables and long-term creditors and debtors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- Actual ranges of interest rates at 31<sup>st</sup> March 2018 of 9.75% to 3.95% for loans from the PWLB;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than twelve months, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### 15.4.2 Financial Liabilities

The fair values are as follows:

	2016/2017		2017/2018	
	Carry Amount £000	Fair Value £000	Carry Amount £000	Fair Value £000
<b>PWLB Short &amp; Long Term Loans</b>	<b>35,208</b>	<b>63,372</b>	<b>34,196</b>	<b>61,481</b>
<b>Dudley MBC (WMCC)</b>	<b>3,419</b>	<b>3,419</b>	<b>3,167</b>	<b>3,167</b>
<b>Total</b>	<b>38,627</b>	<b>66,791</b>	<b>37,363</b>	<b>64,648</b>

Overall, the fair value for 2017/2018 is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair values for the financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest. The fair value of WMCC debt is taken to be the same as the amount of principal outstanding.

### 15.4.3 Financial Assets

The carrying amount and the fair value of the Authority's financial assets are the same due to the short term nature of the transactions.

### 15.4.4 Fair Value Hierarchy for Financial Assets and Financial Liabilities

The fair value for financial liabilities and financial assets that are not measured at fair value included in Levels 2 in the table below have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

	Quoted prices in active markets for identical assets  (Level 1) £000	Other significant observable inputs  (Level 2) £000	Significant unobservable inputs  (Level 3) £000	TOTAL 31 March 2017  £000
<b><u>LIABILITIES</u></b>				
Financial Liabilities (Loans)	-	66,791	-	66,791
Plus Accrued Interest	-	197	-	197
<b>Total Borrowing</b>	-	66,988	-	66,988
<b>Creditors</b>	-	4,054	-	4,054
<b>Total Liabilities</b>	-	71,042	-	71,042
<b><u>ASSETS</u></b>				
Cash & Cash Equivalents	-	57,428	-	57,428
<b>Total Investments</b>	-	57,428	-	57,428
<b>Debtors</b>	-	9,048	-	9,048
<b>Total Assets</b>	-	66,476	-	66,476



	Quoted prices in active markets for identical assets  (Level 1) £000	Other significant observable inputs  (Level 2) £000	Significant unobservable inputs  (Level 3) £000	TOTAL 31 March 2018  £000
<b><u>LIABILITIES</u></b>				
Financial Liabilities (Loans)	-	64,648	-	64,648
Plus Accrued Interest	-	176	-	176
Total Borrowing	-	64,824	-	64,824
Creditors	-	4,955	-	4,955
Total Liabilities	-	69,779	-	69,779
<b><u>ASSETS</u></b>				
Cash & Cash Equivalents	-	51,379	-	51,379
Total Investments	-	51,379	-	51,379
Debtors	-	6,741	-	6,741
Total Assets	-	58,120	-	58,120

## 15.5 Nature and extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.

Liquidity risk – the possibility that the Authority might not have the funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measurements as interest rates.

### 15.5.1 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The Authority does not generally allow credit for customers, such that £1.163m of the £13.100m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £000	31 March 2018 £000
<b>Less than three months</b>	<b>312</b>	<b>1,148</b>
<b>Three to six months</b>	<b>21</b>	<b>6</b>
<b>Six months to one year</b>	<b>18</b>	<b>6</b>
<b>More than one year</b>	<b>44</b>	<b>3</b>
<b>Total</b>	<b>395</b>	<b>1,163</b>

### 15.5.2 Liquidity risk

As the Authority has ready access to borrowings, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

### 15.5.3 Market risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

During 2017/18, if interest rates on investments had been 0.25% lower with all other variables held constant, the impact on the CIES would be a fall in interest received of £0.155m (2016/2017 £0.168m). The impact of a 0.25% increase in interest rates would be the same but reversed, interest would increase by £0.155m (2016/2017 £0.168m).

The Authority's borrowing is at fixed rates, therefore there is little flexibility for any movement and impact on the CIES.

## 16. INVENTORIES

	General Stores		Mechanical Stocks		Heating Oil Petrol/ Diesel		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance outstanding at start of year	339	366	170	168	73	95	582	629
Purchases	470	832	332	280	496	494	1,298	1,606
Recognised as an expense in the year	(443)	(732)	(334)	(283)	(474)	(495)	(1,251)	(1,510)
Written off balances	-	-	-	-	-	-	-	-
Balance outstanding at year-end	366	466	168	165	95	94	629	725

Inventories are valued at the year end and included in the balance sheet at latest price.

## 17. SHORT TERM DEBTORS

31 March 2017 £000		31 March 2018 £000
7,411	Central government bodies	5,177
6,747	Other local authorities	6,529
72	National Health Service bodies	4
14	Public corporations and trading funds	14
854	Other entities and individuals	1,376
15,098	Total Short Term Debtors	13,100

## 18. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2017 £000		31 March 2018 £000
11	Cash held by the Authority	10
57,417	Bank current accounts	51,369
57,428	Total Cash and Cash Equivalents	51,379

## 19. CREDITORS

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31 March 2017 £000		31 March 2018 £000
	<b>Creditors - Revenue</b>	
2,399	Central government bodies	2,465
5,264	Other local authorities	5,235
2,877	Other entities and individuals	3,165
10,540	<b>Total Creditors - Revenue</b>	<b>10,865</b>
	<b>Creditors – Capital</b>	
386	Other entities and individuals	772
386	<b>Total Creditors – Capital</b>	<b>772</b>
10,926	<b>Total Creditors</b>	<b>11,637</b>

## 20. PROVISIONS

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### 20.1 Insurance

An insurance provision of £0.426m has been provided for previous years' employee and public liability claims, it is held in line with recommendations of the actuarial valuation. Whilst the Actuary can give advice about the total value of claims they are not able to confirm when these will be submitted.

### 20.2 Holiday Pay – Normal Remuneration

The principle that all employees are entitled to a minimum amount of holiday leave was first confirmed by the European Working Time Directive in 1993. The Directive has been amended many times since its original publication to strengthen the rights of employees and to clarify the payment that should be received. A court ruling judgement made on 31 July 2017 has the effect that during a period of directive leave an employee should receive normal remuneration. It has been agreed with representative bodies that a solution will be implemented to meet the requirements of this court ruling and payments will be backdated to 1 July 2015. A provision of £0.296m has been provided for these payments.

## 21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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21.1 The cash flows for operating activities include the following items:

2016/2017 £000		2017/2018 £000
(304)	Interest received	(283)
2,217	Interest paid	2,121

21.2 The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2016/2017 £000		2017/2018 £000
(4,960)	Depreciation	(4,830)
(4,466)	Impairment and downward valuations	(4,007)
(7)	Amortisation	(6)
-	(Increase)/decrease in impairment for bad debts	41
606	(Increase)/decrease in Creditors	(230)
33	Increase/(decrease) in Debtors	(2,038)
47	Increase/(decrease) in Inventories	95
(56,150)	Movement in pension liability	(54,324)
251	Contributions to Provisions	(296)
(60)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(1,200)
(64,706)	Net cash (inflows)/outflows from adjustments to net surplus or deficit on the provision of services for non-cash movements	(66,795)

21.3 The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2016/2017 £000		2017/2018 £000
61	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	2,131
14	Capital Grants credited to Surplus or Deficit on the provision of services	-
75	Net cash (inflows)/outflows from adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,131

## **22. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

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<b>2016/2017 £000</b>		<b>2017/2018 £000</b>
<b>3,393</b>	<b>Purchase of property, vehicles, plant and equipment, investment property and intangible assets</b>	<b>4,141</b>
<b>(61)</b>	<b>Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets</b>	<b>(2,131)</b>
<b>(14)</b>	<b>Capital Grants Received</b>	<b>-</b>
<b>3,318</b>	<b>Net cash (inflows)/outflows from investing activities</b>	<b>2,010</b>

## **23. CASH FLOW STATEMENT - FINANCING ACTIVITIES**

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<b>2016/2017 £000</b>		<b>2017/2018 £000</b>
<b>1,073</b>	<b>Repayments of short and long term borrowing</b>	<b>1,264</b>

## 24. OFFICERS' REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

Total (Inc. pension) 2016/2017 (Restated) £		Salary £	Expenses Allowances £	Total (excluding pension) £	Pension £	Total (including pension) 2017/2018 £
	<b>Senior Officer whose salary is £150,000 or more per year:</b>					
<b>203,700</b>	<b>Chief Fire Officer – Phil Loach</b>	<b>175,046</b>	<b>1,339</b>	<b>176,385</b>	<b>36,443</b>	<b>212,828</b>
	<b>Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:</b>					
<b>164,054</b>	<b>Deputy Chief Fire Officer - Director Service Support</b>	<b>139,685</b>	<b>1,435</b>	<b>141,120</b>	<b>29,199</b>	<b>170,319</b>
<b>153,446</b>	<b>Assistant Chief Fire Officer - Director Service Delivery</b>	<b>131,554</b>	<b>1,397</b>	<b>132,951</b>	<b>27,389</b>	<b>160,340</b>
<b>112,906</b>	<b>Strategic Enabler of Finance and Resources</b>	<b>100,520</b>	<b>-</b>	<b>100,520</b>	<b>18,697</b>	<b>119,217</b>
<b>86,877</b>	<b>Strategic Enabler People Support Services (Note 1)</b>	<b>76,306</b>	<b>1,339</b>	<b>77,645</b>	<b>9,933</b>	<b>87,578</b>
<b>76,173</b>	<b>Strategic Enabler Portfolio (Note 2)</b>	<b>70,681</b>	<b>1,342</b>	<b>72,023</b>	<b>9,712</b>	<b>81,735</b>
<b>63,969</b>	<b>Strategic Enabler Strategic Hub</b>	<b>57,126</b>	<b>-</b>	<b>57,126</b>	<b>10,625</b>	<b>67,751</b>
<b>861,125</b>		<b>750,918</b>	<b>6,852</b>	<b>757,770</b>	<b>141,998</b>	<b>899,768</b>

Note 1: This post now reports to the Chief Fire Officer and not the Deputy Chief Fire Officer.

Note 2: This is a redesignated post with effect from 25 May 2017.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2016/17 Number of employees (Restated)	2017/18 Number of employees
£ 50,000 to £ 54,999	41	40
£ 55,000 to £ 59,999	5	12
£ 60,000 to £ 64,999	9	12
£ 65,000 to £ 69,999	3	1
£ 70,000 to £ 74,999	1	4
£ 75,000 to £ 79,999	0	0
£ 80,000 to £ 84,999	0	0
£ 85,000 to £ 89,999	0	0
<b>Total</b>	<b>59</b>	<b>69</b>

The table above excludes the senior officers who are reported separately.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) +(c)]		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	2	-	1	-	3	-	£37,763	-
£20,001 - £40,000	-	-	1	-	1	-	£39,100	-
£40,001 - £60,000	-	-	-	1	-	1	-	£40,949
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	1	-	1	-	£90,102	-
£100,001 - £150,000	-	-	-	1	-	1	-	£117,674
£150,001 - £200,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>£166,965</b>	<b>£158,623</b>

The Authority agreed to terminate the contracts of 2 employees in 2017/18, incurring costs of £159k (£167k in 2016/17).



## 25. MEMBERS' ALLOWANCES

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The Authority paid the following amounts to Members of the Authority during the year:

2016/2017 £000		2017/2018 £000
247	Allowances	251
7	Expenses	8
254	Total	259

## 26. EXTERNAL AUDIT COSTS

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Fees payable to external auditors:

2016/2017 £000			2017/2018 £000
39	Grant Thornton	Fees payable for the external planned audit work	38
3		Non-audit services	-
-	Public Sector Audit Appointments	Public Sector refund – Closure of Audit Commission	(5)
42		Total	33

## 27. RELATED PARTIES

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The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Letters have been sent to Brigade Managers, Statutory Officers and current and former Councillors asking them to identify whether they have any relationships with related parties. No members' of the Authority or Chief Officer or parties related to them have undertaken any disclosable related party transactions during the year.

The following material transactions with related parties took place during the year:

<b>2016/2017 £000</b>	<b>Related Party</b>	<b>Nature of Transaction</b>	<b>2017/2018 £000</b>
<b>27,794</b>	<b>Central Government</b>	<b>Revenue Support Grant</b>	<b>23,202</b>
<b>21,849</b>		<b>Business Rates Retention Scheme Grants</b>	<b>23,465</b>
<b>354</b>		<b>Capital Grant</b>	<b>74</b>
<b>38,603</b>	<b>West Midland Local Authorities</b>	<b>Council Tax Income</b>	<b>39,891</b>
<b>9,760</b>		<b>NDR Income</b>	<b>9,598</b>

Grants received are set out in Note 28.

## 28. GRANT INCOME

**28.1** The Authority credited the following grants, contributions and donations to the CIES in 2017/2018:

	2016/2017 £000	2017/2018 £000
<b><i>Credited to Taxation and Non Specific Grant Income:</i></b>		
Revenue Support Grant	27,794	23,202
Business Rates Retention Scheme Grants	21,849	23,465
Capital Grants and Contributions	354	74
<b>Total</b>	<b>49,997</b>	<b>46,741</b>
<b><i>Credited to Services:</i></b>		
New Dimension Training Crewing and Accommodation	899	1,133
Fire Control Project	430	325
MHCLG Pre-Transitional Funding (ESMCP)	1,126	167
Fire Reduction Partnership	190	135
Project Management (ESMCP)	-	112
CFOA Seconded Officer National Procurement	55	52
New Risks Section 29	20	28
New Burdens	8	8
Sandwell Partnerships	-	1
Migration Impact Fund	36	-
Fire Control Project (Staffs. collaboration)	11	-
MHCLG Oxford Power Station (NRAT)	7	-
<b>Total</b>	<b>2,782</b>	<b>1,961</b>

### 28.2 Grants – Receipts in Advance

The Authority has received the following grant that has yet to be recognised as income as it has conditions attached to it that could require the monies to be returned to the giver. The balance at the year-end is as follows:

Current Liabilities	31 March 2017 £000	31 March 2018 £000
<b><i>Grants - Receipts in Advance (Revenue Grants):</i></b>		
Fire Control Project	405	331

Following the termination of the Fire Control project, any surplus of grant held as at the 31<sup>st</sup> March 2018 by the Authority has been reflected as a Receipt in Advance.

## 29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the CFR, a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

	2016/2017 £000	2017/2018 £000
<b>Opening CFR</b>	<b>39,508</b>	<b>38,764</b>
<b>Capital investment:</b>		
Property, Vehicles, Plant and Equipment	3,677	4,527
<b>Sources of finance:</b>		
Capital Receipts	(1,122)	-
Government grants and other contributions	(2,388)	(173)
<b>Sums set aside from revenue:</b>		
Direct Revenue Contributions	(167)	(4,354)
MRP/the Statutory Repayment of Loans Fund Advances	(744)	(787)
<b>Closing CFR</b>	<b>38,764</b>	<b>37,977</b>

<i>Movements in year</i>	2016/2017 £000	2017/2018 £000
MRP/the Statutory Repayment of Loans Fund Advances	(744)	(787)
<b>Increase/(decrease) in CFR</b>	<b>(744)</b>	<b>(787)</b>

## **30. DEFINED BENEFIT PENSION SCHEMES**

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### **30.1 Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

At the 31<sup>st</sup> March 2018 the Authority participated in four post-employment schemes:

- The West Midlands Metropolitan Authorities Pension Fund for civilian and fire control employees, administered locally by Wolverhampton City Council — this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- The 1992, 2006 and 2015 Firefighters' Pension Schemes for fire officers — these are unfunded defined benefit arrangements, there are no investment assets built up to meet the pensions liabilities. Fund Accounts have been set up, into which the Authority and scheme members make contributions and pension payments are made from the fund.

### **30.2 Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

2016/2017	Local Government Pension Scheme £000	Firefighters'				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
<b>CIES</b>						
<i>Cost of services:</i>						
Current service cost	2,524	7,000	160	8,690	430	18,804
Past service costs, including curtailments	165	1,090	130	10	-	1,395
Administration Expenses	37	-	-	-	-	37
<b>Financing and Investment Income and Expenditure:</b>						
Net interest expense	1,431	43,340	1,550	630	1,220	48,171
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,157</b>	<b>51,430</b>	<b>1,840</b>	<b>9,330</b>	<b>1,650</b>	<b>68,407</b>
<b>Other post-employment benefits charged to the CIES:</b>						
<b>Remeasurement of the net defined benefit liability comprising:</b>						
Changes in demographic assumptions	(2,305)	(19,480)	10	-	(1,690)	(23,465)
Changes in financial assumptions	32,102	260,810	21,710	10,880	5,620	331,122
Experience gains and losses	(8,744)	(2,180)	700	(1,250)	(470)	(11,944)
Return on fund assets in excess of interest	(12,861)	-	-	-	-	(12,861)
Other actuarial gains/losses on assets	(3,328)	(40,168)	(21)	7,598	-	(35,919)
<b>Total post-employment benefits charged to the CIES</b>	<b>9,021</b>	<b>250,412</b>	<b>24,239</b>	<b>26,558</b>	<b>5,110</b>	<b>315,340</b>
<b>MIRS</b>						
<b>Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code</b>	<b>(4,157)</b>	<b>(51,430)</b>	<b>(1,840)</b>	<b>(9,330)</b>	<b>(1,650)</b>	<b>(68,407)</b>
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>						
Employers' contributions payable to the scheme	2,733	3,772	69	4,058		10,632
Retirement benefits payable to pensioners	55				1,570	1,625

2017/2018	Local Government Pension Scheme £000	Firefighters'				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
<b>CIES</b>						
<b>Cost of services:</b>						
Current service cost	4,291	7,030	160	14,100	420	26,001
Past service costs, including curtailments	102	1,040	-	-	10	1,152
Administration Expenses	40	-	-	-	-	40
<b>Financing and Investment Income and Expenditure:</b>						
Net interest expense	1,183	38,930	1,800	1,140	1,010	44,063
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,616</b>	<b>47,000</b>	<b>1,960</b>	<b>15,240</b>	<b>1,440</b>	<b>71,256</b>
<b>Other post-employment benefits charged to the CIES:</b>						
<b>Remeasurement of the net defined benefit liability comprising:</b>						
Changes in demographic assumptions	-	(36,690)	(1,160)	(2,240)	(1,350)	(41,440)
Changes in financial assumptions	(4,194)	40,320	5,190	270	310	41,896
Experience gains and losses	-	(29,450)	(1,910)	(1,260)	3,980	(28,640)
Return on fund assets in excess of interest	2,577	-	-	-	-	2,577
Other actuarial gains/losses on assets	-	(37,440)	88	8,046	-	(29,306)
<b>Total post-employment benefits charged to the CIES</b>	<b>3,999</b>	<b>(16,260)</b>	<b>4,168</b>	<b>20,056</b>	<b>4,380</b>	<b>16,343</b>
<b>MIRS</b>						
<b>Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code</b>	<b>(5,616)</b>	<b>(47,000)</b>	<b>(1,960)</b>	<b>(15,240)</b>	<b>(1,440)</b>	<b>(71,256)</b>
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>						
Employers' contributions payable to the scheme	2,846	2,950	58	4,276		10,130
Retirement benefits payable to pensioners	54				1,580	1,634

### 30.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

<b>2016/2017</b>	<b>Funded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 1992 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2006 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2015 £000</b>	<b>Unfunded liabilities: Firefighters' Compensation Scheme £000</b>	<b>Total £000</b>
<b>Present value of the defined benefit obligation</b>	<b>(136,485)</b>	<b>(743)</b>	<b>(1,485,120)</b>	<b>(67,650)</b>	<b>(34,280)</b>	<b>(38,550)</b>	<b>(1,762,828)</b>
<b>Fair value of plan assets</b>	<b>91,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,013</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(45,472)</b>	<b>(743)</b>	<b>(1,485,120)</b>	<b>(67,650)</b>	<b>(34,280)</b>	<b>(38,550)</b>	<b>(1,671,815)</b>

<b>2017/2018</b>	<b>Funded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 1992 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2006 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2015 £000</b>	<b>Unfunded liabilities: Firefighters' Compensation Scheme £000</b>	<b>Total £000</b>
<b>Present value of the defined benefit obligation</b>	<b>(138,945)</b>	<b>(700)</b>	<b>(1,465,910)</b>	<b>(71,760)</b>	<b>(50,060)</b>	<b>(41,350)</b>	<b>(1,768,725)</b>
<b>Fair value of plan assets</b>	<b>97,499</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,499</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(41,446)</b>	<b>(700)</b>	<b>(1,465,910)</b>	<b>(71,760)</b>	<b>(50,060)</b>	<b>(41,350)</b>	<b>(1,671,226)</b>



### 30.4 Reconciliation of the movements in the fair value of scheme (plan) assets:

<b>2016/2017</b>	<b>Funded assets: Local Government Pension Scheme £000</b>	<b>Unfunded assets: Local Government Pension Scheme £000</b>	<b>Unfunded assets: Firefighters' Pension Scheme 1992 £000</b>	<b>Unfunded assets: Firefighters' Pension Scheme 2006 £000</b>	<b>Unfunded assets: Firefighters' Pension Scheme 2015 £000</b>	<b>Unfunded assets: Firefighters' Compensation Scheme £000</b>	<b>Total £000</b>
Opening fair value of scheme assets	72,133	-	-	-	-	-	72,133
Interest income	2,670	-	-	-	-	-	2,670
Remeasurement gain/(loss):							
Return on assets less interest	12,861	-	-	-	-	-	12,861
Other actuarial gains/(losses)	3,328	-	40,168	21	(7,598)	-	35,919
Contributions from Employer	2,733	55	3,772	69	4,058	1,570	12,257
Contributions from employees into the scheme	737	-	2,180	60	3,540	-	6,517
Benefits paid	(3,412)	(55)	(46,120)	(150)	-	(1,570)	(51,307)
Administration expenses	(37)	-	-	-	-	-	(37)
Closing fair value of scheme assets	91,013	-	-	-	-	-	91,013

<b>2017/2018</b>	<b>Funded assets: Local Government Pension Scheme £000</b>	<b>Unfunded assets: Local Government Pension Scheme £000</b>	<b>Unfunded assets: Firefighters' Pension Scheme 1992 £000</b>	<b>Unfunded assets: Firefighters' Pension Scheme 2006 £000</b>	<b>Unfunded assets: Firefighters' Pension Scheme 2015 £000</b>	<b>Unfunded assets: Firefighters' Compensation Scheme £000</b>	<b>Total £000</b>
Opening fair value of scheme assets	91,013	-	-	-	-	-	91,013
Interest income	2,638	-	-	-	-	-	2,638
Remeasurement gain/(loss):							
Return on assets less interest	(2,577)	-	-	-	-	-	(2,577)
Other actuarial gains/(losses)	-	-	37,440	(88)	(8,046)	-	29,306
Contributions from Employer	8,014	54	2,950	58	4,276	1,580	16,932
Contributions from employees into the scheme	776	-	1,710	60	3,790	-	6,336
Benefits paid	(2,325)	(54)	(42,100)	(30)	(20)	(1,580)	(46,109)
Administration expenses	(40)	-	-	-	-	-	(40)
Closing fair value of scheme assets	97,499	-	-	-	-	-	97,499

### 30.5 Reconciliation of present value of the scheme liabilities (defined benefit obligation):

<b>2016/2017</b>	<b>Funded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 1992 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2006 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2015 £000</b>	<b>Unfunded liabilities: Firefighters' Compensation Scheme £000</b>	<b>Total £000</b>
<b>Opening balance at 1 April</b>	<b>(111,379)</b>	<b>(736)</b>	<b>(1,238,480)</b>	<b>(43,480)</b>	<b>(11,780)</b>	<b>(35,010)</b>	<b>(1,440,865)</b>
<b>Current service cost</b>	<b>(2,524)</b>	<b>-</b>	<b>(7,000)</b>	<b>(160)</b>	<b>(8,690)</b>	<b>(430)</b>	<b>(18,804)</b>
<b>Interest cost</b>	<b>(4,075)</b>	<b>(26)</b>	<b>(43,340)</b>	<b>(1,550)</b>	<b>(630)</b>	<b>(1,220)</b>	<b>(50,841)</b>
<b>Contributions from scheme participants</b>	<b>(737)</b>	<b>-</b>	<b>(2,180)</b>	<b>(60)</b>	<b>(3,540)</b>	<b>-</b>	<b>(6,517)</b>
<b>Remeasurement gains and (losses):</b>							
<b>Changes in demographic assumptions</b>	<b>2,247</b>	<b>58</b>	<b>19,480</b>	<b>(10)</b>	<b>-</b>	<b>1,690</b>	<b>23,465</b>
<b>Changes in financial assumptions</b>	<b>(32,016)</b>	<b>(86)</b>	<b>(260,810)</b>	<b>(21,710)</b>	<b>(10,880)</b>	<b>(5,620)</b>	<b>(331,122)</b>
<b>Experience gains/(losses)</b>	<b>8,752</b>	<b>(8)</b>	<b>2,180</b>	<b>(700)</b>	<b>1,250</b>	<b>470</b>	<b>11,944</b>
<b>Past service costs, including curtailments</b>	<b>(165)</b>	<b>-</b>	<b>(1,090)</b>	<b>(130)</b>	<b>(10)</b>	<b>-</b>	<b>(1,395)</b>
<b>Benefits paid</b>	<b>3,412</b>	<b>55</b>	<b>46,120</b>	<b>150</b>	<b>-</b>	<b>1,570</b>	<b>51,307</b>
<b>Closing balance at 31 March</b>	<b>(136,485)</b>	<b>(743)</b>	<b>(1,485,120)</b>	<b>(67,650)</b>	<b>(34,280)</b>	<b>(38,550)</b>	<b>(1,762,828)</b>

<b>2017/2018</b>	<b>Funded liabilities: Local Government Pension Scheme</b>	<b>Unfunded liabilities: Local Government Pension Scheme</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 1992</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2006</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2015</b>	<b>Unfunded liabilities: Firefighters' Compensation Scheme</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	<b>(136,485)</b>	<b>(743)</b>	<b>(1,485,120)</b>	<b>(67,650)</b>	<b>(34,280)</b>	<b>(38,550)</b>	<b>(1,762,828)</b>
<b>Current service cost</b>	<b>(4,291)</b>	<b>-</b>	<b>(7,030)</b>	<b>(160)</b>	<b>(14,100)</b>	<b>(420)</b>	<b>(26,001)</b>
<b>Interest cost</b>	<b>(3,801)</b>	<b>(20)</b>	<b>(38,930)</b>	<b>(1,800)</b>	<b>(1,140)</b>	<b>(1,010)</b>	<b>(46,701)</b>
<b>Contributions from scheme participants</b>	<b>(776)</b>	<b>-</b>	<b>(1,710)</b>	<b>(60)</b>	<b>(3,790)</b>	<b>-</b>	<b>(6,336)</b>
<b>Remeasurement gains and (losses):</b>							
<b>Changes in demographic assumptions</b>	<b>-</b>	<b>-</b>	<b>36,690</b>	<b>1,160</b>	<b>2,240</b>	<b>1,350</b>	<b>41,440</b>
<b>Changes in financial assumptions</b>	<b>4,185</b>	<b>9</b>	<b>(40,320)</b>	<b>(5,190)</b>	<b>(270)</b>	<b>(310)</b>	<b>(41,896)</b>
<b>Experience gains/(losses)</b>	<b>-</b>	<b>-</b>	<b>29,450</b>	<b>1,910</b>	<b>1,260</b>	<b>(3,980)</b>	<b>28,640</b>
<b>Past service costs, including curtailments</b>	<b>(102)</b>	<b>-</b>	<b>(1,040)</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>(1,152)</b>
<b>Benefits paid</b>	<b>2,325</b>	<b>54</b>	<b>42,100</b>	<b>30</b>	<b>20</b>	<b>1,580</b>	<b>46,109</b>
<b>Closing balance at 31 March</b>	<b>(138,945)</b>	<b>(700)</b>	<b>(1,465,910)</b>	<b>(71,760)</b>	<b>(50,060)</b>	<b>(41,350)</b>	<b>(1,768,725)</b>

### 30.6 Local Government Pension Scheme assets comprised:

Asset category	Quoted £000	Unquoted £000	31 March 2017 £000	%
<b>Equity Instruments:</b>				
UK quoted	7,571	-	7,571	8.3
UK unquoted	-	1,102	1,102	1.2
Global quoted	10,861	-	10,861	11.9
Global unquoted	-	7,512	7,512	8.3
Europe	7,789	-	7,789	8.6
Japan	4,023	-	4,023	4.4
Pacific Basin	4,396	-	4,396	4.8
North America	8,525	-	8,525	9.4
Emerging markets	7,484	-	7,484	8.2
<b>Total Equity Instruments</b>	<b>50,649</b>	<b>8,614</b>	<b>59,263</b>	<b>65.1</b>
<b>Bonds:</b>				
UK Government	-	6,614	6,614	7.3
Other	5,086	3,288	8,374	9.2
<b>Total Bonds</b>	<b>5,086</b>	<b>9,902</b>	<b>14,988</b>	<b>16.5</b>
<b>Property:</b>				
UK	-	4,844	4,844	5.3
Property funds	-	2,069	2,069	2.3
<b>Total Property</b>	<b>-</b>	<b>6,913</b>	<b>6,913</b>	<b>7.6</b>
<b>Alternatives:</b>				
Infrastructure	104	2,525	2,629	2.9
Absolute return	-	4,662	4,662	5.1
<b>Total Alternatives</b>	<b>104</b>	<b>7,187</b>	<b>7,291</b>	<b>8.0</b>
<b>Cash:</b>				
Cash instruments	-	2,308	2,308	2.5
Cash accounts	-	250	250	0.3
<b>Total Cash</b>	<b>-</b>	<b>2,558</b>	<b>2,558</b>	<b>2.8</b>
<b>Total Assets</b>	<b>55,839</b>	<b>35,174</b>	<b>91,013</b>	<b>100</b>

Asset category	Quoted £000	Unquoted £000	31 March 2018 £000	%
<b>Equity Instruments:</b>				
UK quoted	9,559	-	9,559	9.7
UK unquoted	-	1,353	1,353	1.4
Global quoted	9,245	-	9,245	9.5
Global unquoted	-	6,290	6,290	6.5
Europe	8,465	-	8,465	8.7
Japan	4,231	-	4,231	4.3
Pacific Basin	4,359	-	4,359	4.5
North America	8,630	-	8,630	8.9
Emerging markets	7,906	-	7,906	8.1
<b>Total Equity Instruments</b>	<b>52,395</b>	<b>7,643</b>	<b>60,038</b>	<b>61.6</b>
<b>Bonds:</b>				
UK Government	-	6,667	6,667	6.8
Other	4,396	4,621	9,017	9.3
<b>Total Bonds</b>	<b>4,396</b>	<b>11,288</b>	<b>15,684</b>	<b>16.1</b>
<b>Property:</b>				
UK	-	5,536	5,536	5.6
Property funds	-	2,202	2,202	2.3
<b>Total Property</b>	<b>-</b>	<b>7,738</b>	<b>7,738</b>	<b>7.9</b>
<b>Alternatives:</b>				
Infrastructure	-	4,052	4,052	4.1
Absolute return	-	3,860	3,860	4.0
<b>Total Alternatives</b>	<b>-</b>	<b>7,912</b>	<b>7,912</b>	<b>8.1</b>
<b>Cash:</b>				
Cash instruments	-	5,290	5,290	5.4
Cash accounts	-	837	837	0.9
<b>Total Cash</b>	<b>-</b>	<b>6,127</b>	<b>6,127</b>	<b>6.3</b>
<b>Total Assets</b>	<b>56,791</b>	<b>40,708</b>	<b>97,499</b>	<b>100</b>

### 30.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters' Pension Scheme has been assessed using an approach and model supplied by GAD and certified by them on 20 April 2018. The West Midlands Metropolitan Authorities Pension Fund has been based on triennial actuarial valuations, the last review being 31 March 2016 and assessed by Barnett Waddingham. In calculating the IAS19 figures for the West Midlands Metropolitan Authorities Pension Fund the actuary assumed an investment return of 0%. The actual return for the year to the 31 March 2018 was 3.24%.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters' Pension Schemes	
	2016/2017	2017/2018	2016/2017	2017/2018
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
• Men	21.8	21.9	22.4	21.9
• Women	24.2	24.3	22.4	21.9
<b>Longevity at 65 for future pensioners:</b>				
• Men	23.9	24.0	24.7	23.9
• Women	26.5	26.6	24.7	23.9
<b>Rate of inflation CPI</b>	2.7%	2.3%	2.35%	2.3%
<b>Rate of increase in salaries</b>	4.2%*	3.8%*	4.35%**	4.3%
<b>Rate of increase in pensions</b>	2.7%	2.3%	2.35%	2.3%
<b>Rate for discounting scheme liabilities</b>	2.8%	2.55%	2.65%	2.55%

\* Allowed for short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. This is consistent with the 2016 valuation of the Fund.

\*\* Allowed for short-term pay restraint by limiting the nominal rate of salary growth to 1.00% each year until the end of 2019/20 accounting year in line with stated Government policy on short-term pay.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the schemes i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

A sensitivity analysis for the West Midlands Metropolitan Authorities Pension Fund as at 31 March 2018 is shown below:

Sensitivity analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	(136,934)	(139,645)	(142,413)
Projected service cost	(4,014)	(4,109)	(4,207)
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	(139,982)	(139,645)	(139,311)
Projected service cost	(4,109)	(4,109)	(4,109)
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	(142,080)	(139,645)	(137,260)
Projected service cost	(4,207)	(4,109)	(4,013)
Adjustment to life expectancy assumptions	+1 year	None	-1 Year
Present value of total obligation	(144,746)	(139,645)	(134,730)
Projected service cost	(4,240)	(4,109)	(3,982)

The tables below show the sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions and the impact on the total liability as at 31 March 2018 for the Firefighters' Pension Schemes:

Firefighters' Pension Scheme 1992 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% increase in real discount rate	-9.0%	132
0.5% increase in long term salaries rate	1.0%	(15)
0.5% increase in the pensions increase rate	7.5%	(110)
1 year increase in member life expectancy	2.5%	(37)

The weighted average duration of the defined benefit obligation for scheme members is approximately 18 years.

Firefighters' Pension Scheme 2006 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% increase in real discount rate	-18.0%	13
0.5% increase in salaries rate	8.5%	(6)
0.5% increase in the pensions increase rate	10.0%	(7)
1 year increase in member life expectancy	3.0%	(2)

The weighted average duration of the defined benefit obligation for scheme members is approximately 34 years.

<b>Firefighters' Pension Scheme 2015 Change in assumption*</b>	<b>Approximate % increase to Employer liability</b>	<b>Approximate effect on total liability £m</b>
<b>0.5% increase in real discount rate</b>	<b>-18.0%</b>	<b>9</b>
<b>0.5% increase in salaries rate</b>	<b>8.0%</b>	<b>(4)</b>
<b>0.5% increase in the pensions increase rate</b>	<b>10.0%</b>	<b>(5)</b>
<b>1 year increase in member life expectancy</b>	<b>2.0%</b>	<b>(1)</b>

The weighted average duration of the defined benefit obligation for scheme members is approximately 34 years.

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

### **30.8 Impact on the Authority's Cash Flows**

The objective of the Local Government Pension scheme is to keep employers' contributions at as constant a rate as possible. The West Midlands Metropolitan Authorities Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2019.

The Local Government Pension scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits to certain public servants.

The £7.9m payment to the West Midlands Pension Fund on 28 April 2017 for employer pension contributions for the Local Government Pension Scheme, included payments for the 1st April 2017 to 31<sup>st</sup> March 2018 £2.72m, 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 £2.63m and 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 £2.54m.

Expected employers' contributions for the firefighters' pension schemes in the year to 31 March 2019 are approximately £7m.



## **31. CONTINGENT LIABILITIES**

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### **31.1 Municipal Mutual Insurance Limited (MMI)**

MMI, through which the Authority had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take a number of years for them to arise, however the Company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the Company entered into a scheme of arrangement with its creditors. Following a Supreme Court judgement on 28<sup>th</sup> March 2012 which found against the Company, it is now highly likely that the scheme of arrangement will be triggered. Once the scheme is implemented, the Authority and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1<sup>st</sup> October 1993. The Contingent Liability is for approximately 50% (£2.060m). Payments of £0.402m (2013/14) & £0.268m (2016/17) have been made and an earmarked reserve is provided for £0.037m. The balance is held in the insurance earmarked reserve (£1.353m).

### **31.2 Firefighters' Pension Scheme (FPS) 2015 – Transitional Protection**

The Fire Brigade Union filed a Notice of Appeal on 17 March 2017, seeking to set aside the decision made by the Employment Tribunal (ET) in the age discrimination claims made by more than 6,000 firefighters regarding the introduction of the 2015 FPS.

The Employment Tribunal's decision has now been overturned by the Employment Appeal Tribunal (EAT). The case will now be returned or 'remitted' to the ET, which will have to weigh up properly the Government's alleged need to implement the 2015 transitional arrangements against the damage that they did to firefighters who missed out on protection just because of their age. The EAT agreed that the ET had to conduct this balancing exercise and failed to do so.

### **31.3 Walker v Innospec Limited**

In July 2017 the Supreme Court handed down judgement in the case of Walker v Innospec Limited and others. The Supreme Court found that it is unlawful to restrict the survivor's pension payable to a surviving civil partner or same sex spouse so that it reflects only the member's pensionable service since 5 December 2005 (the date on which the Civil Partnership Act 2004 came into force). The full implications of the judgement for public pension schemes are unclear.

## **32. OTHER OPERATING EXPENDITURE**

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<b>2016/2017 £000</b>		<b>2017/2018 £000</b>
<b>(26)</b>	<b>(Gains)/losses on the disposal of non-current assets</b>	<b>(996)</b>
<b>-</b>	<b>Levies</b>	<b>308</b>
<b>(26)</b>	<b>Total</b>	<b>(688)</b>

## PENSION FUND ACCOUNT

2016/2017 £000					2017/2018 £000			
1992	2006	Modified	2015		1992	2006	Modified	2015
				<b>Contributions Receivable</b>				
				<b>From Fire Authority</b>				
(3,291)	(47)	(22)	(4,058)	<b>Contributions in relation to pensionable pay</b>	(2,623)	(36)	(22)	(4,276)
(481)	-	-	-	<b>Ill health retirements</b>	(327)	-	-	-
(2,183)	(43)	(24)	(3,538)	<b>From firefighters' contributions</b>	(1,712)	(33)	(24)	(3,792)
				<b>Transfers in</b>				
-	(133)	-	(6)	<b>Individual</b>	-	-	-	-
				<b>Benefits Payable</b>				
36,968	16	7	-	<b>Pensions</b>	37,741	9	7	-
8,084	-	-	-	<b>Commutations and lump sum retirement benefits</b>	4,397	-	-	-
1,095	-	-	-	<b>Lump sum employee contributions holiday</b>	10	-	-	-
-	99	-	-	<b>Lump sum death benefits</b>	-	-	-	-
				<b>Payments to and on account of leavers</b>				
-	32	-	-	<b>Individual transfers</b>	20	5	-	25
40,192	(76)	(39)	(7,602)	<b>Net amount payable for the year</b>	37,506	(55)	(39)	(8,043)
(40,192)	76	39	7,602	<b>Top up Grant payable by the Government</b>	(37,506)	55	39	8,043
-	-	-	-		-	-	-	-

2016/2017 £000	NET ASSETS STATEMENT	2017/2018 £000
-	<b>Ill health retirements</b>	<b>44</b>
-	<b>Commutations and lump sum retirement benefits</b>	<b>(68)</b>
(371)	<b>Lump sum employee contributions holiday</b>	<b>-</b>
7,347	<b>Top-up receivable from the Government</b>	<b>4,767</b>
(6,976)	<b>Amount owing to General Fund</b>	<b>(4,743)</b>
-		<b>-</b>

## NOTES TO THE PENSION FUND ACCOUNT

The fund was established at 1<sup>st</sup> April 2006 under the Firefighters' Pension Scheme (Amendment) England Order 2006 and covered both the 1992 and 2006 Firefighters' Pension Schemes. From 1<sup>st</sup> April 2015, a new firefighters' pension scheme and a modified section in the 2006 scheme was established. The fund now includes the 1992, 2006 and 2015 schemes. Before 1<sup>st</sup> April 2006 the Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. The Firefighters' Pension Schemes remain unfunded and consequently the fund has no investment assets. Benefits are funded by contributions from the Authority and employees and any difference between benefits payable and contributions receivable is met by top-up grant from the MHCLG.

Government funding by top-up grant is paid in two installments, 80% of the estimated annual amount is received in August of the relevant year with the balance paid once actual figures have been determined.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the MHCLG and are subject to revaluation every four years' by GAD. The contribution rates for 2017/18 are shown in the tables below:

	1992 Scheme %	2006 Scheme %	Modified %
<b>Employer's</b>	<b>21.7</b>	<b>11.9</b>	<b>21.7</b>
<b>Employees' Pensionable pay band</b>			
<b>Up to £15,454</b>	<b>11.0</b>	<b>8.5</b>	<b>11.0</b>
<b>&gt; £15,454 to £21,636</b>	<b>12.2</b>	<b>9.4</b>	<b>12.2</b>
<b>&gt; £21,636 to £30,909</b>	<b>14.2</b>	<b>10.4</b>	<b>14.2</b>
<b>&gt; £30,909 to £41,212</b>	<b>14.7</b>	<b>10.9</b>	<b>14.7</b>
<b>&gt; £41,212 to £51,515</b>	<b>15.2</b>	<b>11.2</b>	<b>15.2</b>
<b>&gt; £51,515 to £61,818</b>	<b>15.5</b>	<b>11.3</b>	<b>15.5</b>
<b>&gt; £61,818 to £103,030</b>	<b>16.0</b>	<b>11.7</b>	<b>16.0</b>
<b>&gt; £103,030 to £123,636</b>	<b>16.5</b>	<b>12.1</b>	<b>16.5</b>
<b>&gt; £123,636</b>	<b>17.0</b>	<b>12.5</b>	<b>17.0</b>

	2015 Scheme %
<b>Employer's</b>	<b>14.3</b>
<b>Employees' Pensionable pay band</b>	
<b>Up to £27,543</b>	<b>10.5</b>
<b>£27,544 to £51,005</b>	<b>12.7</b>
<b>£51,006 to £142,500</b>	<b>13.5</b>
<b>£142,501 or more</b>	<b>14.5</b>

The fund is administered by the Authority and managed by the Strategic Enabler of Finance and Resources. Benefits are paid to retired officers, their survivors and others who are eligible for benefits under both the 1992, 2006 and 2015 Firefighters' Pension Schemes.

The fund is statutorily prevented from including interest on cashflows and administration expenses in the pension fund. These expenses are borne by the Authority in its main accounts.

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the 31<sup>st</sup> March 2018. For further information on the liability to pay pensions see Note 30.

The account is prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies, with one exception that accounting for transfer values are on a cash basis rather than accruals basis.

## ANNUAL GOVERNANCE STATEMENT

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### 1. Scope of Responsibility

- 1.1 West Midlands Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.
- 1.3 The Authority has complied with the code of corporate governance which is consistent with the principles of the revised CIPFA/SOLACE Framework 2016 published by CIPFA in association with the International Federation of Accountants (IFAC) – Delivering Good Governance in Local Government. The Authority has also complied with the requirements of CIPFA's statement on the role of the Chief Financial Officer in Local Government. This Annual Governance Statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 which require the Authority to prepare an Annual Governance Statement.

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31<sup>st</sup> March 2018 and up to the date of the approval of the annual report and statement of accounts.

### **3. The Governance Framework**

The key elements of the systems and processes that comprise the Authority's governance arrangements include the following:-

- 3.1 The Authority has produced a Corporate Strategy setting out its objectives and there is regular performance monitoring in which achievement of the Authority's objectives is measured and monitored.
- 3.2 The Authority has established clear channels of communication with the community and stakeholders regarding the production of the Annual Report and consultation on the key priorities of the Service. This also encourages open communication.
- 3.3 The Authority facilitates policy and decision-making via regular Policy Planning Forums and Authority and Executive Committee meetings. An Audit Committee provides independent assurance to the Authority on risk management and internal control and the effectiveness of the arrangements the Authority has for these matters. The constitution of the Committees including the terms of reference is reviewed annually and available on the Internet.
- 3.4 The Authority ensures compliance with established strategies, procedures, laws and regulations – including risk management. The Authority also maintains and reviews regularly its code of conduct and whistle blowing policy. There is a comprehensive induction programme in place and information regarding strategies and procedures are held on the intranet, which continues to be developed. The Authority has a strong Internal Audit function and established protocols for working with External Audit.
- 3.5 West Midlands Fire and Rescue Authority will continue to enhance and strengthen its internal control environment through the review of current policies and procedures.
- 3.6 The Authority has corporate risk management arrangements in place which are supported by an approved Risk Management Strategy enabling Managers and other senior officers to identify, assess and prioritise risks within their own work areas which impact on the ability of the Authority and its services to meet objectives. To consider the effectiveness of the Authority's risk management arrangements is a specific term of reference for the Audit Committee and risk management is a specific responsibility of both the Chairman and Vice Chairman.
- 3.7 The Authority's Corporate Risk Register identifies the principal risks to the achievement of the Authority's objectives and assesses the nature and extent of those risks (through assessment of likelihood and impact). The Register identifies risk owners whose responsibility includes the identification of controls and actions to manage them efficiently, effectively and economically.
- 3.8 The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. The Authority plans its spending on an established planning cycle for policy development, budget setting and performance management through the business planning process. This ensures that resources

are aligned to priorities and secures best value from the resources that are available.

- 3.9 The Chief Financial Officer is a key member of the leadership team, helping to develop and implement the Authority's strategy. The Authority's financial system is an ORACLE based general ledger and management information system, which integrates the general ledger function with those of budgetary control and payments. Financial Regulations and Contract Procedure Rules are approved and regularly reviewed by the Authority. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action initiated.
- 3.10 The Authority's performance management and reporting of performance management continues to be improved with a more focused Corporate Strategy, the setting of priorities and is supported by regular performance monitoring. Corporate performance is reported on a quarterly basis and this process provides officers and Members with the opportunity to share knowledge and understanding about key performance issues affecting services.
- 3.11 The Authority within its committee framework has a Standards Committee to promote high ethical standards amongst Members. This Committee leads on developing policies and procedures to accompany the Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct. The Authority also has a Scrutiny Committee which undertakes performance management functions and informs policy development.
- 3.12 The Fire and Rescue National Framework for England sets out a requirement for Fire and Rescue Authorities to publish 'Statements of Assurance'. Specifically, Fire and Rescue Authorities must provide assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in this Framework. The Authority has approved the Statement of Assurance which is available on the Service's website.

#### **4. Review of Effectiveness**

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the statutory officers and principal managers of the Authority who have responsibility for the development and maintenance of the governance environment, the internal audit annual report and comments made by the external auditors in their annual audit letter and other reports.
- 4.2 Section unit business plans contain a variety of performance indicators and targets that are regularly reviewed.

4.3 The Authority's political governance arrangements, which are appropriately reviewed by officers, set out the responsibilities of both Members and senior managers. In particular the Authority has identified the following statutory post holders:-

- Chief Fire Officer
- Treasurer
- Monitoring Officer

In addition to the statutory posts, the post of Clerk to the Authority has been maintained.

4.4 The arrangements for the provision of internal audit are contained within the Authority's Financial Regulations. The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority.

4.5 The resulting Audit Plan is discussed and agreed with officers of the Strategic Enabling Team and the Audit Committee and shared with the Authority's external auditor. Meetings between the internal and external auditor ensure that duplication of effort is avoided. All Authority Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

4.6 The Authority's review of the effectiveness of the system of internal control is informed by:-

- The work undertaken by Internal Audit during the year;
- The work undertaken by the external auditor reported in their annual audit;
- Other work undertaken by independent inspection bodies.

4.7 From the work undertaken by Internal Audit in 2017/2018 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.

4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.



- 4.9 Audit Services have reported and advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

## **5. Significant governance arrangements within the Authority**

- 5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-

- Prevention – Safer and healthier communities
- Protection – stronger business communities
- Response – dealing effectively with emergencies

- 5.2 These form the basis of the Authority's Corporate Strategy known as The Plan 2017-2020 which sets out the outcomes and priorities based on the Community Safety Strategy. The five-minute attendance standard lies at the heart of the Service Delivery Model. The model shows how staff provide the core prevention, protection and response services to make the West Midlands safer, stronger and healthier.

- 5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2016/2017 audit work which reported an unqualified opinion on the financial statements. It also issued an unqualified value for money conclusion stating that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in the use of resources.

- 5.4 Based on audit work undertaken during the year an Annual Internal Audit Report was presented to the Audit Committee on 4 June 2018, Audit work which was completed in 2017/2018 included:-

- Risk Management
- Fixed Asset Accounting
- Fire Stations – Management of Fuel
- Accounts Receivable
- Partnerships
- Accounts Payable
- Absence Management
- Budgetary Control
- Payroll
- Governance
- Environmental Protection Targets
- Data Protection / IT
- Pensions Certification

## 5.5 As a result of these audits the following were identified as the main issues:-

### Absence Management

A review was undertaken to provide assurance on the level of compliance with the requirements of the absence management policy. One fundamental and one significant issue was identified relating to:

- examples were found of managers uploading copies of fit notes to HMRS. The sharing of data without the specific consent of the employee is a breach of the data protection regulations and could lead to action being taken by the Information Commissioner's Office (ICO) and fines applied. The introduction of the new General Data Protection Regulations (GDPR), effective from 25 May 2018, will have a greater impact in terms of fines, as the maximum potential fine per breach will increase from £500,000 to £17million.
- during the review, one manager reported that they still received absence triggers/alerts in respect of staff for whom they no longer had operational responsibility. Again, the sharing of this data is a breach.

### Fire Stations – Management of Fuel

The procedures for management of fuel are contained within Standing Order 9/1. The purpose of the review was to provide assurance on compliance with established controls relating to ordering, receipt and dispensing of fuel at a sample of stations. Issues of significance identified related to:

- fuel being ordered when the tank was below the re-order level. In addition, it is a requirement that fuel is delivered within two days. This target was not always achieved. This exposes the Authority to the risk of having insufficient fuel to provide the level of service required.
- it is a requirement of the standing order to report variances between fuel book stock and physical stock, which exceed 150 litres. Examples were found where such variances were not reported and as such, not investigated.

### Partnerships

A review was undertaken to provide assurance that partnership agreements had been properly established and that effective governance and monitoring arrangements were in place to ensure that expected outcomes were achieved. Two issues of significance were identified relating to:

- the “Partnerships Governance Arrangements and Framework” document, which details the key processes to be followed in setting up a partnership, states that the Partnerships Team will undertake quality assurance checks and provide assurance that:
  - each partnership agreement has clearly defined roles and responsibilities and strong governance arrangements in place.
  - effective partnership monitoring arrangements are in operation.

These quality assurance checks had yet to commence. As such, there was a risk that the initial momentum generated by the Partnership Team could stall, resulting in a lack of consistency in approach by partnership facilitators and learning opportunities missed. Thus, undermining a key goal of the Authority of establishing effective partnership arrangements.

- it is a policy of the Authority, that as part of the governance and planning of all partnership arrangements and partnership activity, that as a minimum an Initial Equality Impact Assessment (IEIA) is undertaken. However, IEIAs were not being completed and the authority could therefore, be in breach of the Equality Act 2010. This could expose the Authority to the risk of enforcement action being taken by the Equality and Human Rights Commission or result in a legal challenge.
- 5.6 The main issues outlined above, together with any other issues highlighted in the Annual Internal Audit Report have been raised with relevant managers and actions have been taken to achieve improvements.
- 5.7 As part of the Finance Settlement for 2016/17, an offer was made for a multiyear funding settlement. Any Authority wishing to take up the four year funding settlement to 2019/20 was required to set out their proposals in an Efficiency Plan to qualify for the four year settlement from April 2016. The Authority considered and approved the Efficiency Plan which was submitted to the Home Office. In February 2018, the Secretary of State for Ministry of Housing, Communities and Local Government confirmed the Authority's funding settlement for 2018/19. The core funding reduction of approximately £1.7m in 2018/2019 is broadly in line with the provisional four year settlement. At this stage the provisional four year settlement is considered to be a reasonable basis to formulate medium term financial planning although a further core funding reduction of £1m has been assumed in year 3 (2020/21) of the medium term financial plan, given that it extends beyond the Efficiency Plan timescales.
- 5.8 With the anticipation of cuts to government funding continuing into future years, the Authority faces considerable financial pressures which could result in difficulties to deliver an efficient and effective service, which in turn would increase the risk to the communities of the West Midlands. A key aim for the Authority is to therefore identify and deliver further Service efficiencies to ensure the ongoing stability of the Authority's financial position.

## 6. Certification

- 6.1 To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.



John Edwards  
Chairman



Phil Loach  
Chief Fire Officer

## GLOSSARY OF TERMS

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### ***Accruals***

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

### ***Accumulated Absences Account***

The estimated cost of any untaken employee benefits.

### ***Balance Sheet***

A statement of assets, liabilities and other balances at the end of an accounting period.

### ***Capital Adjustment Account***

The fundamental principal of capital accounting is that accounting for non-current assets is separated from accounting for their financing. This is one of two reserves that help to manage this separation. It provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.

### ***Capital Expenditure***

Expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains the value of an existing fixed asset.

### ***Capital Receipt***

Money received from the disposal of land and other assets. Capital receipts can only be used to fund capital expenditure.

### ***Chartered Institute of Public Finance and Accountancy (CIPFA)***

The only leading professional accountancy body in the UK specialising in the public sector. It has responsibility for setting accounting standards for local government.

### ***Code – code of practice on local authority accounting***

The rules and regulations governing the information and layout of the financial reporting statement of the Authority.

### ***Creditor***

An amount owed by an authority for work done, goods received or services rendered but for which payment has not been made at the end of the year.

### ***Current Assets***

Items from which the Authority derives a benefit but which will be consumed or realised during the next accounting period, e.g. stocks, debtors, cash.

### ***Current Liabilities***

Amounts falling due for payment in the next accounting period.

### ***Current Service Cost (Pensions)***

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Debtor**

A sum due to the Authority but not received at the financial year end.

**Deferred Liability**

Amounts owed to outside bodies to be paid in predetermined instalments over more than one accounting period; e.g. leasing charges.

**Defined Benefit Pension Scheme**

A scheme in which the rules specify the benefits to be paid and the scheme is financed accordingly.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Emoluments**

These are payments received from employment, usually in the form of wages, salaries or fees.

**Employee Benefits**

This is the net cost of any untaken benefit e.g. annual leave at the end of the financial year. This figure is shown in the Provision for Accumulated Absences and Accumulated Absences Accounts. The difference between the amounts held on the two balance sheet dates represents the movement in the Comprehensive Income and Expenditure Account.

**Fixed Asset**

An item from which the Authority will derive a benefit over several accounting periods.

**General Fund**

The total services of the Authority, the net cost of which is met by Council Tax, NDR and Government Grants.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the Authority.

**Heritage Assets**

Assets which are primarily held and maintained for knowledge and cultural purposes.

**Impairment**

A diminution in value of a fixed asset resulting from, inter alia, obsolescence or physical damage.

**Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**International Financial Reporting Standards (IFRS)**

The set of accounting standards that has been introduced across the private and public sector from 1<sup>st</sup> April 2010.

**Inventories**

The value of those items of raw materials and stores the Authority has procured to use on a continuing basis, but which are not used at the balance sheet date.

**Liabilities**

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are payable within one year of the balance sheet date.

**Long term Borrowing**

The total amounts borrowed from external lenders for capital purposes but not repaid at the balance sheet date.

**Long term Debtors**

Amounts due to the Authority to be paid in predetermined instalments over more than one accounting period; e.g. car loans to staff.

**Materiality**

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

**Minimum Revenue Provision**

An amount that is considered prudent which must be set aside from revenue as provision for the repayment of loan debt.

**NDR**

Rates which are levied on business properties.

**Net Book Value**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Realisable Value**

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non Operational Assets**

Non-current assets held by the Authority but not used or consumed in the delivery of services.

**Operational Assets**

Non-current assets held and occupied, used or consumed by the Authority in the delivery of services for which it has either a statutory or discretionary responsibility.

**Past Service Cost (Pensions)**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in the prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Payment in Advance**

Amounts actually paid in a given accounting period prior to the period for which they were payable

**Precept**

The amount levied upon local authorities in the West Midlands by the Fire Authority.

**Provisions**

Amounts set aside to meet future liabilities arising from past events but the exact amount and date on which it will arise is uncertain.

**Receipts in Advance**

Amounts actually received in a given accounting period prior to the period for which they were receivable.

**Related Party**

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority, related parties are deemed to include:

Central Government.

West Midlands Local Authorities.

Members of the Authority or parties related to them.

Chief Officer or parties related to them.

**Reserves**

Amounts set aside to meet future contingencies but whose use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account. This is a crucial distinction between provisions and reserves.

**Revaluation Reserve**

The fundamental principal of capital accounting is that accounting for non-current assets is separated from accounting for their financing. This is one of two reserves that help to manage this separation. It records unrealised revaluation gains arising (since 1<sup>st</sup> April 2007) from holding non-current assets.

**Revenue Expenditure**

Revenue Expenditure is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent assets.

**Revenue Support Grant (RSG)**

A grant from central Government towards the cost of providing services.

**Temporary Loans**

This represents money borrowed for a period of less than one year

**Useful Life**

The period over which the Authority will derive benefits from the use of a fixed asset.





# SUMMARY OF ACCOUNTS



# 2017-2018

# INTRODUCTION

This document is a summary of the Authority's Statement of Accounts for 2017/18.

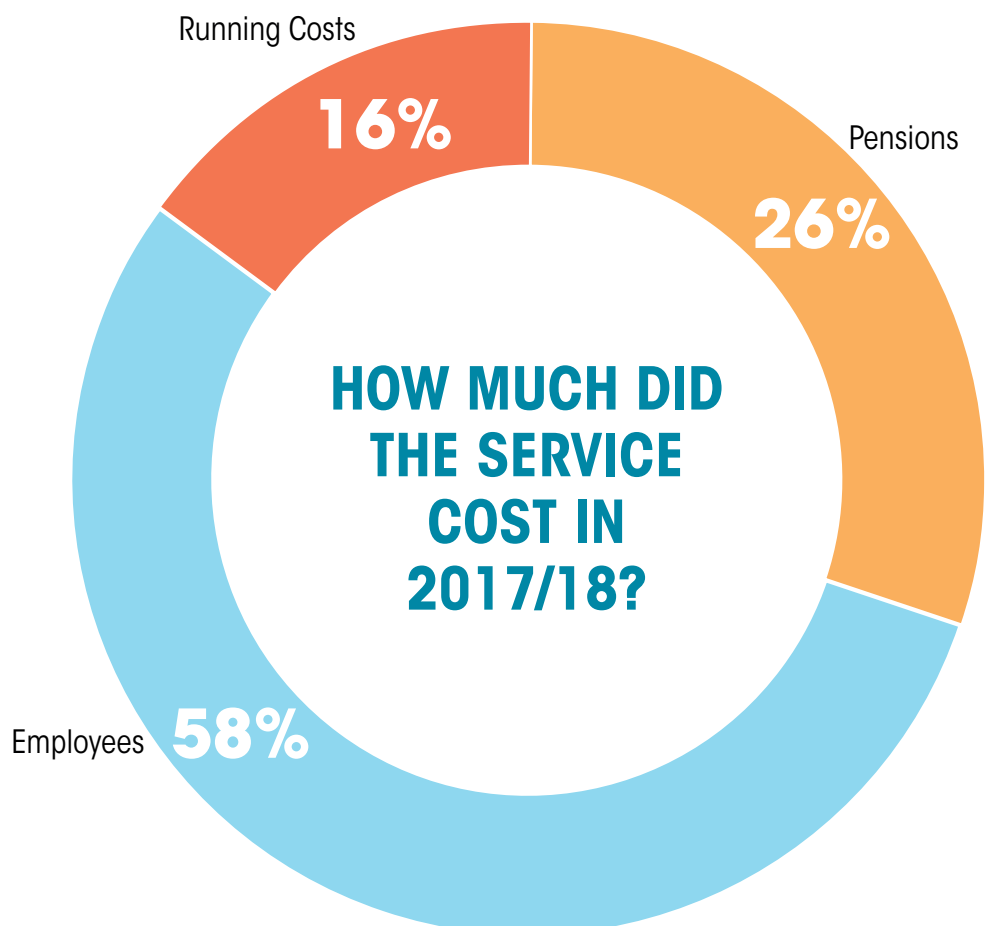
The Authority is responsible for the stewardship of public money and the production of summary accounts allows it to enhance its accountability to the residents of the West Midlands.

The Authority's 2017/18 Statement of Accounts is prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, under International Financial Reporting Standards (IFRS).

These summary accounts have no legal standing and are not subject to external audit.

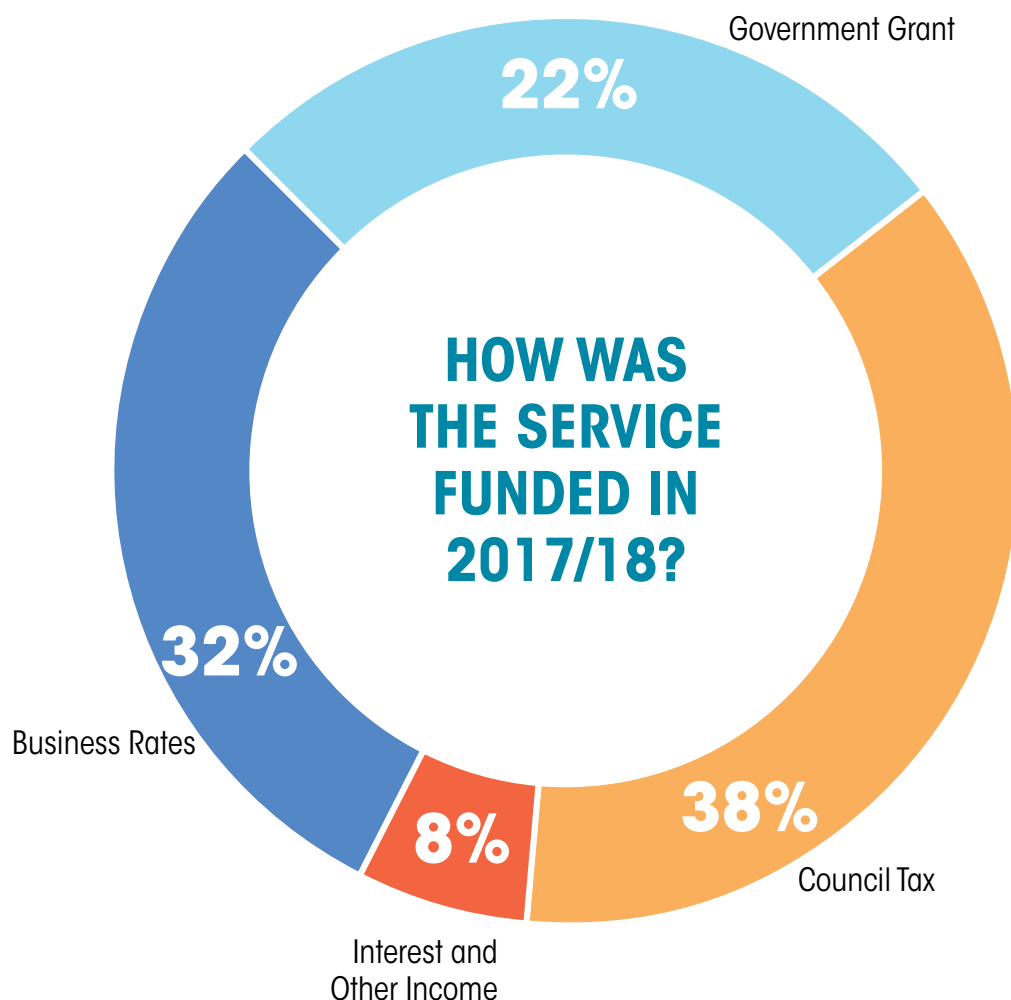
The majority of the net cost of Fire Service expenditure relates to service delivery (£82m) and service support (£22m).

The total Provision of Services in 2017/18 shows a deficit of £67.439m. Within this deficit is the expenditure of the authority which for 2017/18 was £172.122m. The type of costs can be broken down as shown opposite:



The total income of the Authority in 2017/18 was £104.683m. The majority of funding came from the government in the form of grant and a share of business rates.

The main sources of funding are shown opposite.



## BALANCES AND RESERVES

The Fire Authority must consider the level of general balances it wishes to maintain before it can decide the level of Council Tax to charge in any year.

In order to set a balanced budget in 2017/18 the Authority estimated using general balances of £0.850m. The actual level of general balances decreased in the year by £0.846m, leaving £8.390m general balances at the end of the financial year. The Authority holds general balances as funding to meet any unforeseen events which it may need to respond to. Interest is earned on any unused balances.

In addition, as part of the closedown of accounts process, consideration needs to be given to the level of earmarked reserves required. These are amounts set aside to meet specific anticipated future demands. The level of earmarked reserves decreased by £4.750m, this brought the total level of these reserves to £38.984m. Interest is earned on any balances until expenditure is committed against the demands identified.

## CAPITAL EXPENDITURE AND FUNDING

In 2017/18, the Authority spent £4.527 million on capital projects.

The expenditure was incurred on the following:

	£m
Land and buildings	3.328
Vehicles	0.805
ICT & Equipment	0.394

The total expenditure was financed directly by the application of direct revenue contributions (£4.354m) and capital grants (£0.173m)

No borrowing was undertaken to assist with purchase of assets during 2017/18. Borrowing in earlier years meant that at the end of 2017/18 the Authority had total loans of £37.4m (the interest and principal on any loans needs to be met from future revenue budgets). The value of long-term assets held by the Authority as at 31 March 2018 which the loans had helped fund was £144.1m, of which approximately 94% related to land and buildings and 6% related to vehicles and equipment.

Further information can be found by contacting the Finance Manager at  
West Midlands Fire Service Headquarters,  
99 Vauxhall Road,  
Birmingham, B7 4HW.

Telephone: 0121 380 6920 or e-mail [kal.shoker@wmfs.net](mailto:kal.shoker@wmfs.net)

The Authority's full 2017/18 audited Statement of Accounts can be found on our website [www.wmfs.net/](http://www.wmfs.net/)

**17 SEPTEMBER 2018**

1. **MONITORING OF FINANCES**

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

THAT the report be noted.

2. **PURPOSE OF REPORT**

2.1 This report deals with the monitoring of the finances of the Authority in the current financial year and covers revenue expenditure and the Capital Programme.

2.2 Expenditure is compared with a profile of the Authority's budget.

3. **BACKGROUND**

3.1 **Revenue Expenditure**

The Authority's 2018/2019 Council Tax requirement is £41.305 million and the revenue budget is £95.477 million. As part of the Authority's 2018/2019 budget setting process the current year's budget reflects an estimated transfer from general balances of £1.500 million.

Appendix A compares the revenue budgeted to the end of August 2018 with the actuals to that date. Devolved budgets are managed by the Section responsible for incurring the expenditure as opposed to corporate budgets, which are managed by the named Section on behalf of the Brigade as a whole.

Actual spend to August 2018, including commitments, was £42.405 million compared to a projected budget of £42.437 million, an overall favourable variance of £0.032 million. The most significant variances relate to the Corporate Business Development Budget (adverse variance £292k) and the Corporate Finance and Resources Budget (favourable variance £178k, arising from a rates rebate for the HQ/Safeside buildings).

Appendix B provides statistical data relating to the Firefighters' Pension Scheme.

### 3.2 **Capital Expenditure**

The Authority's approved capital programme for 2018/2019 is £14.365 million. A scheme analysis is shown on Appendix C. Expenditure to the end of August 2018 is shown as £4.175 million.

## 4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report, an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

## 5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

## 6. **FINANCIAL IMPLICATIONS**

These are contained in the body of the report and the attached Appendices.

## **BACKGROUND PAPERS**

Authority's Budget and Precept Report – February 2018  
Finance Office Budget Monitoring Files

The contact officer for this report is Philip Hales, Deputy Chief Fire Officer, telephone number 0121 380 6907

PHIL LOACH  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

<b>REVENUE MONITORING SUMMARY TO AUGUST 2018</b>
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	LATEST BUDGET 2018/2019 £'000	PROFILED BUDGET £'000	ACTUALS + COMMIT -MENTS £'000	VARIANCE TO PROFILED BUDGET £'000
<b>DEVOLVED BUDGETS</b>				
Corporate Management	2,624	1,111	1,104	-7
Corporate Charges	492	485	484	-1
<b>Service Support</b>				
People Support Services	6,093	2,800	2,759	-41
Business Development	132	77	79	2
Intelligence and Innovation	1,639	784	833	49
Finance & Resources	5,113	2,093	2,059	-34
ICT	4,684	2,525	2,527	2
<b>Service Delivery</b>				
Operations	50,592	20,928	20,916	-12
<b>CORPORATE BUDGETS</b>				
<b>Service Support</b>				
People Support Services	2,689	1,319	1,289	-30
Business Development	-1,000	-417	-125	292
Intelligence and Innovation	15	11	6	-5
Finance and Resources	15,426	7,848	7,670	-178
ICT	233	133	118	-15
<b>Service Delivery</b>				
Response	5,176	2,166	2,128	-38
Prevention	-2	0	0	-
Protection	-47	-43	-52	-9
<b>Other Income &amp; Expenditure</b>	1,618	617	610	-7
<b>Appropriation to Reserves</b>	0	0	0	0
<b>TOTAL (NET BUDGET REQUIREMENT)</b>	<b>95,477</b>	<b>42,437</b>	<b>42,405</b>	<b>-32</b>
Core Funding	- 54,172	-26,887	-26,887	-
<b>TOTAL (COUNCIL TAX REQUIREMENT)</b>	<b>41,305</b>	<b>15,550</b>	<b>15,518</b>	<b>-32</b>



**FIREFIGHTERS' PENSION SCHEMES**

NON-FINANCIAL INFORMATION	2018/19 PROJECTION				ACTUAL POSITION AS AT AUGUST 2018			
	1992 FPS	2006 FPS	2015 FPS	TOTAL	1992 FPS	2006 FPS	2015 FPS	TOTAL
<b>Members of FPS at 1<sup>st</sup> April 2018</b>	303	11	977	1,291	303	11	977	1,291
<b>New Members</b>	-	-	53	53	-	-	46	46
<b>Opt-In</b>	-	-	-	-	-	-	-	-
<b>Transitional Members during year</b>	-28	-1	29	-	-6	-	6	-
<b>Transfers from Other Pension Schemes</b>	-	-	-	-	-	-	-	-
<b>Transfers to Other Pension Schemes</b>	-	-	-	-	-	-	-	-
<b>Retirements</b>	-38	-2	-	-40	-21	-1	-	-22
<b>Opt-Out</b>	-	-	-10	-10	-	-	-15	-15
<b>Leavers</b>	-	-	-12	-12	-2	-	-6	-8
<b>Ill-Health Retirements</b>	-2	-	-1	-3	-	-	-	-
<b>Members of the Fire Pension Schemes as at 31<sup>st</sup> August 2018</b>					274	10	1,008	1,292



**CAPITAL MONITORING STATEMENT 2018/19**

<b>Scheme</b>	<b>Year 2018/19</b>	<b>Latest Budget £'000</b>	<b>Actuals August 2018 £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>
<b><u>LAND &amp; BUILDINGS</u></b>					
Boiler Replacement Programme	Ongoing	206	95	206	-
Roof Replacements	Ongoing	355	0	378	+23
Windows/Door Replacement	Ongoing	514	212	494	-20
Rewires	Ongoing	130	0	130	-
Coventry Fire Station	4 of 5	4,112	2,747	4,112	-
HQ Alterations	2 of 2	609	10	609	-
Aston Fire Station	4 of 5	4,488	29	4,448	-40
<b><u>VEHICLES</u></b>					
Vehicle Replacement Programme	Ongoing	3,705	1,082	3,705	-
<b><u>ICT &amp; EQUIPMENT</u></b>					
C&C Upgrade Vision 4	1 of 1	221	0	221	-
Oracle Licensing	9 of 9	25	0	0	-25
<b>Grand Total</b>		<b>14,365</b>	<b>4,175</b>	<b>14,303</b>	<b>-62</b>
<b><u>Funded By</u></b>					
Prudential Borrowing		0		0	-
Capital Grants / Contributions		744		744	-
Capital Receipts to be Applied		0		0	-
Revenue Financing / Earmarked Reserves		13,621		13,559	-62
<b>TOTAL</b>		<b>14,365</b>		<b>14,303</b>	<b>-62</b>
<b>SURPLUS(-)/DEFICIT(+)</b>					



# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**17 SEPTEMBER 2018**

Item 8

## **1. THE STRATEGY 2018 - 2022**

Report of the Chief Fire Officer.

### **RECOMMENDED**

- 1.1 THAT Members note the context including financial and operating conditions that has informed and shaped the current three-year strategy (The Plan 2018-2021).
- 1.2 THAT Members note the need to consider revisions to the Authority's strategic direction.

## **2. PURPOSE OF REPORT**

Following the Executive Committee on 6 June 2018, it was recognised there would be a need to revise the Authority's strategy. This report sets out the background and context leading up to the approval of 'The Plan' 2018-2021 by the Authority in February 2018, together with the Financial Efficiency Plan (FEP) and associated budgetary arrangements.

## **3. BACKGROUND**

- 3.1 West Midlands Fire Service (WMFS) has seen significant Service changes during the period of substantial Government core funding reductions, since The Chancellor of the Exchequer announced the Government's four year spending plans in the Comprehensive Spending Review (CSR) on 20 October 2010.
- 3.2 During the period 2011/12 to 2015/16, WMFS suffered the loss of approximately £28M Government core funding, more than any other Fire and Rescue Service (FRS) in the country. The cumulative reduction in core funding is due to reach approximately £38M by the end of the current 2016/17 to 2019/20 CSR period. The further £10M core funding reduction during the current CSR period, framed the basis of the Authority's £10M FEP approved by the Authority in September 2016.

3.3 The magnitude of the core funding reductions since 2011/12 has involved a fundamental review of the range and scale of services delivered by WMFS. Central to the process for this change has been the need to revisit the Integrated Risk Management Plan (IRMP). It is a requirement under the National Framework for Fire and Rescue Services for England, to consider all risks in its area and provide the resources and strategy to manage and reduce those risks and protect the public.

3.4 Because of the nature of the risks that the Authority is required to provide a FRS for, the level of resources provided in its FRS area to deliver its Prevention, Protection and Response strategies, will influence the ability to reduce and protect against the identified and emerging risk in the community.

### 3.5 **IRMP**

3.5.1 The Fire and Rescue Service Act 2004 refers to the National Fire and Rescue Framework (NFD) for England 2018, which sets out the governments high level priorities and objectives for Fire and Rescue Authorities (FRA).

3.5.2 The IRMP, as set out in the NFD, needs to cover a three-year period and be reviewed and revised as often as is necessary. It needs to consider all foreseeable fire and rescue related risks that could affect communities, whether they are local, cross-border, multi-authority and/or national in nature from fires to terrorist attacks. Regard must be had to Community Risk Registers produced by Local Resilience Forums.

3.5.3 Following on from the risk assessment, an FRA must, as set out in the NFD, put in place arrangements to prevent and mitigate these risks, either through adjusting existing provision, effective collaboration and partnership working, or building new capability.

3.5.4 As set out in the NFD, the IRMP is a term used to describe four activities that a FRS has to undertake:

- Risk analysis of all reasonably foreseeable FRS related risks;
- The development of a strategic plan to remove, reduce, control or mitigate that risk including collaboration, partnership working and building new capability;
- Evaluation or measurement of the success in the removal, reduction, control or mitigation of the risk; and
- A statement of assurance that provides assurance of the above process.

3.5.5 WMFS ensures compliance with the expectations as set out in the NFD through producing the following, which together form our IRMP:

3.5.6 **The Community Safety Strategy (CSS)** – the starting point in the development of a strategic plan has to be looking at risk without overlaying any other layers. The CSS is a publicly available and transparent presentation of risk data, enabling all members of the public to apply layers of data to understand risk, vulnerability and current control measures. This also links to ‘The Plan’.

3.5.7 **The Plan** – this is the WMFS strategy. It describes the approach being taken to reduce vulnerability and increase public safety through removing, reducing, controlling or mitigating the risk.

3.5.8 **Performance Indicators (PI)** – this is how WMFS measures its success in reducing risk and vulnerability and increasing public safety across the West Midlands delivery area.

- **The Statement of Assurance** – an annual document provided to our governance structure through an annual ‘Statement of Assurance and Report’ which is publicly available.

3.5.9 All elements of an IRMP need to be transparent and

accessible to the public and consulted upon. WMFS consult on their IRMP every three years, or when there is a material change that will impact on the services communities will receive.

3.5.10 This approach enables compliance with the NFD and leads to an evidence-based approach being taken to reducing vulnerability within the communities.

3.5.11 WMFS risk analysis process is fully integrated within its strategic and resource planning, to ensure the Service's key priorities are informed and driven by evidence. This understanding allows the Service to adopt suitable methodologies to identify, assess and profile risk and vulnerability against the population. Following this we address the risk within different sections/groups of society, by employing a range of risk reduction measures which are proportionate and tailored to the needs of the individuals/groups targeted. The level of support we offer to individuals and businesses is driven by the presence of known factors which increase vulnerability, with greater prevention and protection measures being offered to those who we can evidence are at a greater risk of fire and other emergencies.

### 3.6 **IRMP Considerations Prevention Function**

3.6.1 WMFS data shows a link between health status of an individual and Fire & Rescue related risks such as fire. This is supported by strong correlations between health conditions such as mental illness, physical disability or mobility issues, with both the increased risk of fire and severity of such incidents on the individual in relation to injuries. Addressing health issues through our Prevention work, along with some of the causes, can therefore contribute directly to reducing the fire related risks which WMFS would have to attend in a response function.

Research undertaken by Professor Marmot indicates that the same sections of society who are more likely to need the FRS, are the same people that will draw time and resources from other public services such as Police, Health and Social Services.

3.6.2 To deliver its core Prevention strategy in reducing the risk of fire to the most vulnerable members of its community, WMFS adopted the National Fire Chiefs Council (NFCC) principles for Safe and Well visits in November 2015. This move formalised the change in emphasis to our prevention activity, whereby the WMFS had adopted Marmot principles of tackling social and health inequalities and the approach of "Making Every Contact Count".

3.6.3 We have taken the learning identified during our serious incident review process to develop a person centred approach to our targeted prevention activities. This approach has allowed us to focus on the underlying causes behind fires. There is clear evidence that certain long term health conditions increase an individual's risk and vulnerability to having a fire, and in the worst case scenario suffering serious injury or death. The principle of "upstream activity", identifying and tackling the cause of the cause of preventable death and related injury, underpins our prevention activity across the whole life course of our communities.

3.6.4 The IRMP informs the configuration of the Service Delivery Model (SDM), including the distribution of resources to enable effective risk management through Prevention, Protection and Response activities and maintenance of attendance standards. The changes to the financial situation (refer to the 'Financial Efficiency Plan/Budget' Section of this report) results in the current strategy to deliver prevention, protection and response activities not being deliverable within a balanced budget. The Strategy, or the strategic plan to reduce risk and vulnerability needs to be reviewed.

3.6.5 At present, the SDM is supported through the use of

Voluntary Additional Shifts (VAS) and Resilience Staffing which were introduced through a local agreement to facilitate the 'staff' savings element of the Authority's FEP. It was anticipated a £4M contribution would be realised by 2019/20 through these arrangements, in conjunction with a reduction in the ridership factor and the withdrawal of late shift payments.

- 3.6.6 In addition, there has been a strong focus on reaching a broader local collective agreement through dialogue with the recognised trade unions, which would have enabled service transformation and sustainability. The need to revise the Strategy (as set out in the purpose to this report) indicates there is a low likelihood of making progress in this area for the foreseeable (background relating to this specific issue is contained within the 'Local Agreement' Section of this report).

### 3.7 **IRMP Considerations Protection Function**

- 3.7.1 It is a requirement under the NFD for FRS to consider all risks in their area and provide the resources and strategy to manage and reduce those risks. Staffing levels within the Protection function have seen significant reductions in the number of fire safety officers, resulting in cost savings through salary reductions. The establishment of the Protection team has seen a total reduction of 27% in the number of fire safety officers from 93 in 2006, to the current establishment of 68.

- 3.7.2 The current establishment incorporates:

- 3 Fire Engineers introduced in 2014, to support the discharge of responsibilities under the Primary Authority Scheme and Building Regulation consultations, incorporating fire engineered solutions.
- 9 Business Support Officers (BSOs) crewing 3 Business Support Vehicles (BSVs) responding to automatic fire alarms, supporting the 5-minute risk based attendance standard through maintaining other fleet availability.

- 3.7.3 The Protection function over recent years has been subject



to further staff changes. This has included the replacement of Watch Managers to provide capacity for the BSOs as a consequence of reduced staffing levels of Fire Safety Inspecting Officers. The capacity to deliver full and specific audits within high risk premises has also been significantly reduced.

- 3.7.4 In addition to reduced establishment levels, uniformed Protection Officers also support operational staffing arrangements by providing resilience to maintain the SDM. Provision of integrated resilience has the potential to equate to approximately 550 days per year, which is time Fire Safety Officers are unavailable to carry out proactive audits in high risk premises, as part of the Risk Based Inspection Programme as required by the FRS NFD.
- 3.7.5 In addition to pre-planned audits in high risk premises, there has also been an increase in the number of fire safety complaints due to heightened public awareness and fire safety referrals from partners and other regulators, due to collaborative working. The imbalance of reactive and planned protection activities reduces capacity to carry out pre-planned audits in high risk premises, to reduce risk and enforce legislation. There continues to be a high demand for planning and building regulation application consultations. This continues to be challenging for the team, to achieve statutory obligations. Demands of future large scale developments such as HS2 and the Commonwealth Games will also increase demand for already stretched resources.
- 3.7.6 Whilst identified risk within the IRMP has not changed, the consequences of the Grenfell Tower incident have resulted in enhanced national interest and heightened awareness of the risks of fire within high rise buildings. The perceptions and concerns of members of the community and building owners has necessitated the re-prioritisation of targeted Prevention and Protection activities, to ensure public safety and provide public reassurance. This re-prioritisation of resources has further reduced available capacity to conduct pre-planned risk based inspections within high risk premises.

- 3.7.7 Whilst the future impacts following Grenfell are yet to be confirmed, the recommendations of an Independent Review of Building Regulations and Fire Safety suggest there will be significant implications for FRAs.
- 3.7.8 A new regulatory framework for Higher Risk Residential Buildings (HRRB) under the regulation of a Joint Competent Authority (JCA) which incorporates the FRS, is being developed. It has been identified that there will be resource implications for FRA both in carrying out the role as part of the JCA and ensuring they have suitably qualified people.
- 3.7.9 As a key element of the JCA, FRAs will have a significantly greater role in the approval process for building HRRB. This includes being consulted at the planning stage for the building of new HRRB and when any applications are submitted in relation to other buildings in the immediate vicinity of a HRRB. FRAs will also be involved in reviewing fire safety in existing buildings, resulting in a potential increase of fire safety inspections in addition to Risk Based Inspections and statutory building regulation consultations, within already stretched resources

### **3.8 IRMP Considerations Response Function**

- 3.8.1 WMFS Response capability is enabled through the integrated SDM, with a key focus being on achieving the risk based 5-minute attendance standard and delivering assertive, effective and safe operations.
- 3.8.2 Since the beginning of the CSR period, the Service has been able to realise improvements (performance and effectiveness and efficiency) in this area through transformational change. These changes have included:
- Different crewing arrangements for special appliances, which has enabled the capability to remain available but achieve efficiencies.
  - Commissioning evidence based research on attendance standards and utilising this empirical information to support the 'Seconds do Count' activities and achieve improved attendance times.

- The introduction of a blended fleet, moving away from a fleet of solely traditional fire appliances, to include 19 Brigade Response Vehicles and 3 BSVs.
  - Investment in technology such as the Dynamic Cover Tool and 999eye to enable effective mobilising and resourcing decisions.
  - Creation of a shared Fire Control for WMFS and Staffordshire Fire and Rescue Service that continues to realise savings for both organisations and has improve public safety.
- 
- Reducing the overall establishment and utilising locally agreed Voluntary Additional Shifts to achieve the highest recorded levels of fleet availability, whilst significantly reducing overall costs.

3.8.3 It is also the case that through defining the SDM in the way it is currently, enables for the discretionary capacity of Firefighters to be utilised to carry out risk based interventions, with vulnerable people and businesses through prevention and protection activities.

### 3.9 **Service Support review and options**

3.9.1 Since 2010, a number of reviews (e.g. the Building Upon Success (BuS) programme and the Stop, Make, Buy, Ally (SMBA) programme have taken place within Service Support functions to ensure the effective and efficient delivery of support services. This has primarily been achieved through a reduction in Service Support staff numbers and merging of functions.

3.9.2 The FEP identified a requirement for an overall £10M to be saved by 2019/20. This included Internal Restructures (£1M) and Service Reductions (£1M). These are predominantly being met from Services Support and are on target to be achieved.

3.9.3 Service Support functions are now leaner and more efficient, whilst taking on additional work streams e.g. HMICFRS inspections. In addition, recent national events, for example Grenfell, have highlighted the need to ensure

efficient processes and practices are in place to enable an effective managed response, which includes improved Firefighter and Community Safety. Dealing with the requirements following these types of incidents, requires a greater involvement and impact on Service Support staff.

- 3.9.4 Other specific Service support functions facing increasing work demand include the Organisational Learning and People Development Sections which are providing additional guidance and assurance following the introduction of the Apprenticeship Scheme in 2017.

In addition, the introduction of the National Occupational Guidance requires the ongoing gap analysis and change to policies and procedures through high levels of monitoring and management.

- 3.9.5 The revised approach to recruitment and selection of new entrants into the organisation, continues to improve the attraction rates for underrepresented groups which are amongst the highest levels across the country. Recognition of our approach and success has come from areas such as the Home Office and the Asian Fire Service Association. This has been achieved through high levels of support and engagement from staff across the organisation which in the main is run on “good will”.

- 3.9.6 With ever increasing external scrutiny and the need to provide an evidence based approach, there is a requirement to increase the organisation’s capacity to respond effectively to emerging demands whilst continuing to deliver core functionality. This is critical if the organisation is to deliver strategy and manage the risks these demands create, which potentially emerge from incidents and/or events such as:

- Grenfell Tower;
- Manchester Arena Bombing;
- Firefighter fatalities;
- National Operational Guidance (NOG) implementation;
- HSE & HMICFRS inspections;
- Prevention of future death reports - Coroner reports; and

- Increasing demands upon National Resilience and preparedness – e.g. Marauding Terrorist Firearms Attack (MTFA), ‘Brexit no deal’, Climate Change etc.

- 3.9.7 The WMFS has an Organisational Intelligence capability that needs to be enhanced to meet these and other new requirements. This will require additional system and resource allocation.
- 3.9.8 Due to the scale of change and reductions across support services since the CSR announcement in October 2010, there are indications that some functions are starting to show chronic signs of stress in being able to meet organisational expectations. In order to operate an efficient and effective front line service, it is essential for there to be appropriately resourced support service functions. Given the scale of reductions previously applied, combined with increasing demands, it is anticipated that investment will be required in this area from 2019/20 onwards. This would be considered to enable the provision of appropriately resourced service support functions, ensuring the efficient and effective delivery of front line services.

### 3.10 **Management Reviews**

- 3.10.1 Throughout the comprehensive spending review a number of management reviews and assessments of the workforce profile have been undertaken. Specifically, the most recent have been:
- 3.10.2 The management review of Service Delivery in 2013. This provided a realignment of resources from Station Commander to Area Commander and resulted in a cost saving of £647K, with a 22% reduction in the middle management team. The service made a very conscious decision not to include supervisory managers in the review as they were considered as “front line” services.
- 3.10.3 The management review of Service Support in 2014. This provided a review of management across all levels and realised a cost saving of £651K, with a reduction of 9% in management posts. In addition, to ensure alignment and the appropriate levels of support for Service Delivery, there

have been a number of subsequent reviews and restructures within Service Support functions.

- 3.10.4 The review of the Principal Management Team in 2014. This review realised a cost saving of £235K, with a reduction of 24% when compared to the previous Principal Management Team costs. The Chief Fire Officer now reviews the Strategic Enabling Team every 12 months, to ensure the team are able to respond effectively to the changing internal and external demands in the delivery of the 3 year rolling strategy.

As a result of this review in 2017/18, the Brigade Managers and Area Commanders have now moved to a self-rostering system. This has provided a greater level of flexibility and efficiency in supporting the operational requirements of the flexi duty system (FDS).

- 3.10.5 The current arrangements for Flexi duty is supported through 54 officers. This was last reviewed in 2014 when there was a reduction from 63 to 54 officers (Station Manager to Area Commander). This generated a saving of £102K.
- 3.10.6 In 2015 a decision was taken to not substantiate service delivery (grey book) staff on promotion. As a consequence, we currently have the following percentage of temporary posts, within each identified management level, held within the Service:

Crew Commander – 65% (  
Watch Commander – 57%  
Station Commander and Group Commander – 65%

### 3.11 **Local Agreement contextual journey**

- 3.11.1 New Entrant Contracts' were introduced for all new starters from July 2017. These contracts provided clarity and reflected the wider role of a Firefighter in the West Midlands. This enabled the WMFS to provide commissioned health services as part of the 'Alternative Funding Strategy'. This strategy intended to contribute £2M of the £10M reduction in funding as detailed in the FEP,

thereby enabling the sustainability of the Authority's SDM and allocation of resources to address the risks as set out in the IRMP. Part of the wider local agreement with representative bodies was also the intention to withdraw the Disturbance Allowance of circa £600k per year and the removal of the Late Shift Allowance of circa £300k per year as part of the £4M staff staffing target within the FEP.

- 3.11.2 The Fire Officers' Association and UNISON reached a local agreement to support the Service in delivering wider health related work in recognition of the financial challenge.

The Service was continuing to work to reach a local agreement with the Representative Bodies in a wider context. It is highly unlikely a local agreement could be reached with the FBU that would deliver wider health services and alternative funding through commissioned health activity as well as ongoing Service improvements. This is a significant restriction which places constraints on the ability for the Authority to meet its current FEP and SDM.

- 3.11.3 On the 11 April 2018 the Fire Brigades Union (FBU) lodged a Trade Dispute against the Authority, the details of which are set out in Appendix 1.

- 3.11.4 On the 15<sup>th</sup> June 2018 the FBU notified the Authority of the intention to commence strike action on the 30 June and 4 July 2018. To remove the possibility of industrial action the Executive Committee on the 6 June 2018 deliberated over a report which outlined the key considerations to maintaining the effective delivery of assertive, effective and safe response, protection and prevention services to local communities.

- 3.11.5 The Executive Committee were asked to consider the risks and impacts of two options provided in relation to the:

legal duty of the Authority;  
alignment to the NFD;  
assessment of risk as set out in the IRMP;  
commitment to the agreed FEP; and  
role of the Authority in consulting and approving The Plan

2018-2021.

3.11.6 Two options were provided for the Authority to consider were:

Option 1 - Maintain current delivery of The Plan 2018-21; or  
Option 2 – Revise The Plan 2018-21

3.11.7 The Executive Committee resolved to implement Option 2 to enable the threat of imminent industrial action to be averted.

3.11.8 In selecting Option 2 the Authority are asked to consider the revision of strategy and supporting adjustments to the FEP as set out in the options detailed in Agenda items 9 and 10.

### 3.12 **Financial Efficiency Plan/Budget**

3.12.1 The Fire Authority approved the FEP in October 2016. The anticipated savings reflected within that Efficiency Plan have effectively formed the basis for the Fire Authority's Plan and associated budget arrangements since that point in time.

3.12.2 In the budget report approved by the Authority in February 2018 (despite the projected savings reflected within the FEP), in order to assist with transformational service changes, the further use of General Reserves was anticipated in each of the financial years 2018/19, 2019/20 and 2020/21. The level of General Balances was estimated to be approximately £5M by the end of 2020/21 as shown in the Table below:

<b>31.3.17 £000s</b>	<b>2017/18 £000s</b>	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>	<b>2020/21 £000s</b>	<b>Balance £000</b>
<b>9,236</b>	<b>-850</b>	<b>-1,500</b>	<b>-1,100</b>	<b>-750</b>	<b>5,036</b>

3.12.3 General Reserves are not a sustainable funding source to



meet ongoing revenue expenditure. It was highlighted within the budget report that there would be a requirement to consider further Service changes.

This was to ensure a reduction across each of the three years on the reliance on General Reserves, or at the very least, to ensure by the end of that three-year period there was no longer a reliance on the use of General Reserves to fund the revenue budget.

3.12.4 In addition to these overall budget considerations, the need for and scale of investment required in the protection function and support services from 2019/20 onwards, will need to be addressed.

3.12.5 Specifically, within the FEP there was an 'Alternative Funding' target of £2M to be generated by 2019/20, with £1M being generated in the current financial year. Due to the change in strategic direction and subsequent withdrawal from delivering commissioned health activities, the £1M target will not be achieved in the current financial year. It is estimated that approximately £250K Alternative Funding will be generated in the current year as existing contracts allow appropriate periods for termination. This will result in a shortfall in targeted Alternative Funding of £750K in 2018/19. There will be a £2M budget gap, specifically relating to Alternative Funding, from 2019/20 onwards.

3.12.6 In addition, the total staff savings within the FEP were assumed to be £4M by 2019/2020. The budget report approved by the Authority on 19<sup>th</sup> February 2018 provided funding from reserves of £600K to maintain Disturbance Allowance payments and £300K to maintain Late Shift Allowance payments during 2018/19, with the anticipation that both Allowances would cease from 2019/20 onwards in order to achieve the £4M staff savings indicated within the FEP. The failure to remove these allowances will create further budget pressures in future years in addition to the

£2M Alternative Funding shortfall referred to above.

- 3.12.7 If the withdrawal of disturbance allowance of circa £600K and the removal of the Late Shift Allowance at circa £300K cannot be achieved in 2019/20 and beyond, the impact across both of these specific elements of the FEP will result in a budget shortfall of approximately £3M in 2019/20 and future years.

#### 4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out as the matters contained in this report will not relate to a policy change.

#### 5. **LEGAL IMPLICATIONS**

Any significant change to the IRMP requires public consultation as well as consultation with stakeholders, as required under the National Fire and Rescue Framework for England. Changes to the IRMP will be cognisant of the duties placed on WMFRA within the Fire & Rescue Services Act 2004 and the National Framework Document.

#### 6. **FINANCIAL IMPLICATIONS**

Within the FEP there is an anticipated shortfall of £750K in 2018/19 relating to Alternative Funding.

In 2019/20, there is an anticipated shortfall within the FEP of approximately £3M (£2M Alternative Funding and £1M staffing).

The need for and scale of investment required in the protection function and support services, will need to be considered as part of the Authority's 2019/20 budget process.

It is essential to identify alternative Service changes and associated efficiencies, to ensure a balanced budget is

delivered in the current financial year and that a sustainable balanced budget is set from 2019/20 onwards.

### **BACKGROUND PAPERS**

Authority Report 19 September 2016 – Efficiency Plan 2016/2020

Authority Report 19 February 2018 – The Plan 2018-2021

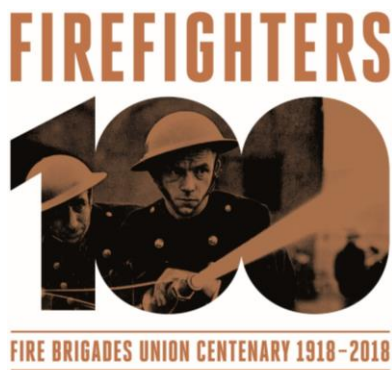
Authority Report 19 February 2018 – Budget and Precept  
2018/2019

Executive Report 6 June 2018 – Delivery of The Plan 2018/2021

The contact name for this report is DCFO Philip Hales, Deputy Chief  
Fire Officer, telephone number 0121 380 6907

PHIL LOACH  
CHIEF FIRE OFFICER





Matt Wrack General Secretary

Item 8  
**Fire Brigades Union**

Bradley House, 68 Coombe Road,  
Kingston-upon-Thames, Surrey KT2 7AE  
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Our Ref: MW/sll

11 April 2018

Ms Karen Gowreesunker  
Clerk to West Midlands Fire Authority  
West Midlands Fire and Rescue Authority  
West Midlands Fire Service Headquarters  
99 Vauxhall Road  
Birmingham  
B7 4HW

Dear Ms Gowreesunker

**TRADE DISPUTE: IMPOSITION OF NEW CONTRACTS WITHOUT AGREEMENT, ATTEMPTING TO IMPOSE NEW DUTIES ON CONTROL STAFF, INTERFERING WITH MEMBERS LEGITIMATE TRADE UNION ACTIVITIES, OFFERING INDUCEMENTS TO BYPASS NATIONAL AGREEMENTS AND DICTATORIAL MANAGEMENT IN WEST MIDLANDS**

I refer to the contracts issued by management to those joining and returning to the service. Not only were these contracts not agreed in local negotiations but service managers sought to introduce them without even notifying FBU officials or keeping them informed.

The contracts are totally unacceptable and seek to bypass the Grey Book nationally agreed terms and conditions of employment. They include as the job description:

*The main duties at your position are set out in the relevant role map which is a guide to the activities you will fulfil.... Your role map is not exhaustive and may be added to or varied from time to time by The Service based on the exigencies or needs of the Service and providing reasonable notice. Some examples of these activities may be: Falls response, non-medical emergency and hospital discharge activities. By signing this document you are specifically agreeing to accept changes and additions to your role, with reasonable notice, as may be required by current and future needs of the Service, including but not limited to undertaking additional/duties, carrying out alternative funding work, working to department and individual targets and working in close conjunction with other external organisations, on a full time, part time, temporary or permanent basis.*

This is simply disgraceful. It is not a job description at all. It is a blank sheet of paper allowing management to dictate to members what they must do at any given time. It is completely in breach of the nationally agreed Grey Book which confirms that:

*Fire and rescue authorities can require any reasonable activity to be carried out by an individual employee within his or her role map.*

The Grey Book wording could not be clearer. An FRA can require activities within the role map. It follows that the contract is wrong to say the role map is not exhaustive, wrong to say the role map is merely a guide to the activities to be fulfilled, wrong to say the Service can add to or vary members' duties and wrong to include falls responses, non-medical emergencies etc which are the subject of nationally agreed trials and national negotiations.

Contd/2...

I do not begin to understand how the Fire Authority as a member of the National Joint Council considers it can behave in this way. There would be no point in having national negotiations if a local Fire and Rescue Authority such as the West Midlands can simply bypass that process when it wishes.

This is not the only problem with these contracts. On hours of work they provide that:

*The Service reserves the right to require the employee to work different hours of work if the needs of the Service so dictate, whether temporarily or permanently.*

This is a clear breach of the Grey Book which provides specified duty systems and a carefully balanced procedure of local collective discussions and national dispute resolution where any changes to those systems are proposed.

The contracts also allow management in discipline cases to suspend members with no provision for pay during the suspension whereas the Grey Book specifies that members will receive full pay when suspended.

There are numerous other unilateral changes such as a requirement to work at non-Service sites and an onerous new term on deductions from pay.

Management employed by the Authority have also refused to agree to a referral to the Joint Secretaries of the National Joint Council under the nationally agreed dispute resolution procedure and the matter had to be referred directly by the FBU.

These contracts must be withdrawn immediately – they expose what management will do when they feel they do not need to negotiate with representatives elected by our members in the West Midlands. These contracts also create a two tier workforce in that newer members and those returning to the service are on these unacceptable new contracts, leaving all other members on the established Grey Book contracts. This is an attempt to divide our members and create pressure that in the future could be used to drive all members down onto the new locally imposed terms and conditions.

It is also concerning that management employed by the Fire Authority appear to think that they can expand the role of control members simply by consulting on this issue such that they can impose new duties without agreement. On 6<sup>th</sup> March 2018 a consultation paper was issued which referenced the nationally agreed trials and included:

*When the national trials ended... all WMFS staff, including Fire Control, had a choice around whether they would continue to support 'falls response' until pay negotiations and discussions were completed. Since the cessation of the national trials 'falls response' calls have continued to be managed within the Fire Control room by a cohort of control staff volunteers, supplemented by business continuity arrangements.*

*...this was not done so on the basis that the work did not fall within the Fire Control operator's role map.*

*During this time a legal position was sought around whether these activities are incorporated within the Fire Control operator's role map and ... WMFS is confident on the legal position it has received which states that this work is within the role map and is no different to dealing with the existing wide range of calls that the Service receives.*

*...WMFS will now commence consultation on plans to move to a 'business as usual' position for managing 'falls response' calls and associated mobilising.*

*Fire Control receive a myriad of different types of calls... all form part of the established roles of control room staff.*

Contd/3...

This is simply wrong. More than ten years ago the Court of Appeal confirmed that attempts to impose changes to the role of the firefighter beyond the role maps was unlawful and the same applies to firefighter (control) members. We will have to agree to disagree on the legal position as our legal advice is that, in the absence of negotiation and agreement, firefighter (control) members can only be required to mobilise firefighters to calls within the role maps of firefighters and that does not include falls response, emergency medical response etc.

It is disappointing that management employed by the Fire Authority are singling out control members for this attack. Again it is an attempt to divide our members and again we will not allow this.

I refer also to the conduct of management interfering with and deterring our members from legitimate trade union activities, for example by the unjustified use of management instructions. I am appalled to see this sort of anti-union behaviour from the management of a publicly funded Fire Authority. By way of example our brigade and health and safety representatives were concerned about equipment failures and consequential health and safety implications so they correctly surveyed members to find out more. Questions included: *Do you find the TomTom slow to get to work clicking various boxes before navigation begins? Do you find the TomTom slow to clear old addresses? and Have you had to use a personal Mobile phone with mapping to navigate to incidents after TomTom failure?*

I am astonished that in response to this clearly legitimate trade union activity designed to protect our members' health and safety, Service Management responded with a letter to FBU officials which said:

*To create, process and store this type of information outside of WMFS systems and processes contravenes S/O 01/05... To process this type of information via personal e-mail accounts contravenes S/O 01/19...*

*Therefore, advising members to provide this type of information outside of recognised ways of working is deemed to be 'reckless' as defined in the Data Protection Act 1998...Please provide me with written confirmation that the data has not been shared or used and that all instances of the data have be destroyed appropriately by ...17:00 hours on 12<sup>th</sup> March 2018.*

The legal position is clear that the suggestion of a breach of the Data Protection Act is simply wrong and indeed the only unlawful activity is that of management – as you will know subjecting a member or representative to a detriment in respect of his/her trade union activities is unlawful as is subjecting a union health and safety representative to a detriment for carrying out his/her duties in that role.

Despite this your Deputy Chief Fire Officer wrote to FBU officials saying:

*The matter is a breach of our standing orders and as such my management instruction remains in place as set out on several occasions...*

As you know, breach of a management instruction is a disciplinary matter so management were interfering in the legitimate trade union activities of our members and officials and issuing instructions to prevent them from carrying out those activities. This has to stop.

I am also surprised to hear that management employed by the Authority have engaged in the practice of offering inducements to members to bypass national agreements. Late last year management employed by the Fire Authority approached a number of members asking them to agree to undertake tasks outside of their role map such as falls response with the incentive of extra pay. This was outside of the nationally agreed trials and in the absence of any local or national agreement.

It is concerning both that this was done and that management appear to think that they have done nothing wrong, that it is acceptable to bypass national and local collective bargaining and instead engage in individual bargaining with members, isolating them from the union in the process. They should understand that this is not acceptable and this cannot continue. Despite referring this matter to ACAS, the matter remains unresolved.

Contd/4...

Finally I am concerned that despite previously raising the issue of dictatorial management, and our members taking industrial action in response at the time, senior managers have allowed these bad habits to return. By way of examples, without consultation, negotiation or agreement managers issued job descriptions for Technical Rescue Unit members which expanded their duties.

Also West Midlands' officials had to raise a collective dispute that management had failed to consult with FBU officials or our members in relation to 'Making Connections Walsall' commissioning work. The work commissioned is outside of the role map for our Control members and yet training on this initiative commenced without agreement and plans were put in place to divert the dedicated number and other referrals into Fire Control on evenings, weekends and overflow occasions.

In addition, when a serious health and safety incident occurred at Cleveland Tower, management failed to provide the required information to our health and safety representatives, gross misconduct discipline proceedings were commenced before the accident investigation had been concluded and its findings shared with the FBU, the FBU appointed Accident Investigator was refused access to interviews concerning FBU members during the gross misconduct investigation and the delay in providing information prevented him from accessing the scene to make a thorough investigation.

**This is not acceptable to our West Midlands members who therefore require the following:**

1. Immediate withdrawal of all contracts of employment which are outside of the Grey Book or which contain changes which have not been agreed with the FBU. Members issued with such contracts to be provided with new terms and conditions which are consistent with and subject to the Grey Book and national and local agreements with the FBU and no further such contracts to be issued to FBU members.

To be clear the contracts to be withdrawn and no longer issued include those which suggest the Grey Book role maps are not exhaustive, permit changes to working hours outside the Grey Book procedure, allow management in discipline cases to suspend members with no provision for pay during the suspension, require members to work at non-Service sites or which expand on the right of management to make deductions from members' pay.

2. Agreement that firefighter (control) members will only be required to handle calls within the role maps of firefighters. Specifically this means they will not be required to handle falls response calls, emergency medical response or other calls outside of those role maps.
3. Agreement that there will be no more attempts by management to interfere with members' legitimate trade union activities and an undertaking to enter discussions with FBU West Midlands officials with a view to agreeing a new joint protocol preventing further interference in trade union activities and providing specific safeguards where discipline is proposed against FBU officials or representatives.
4. Confirmation that, in the absence of local or national agreement with the FBU, there will be no more attempts to offer members inducements, financial or otherwise, to accept changes which are inconsistent with the Grey Book such as additional duties outside role maps.
5. An undertaking that the Fire Authority will address the problem of repeated and systematic dictatorial management by those they employ as senior managers. This will include entering into discussions with FBU West Midlands officials with a view to reaching a collective agreement on consultation, negotiation, openness, and on prioritising health and safety rather than focussing on finding fault by staff and rushing to discipline against our members in West Midlands.

Until all five assurances outlined above are confirmed, a trade dispute exists between the FBU members in West Midlands and the Authority. This dispute plainly relates to the terms and conditions of employment and/or working conditions of FBU members employed by the Fire Authority. Further, questions arise as to health and safety and the machinery for negotiation or consultation and other procedures relating to these matters.

Contd/5...



This dispute will be resolved if the Authority unconditionally confirms all five points specified in the terms set out.

I await this by 23<sup>rd</sup> April 2018 failing which I will commence a ballot of West Midlands' members for industrial action under the Trade Union and Labour Relations (Consolidation) Act 1992.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Wrack', with a stylized, cursive script.

**Matt Wrack**  
**General Secretary**



# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**17 SEPTEMBER 2018**

Item 9

## **1. DELIVERY OF STRATEGY 2018-2021 AND ASSOCIATED 2018-2019 BUDGET ADJUSTMENTS**

Joint report of the Chief Fire Officer and Treasurer.

### **RECOMMENDED**

- 1.1 THAT Members note the specific impacts of preferred option(s) on the Integrated Risk Management Plan (IRMP) and associated revisions to The Plan.
- 1.2 THAT members identify the preferred option(s) for short-term financial control measures to deliver a balanced budget for 2018-2019 and approve the associated revisions to The Plan.
- 1.3 THAT Members note that the Chief Fire Officer through Authority approved accountabilities will manage resources and determine and manage fleet availability, to support the delivery of options as appropriate.

## **2. PURPOSE OF REPORT**

At the Executive Committee on 6 June 2018, Members agreed that as a result of withdrawing new entrants contracts, changes would be required to the strategy as set out in The Plan 2018-2021. It was also recognised that there would be a requirement to change the Authority's Financial Efficiency Plan (FEP) and identify the preferred option(s), to ensure a balanced budget in the current financial year.

## **3. BACKGROUND**

- 3.1 To support the resolution of the Trade Dispute, on 6 June 2018 the Executive Committee took a decision to withdraw new entrants' contracts. These contracts enabled the ongoing delivery, within the current Service Delivery Model (SDM), of new activities that were linked to the Authority's strategy including commissioned health work and contribution to the health & wellbeing agenda through our Prevention Strategy including elements of the safe & well visits.

Ref. AU/2018/Sept/92108181

(Official – WMFS – Public)

3.2 Following this decision, there is a need for Authority to identify the immediate in-year (2018-19) preferred option(s) to enable for effective financial management, delivery of a balanced budget and revisions to The Plan. This immediate position is influenced by the following factors, (which have been presented in more detail in 'The Strategy 2018 - 2022' report):

- Potential impact on the prevention priority and more specifically the health and well-being objective, which will be monitored through the Authority's Quarterly Performance Review meetings including Corporate Performance Indicators.
- Planned transformational change that would deliver anticipated financial efficiencies is now unlikely to be achieved.
- The intention of reaching a local collective agreement with representative bodies, as an enabler for transformation to provide financial (and other) benefits to staff, whilst providing organisational sustainability, is now unlikely. This has a direct link to the Late Shift Allowance and Staffing Disturbance Allowance, which are funded in this current financial year through Reserves but remain unfunded for future years creating additional pressure on the FEP.

3.3 The Authority's approved FEP includes £2M Alternative Funding to be generated by 2019/2020, with £1M being generated within the current financial year. As detailed in the 'The Strategy 2018 - 2022' report, due to the change in strategic direction and subsequent withdrawal from delivering commissioned health activities, the £1M target is unachievable. This will leave a shortfall in the Authority's 2018/19 budget.

3.4 The income generated from the three "Non-Emergency Falls Response" contracts is estimated to be £250K in the current financial year (after allowing for the contract termination periods), resulting in a shortfall in Alternative Funding in 2018/19 of approximately £750K.

- 3.5 As referenced in paragraph 3.2, it should also be noted that funding of £600K for Disturbance Allowance and £300K to maintain the Late Shift Allowance, was provided for in the 2018/19 budget from Reserves. This was in anticipation that both Allowances would cease from 2019/20 onwards. The failure to achieve the removal of these Allowances will create further budget pressures in future years, in addition to the £2M Alternative Funding shortfall referred to in paragraph 3.3.

#### 4. **Options to deliver a Balanced Budget**

- 4.1 In considering the options detailed below, there will be a requirement to consider the Authority's IRMP as outlined in 'The Strategy 2018 - 2022' report (Agenda 8). It is important to recognise that whilst the baseline level of risk within the West Midlands has not changed, the Authority's ability to mitigate against the identified risk will be affected as a result of the financial situation. The options presented below outline the effect of revising the control measures currently established, to mitigate the risk to our communities.
- 4.2 WMFS had developed a revised staffing model, which is both effective and efficient in delivering financial savings towards the FEP and improving services to the community through increased appliance availability, leading to improved attendance times to emergency incidents.

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
% Fleet availability	99.13	99.01	99.28	99.13	99.40	98.11	98.90	99.03	99.07	99.10	98.84	98.77

*Table 1 Fleet availability due to staffing 2017/18*

- 4.3 The two key principles that underpin the new staffing model are:
- Optimum Crewing Levels, whereby only the required number of staff are on duty when needed. As far as practicably possible all other related activities such as training, prevention and protection are delivered whilst staffing a fire appliance which remains available for emergency response.

- Employing less station-based staff than needed to deliver the staffing model and using existing staff to deliver Voluntary Additional Shifts (VAS) and resilience cover. This is cost effective for the organisation and allows staff to earn additional income, at a time of extended pay constraint, on a voluntary basis. This approach is facilitated by a local collective agreement with the representative bodies.

4.4 Due to the immediate control we have with the new staffing model, an effective financial control measure can be utilised through reduced use of VAS within the Service, leading to a reduction in fleet availability. This approach is already applied to manage the staffing budget around first day absence, whilst maintaining high levels of appliance availability as shown in Table 1 above.

#### **Option A – Proactive and planned reduction in VAS to enable savings**

4.5 To deliver a balanced budget and meet the gap from the estimated Alternative Funding shortfall within the FEP of £750K, there is an opportunity to fully manage the situation through a reduction in the use of VAS from 1 October 2018 until the end of the financial year. The impact on the IRMP is outlined in the table below. This approach is also flexible and can be dynamically scaled down, or increased if additional/reduced funding is applied to the gap identified above.

#### **Impact on IRMP of reducing VAS**

No. and type of Vehicles OTR per Shift	Reduction in VAS over 24 hours (2 shifts)	Impact on Cat 1 average attendance times (5 minutes)	Average impact on fleet availability % per day	Impact on 2 <sup>nd</sup> appliance on year's average 7:05 minutes	Reduction in prevention activities (Safe& Well)	Annual Financial Saving
<u>Option One (A) – Based on the 2<sup>nd</sup> PRLs at Highgate, Coventry, Walsall.</u>						
3 (PRLs)	30	No difference	94.59	9.0% increase (38.3 seconds)	186 per month	£1.35 million
<u>Option Two (B) – Based on two 2<sup>nd</sup> PRL's being removed at Highgate and Walsall</u>						
2 (PRLs)	20	No difference	96.4	8.4% increase (35.7 seconds)	124 per month	£0.9 million
<u>Option Three – Four BRV's chosen based on resource utilisation Scenario's 7 &amp; 8</u>						

4 (BRVs)	24	0.0 - 0.4% increase (0 - 1.1 seconds)	92.79	4.8 - 5.4% increase (20.4 - 23 seconds)	248 per month	£1.1 million
<u>Option Four – 5 BRV's based on resource utilisation rates Scenario's 9 &amp; 10</u>						
5 (BRVs)	30	0.4% increase (1.1 seconds)	90.99	6.6 - 9% increase (28.1 - 38.3 seconds)	310 per month	£1.35 million
<u>Option Five – Walsall PRL and 2 BRV's</u>						
1 PRL and 2 BRVs (example)	22	No difference	94.59	8.1% increase (35 seconds)	186 per month	£1 million

- 4.6 This approach most flexibly supports the outcomes from the IRMP and promotes dynamic utilisation of resources within existing policies and agreements, therefore not requiring negotiation or agreement with representative bodies. Adopting this approach either in full or at scale, could also serve as a catalyst for change in future years, providing a transitional path or 'step change' towards greater and more significant financial saving requirements in following years.

### **Option B – Use of General Reserves**

- 4.7 As part of the 2018/19 to 2020/21 budget approved by the Authority on 19 February 2018, it was highlighted that in order to assist with the Authority's transformational service changes, the use of General Reserves was required in each of the financial years 2018/19, 2019/20 and 2020/21. This meant the level of General Reserves was estimated to be approximately £5M by the end of 2020/21.
- 4.8 In setting out the strategy, it was recognised that the use of General Reserves is not a sustainable means of funding the Authority's revenue budget. The further use of General Reserves could be a consideration to meet any budget shortfall in 2018/19. However, it needs to be recognised that such an approach would compromise the Authority's ability to deal with future anticipated Government core funding reductions from 2020/21 onwards and/or further limit the funding available for future capital expenditure requirements.

## 5. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out, as the matters contained within this report do not currently lead to a policy change. An initial and where appropriate full EIA will be conducted on each option that is taken forward for further consideration.

## 6. **LEGAL IMPLICATIONS**

- 6.1 Any significant change to the IRMP requires public consultation, as well as consultation with stakeholders as required under the NFD. Changes to the IRMP will be cognisant of the duties placed on West Midlands Fire and Rescue Authority (WMFRA) within the Fire & Rescue Services Act 2004 and the National Framework Document.
- 6.2 This report also takes into account the legal duties placed on WMFRA under the Local Government Finance Act 1992 and Local Government Act 2003, in relation to reserves and the requirement for WMFRA to achieve a balanced budget.

## 7. **FINANCIAL IMPLICATIONS**

These are set out in the body of the report.

## **BACKGROUND PAPERS**

Authority Report 19 September 2016 – Efficiency Plan 2016/2020

Authority Report 19 February 2018 – The Plan 2018-2021

Authority Report 19 February 2018 – Budget and Precept 2018/2019

Executive Report 6 June 2018 – Delivery of The Plan 2018/2021

Authority Report 17 September 2018 - The Strategy 2018 - 2022

The contact name for this report is DCFO Philip Hales, telephone number 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

Ref. AU/2018/Sept/92108181

(Official – WMFS – Public)



1. **STRATEGY OPTIONS 2019 - 2022**

Report of the Chief Fire Officer.

**RECOMMENDED**

- 1.1 THAT Members note the need to generate ongoing revenue savings of approximately £3M, specifically to meet shortfalls in the Financial Efficiency Plan (FEP) from 2019/20.
- 1.2 THAT Members note the need for further ongoing revenue savings in future years, due to additional anticipated Government funding reductions and the need for investment in the Protection function and Support Services.
- 1.3 THAT Members identify to the Chief Fire Officer, which options to explore further and consider any to be discounted at this stage, in order to deliver the Authority's 2019-2022 strategy and budget.

2. **PURPOSE OF REPORT**

This report identifies the scale of the 2019/20 FEP shortfall and anticipated further Government funding reductions, as well as the need for investment in the Protection function and Support Services. It sets out options for consideration which will need to be incorporated into the Authority's 2019-2022 strategy and budget.

3. **BACKGROUND**

- 3.1 The Authority approved the three-year rolling strategy and FEP at the Authority's meeting on 19 February 2018, together with the Service Delivery Model (SDM) in accordance with the requirements of the Integrated Risk Management Plan (IRMP).

- 3.2 The 'The Strategy 2018 – 2022' report (Agenda Item 8) sets out the reasons why there is a need to consider revisions to the Authority's strategic direction. In considering the options set out in this report it has been a requirement to revisit the IRMP.

#### 4. **FEP/BUDGET**

- 4.1 The Authority approved the FEP in October 2016. The anticipated savings reflected within that FEP have effectively formed the basis for the Authority's Strategy and associated budget arrangements since that point in time.
- 4.2 As identified in The Strategy 2018 – 2022 report, within the FEP there is a target for Alternative Funding of £2M. In addition, the total staff savings within the FEP were assumed to be £4M. If the withdrawal of Disturbance Allowance of circa £600K and the removal of the Late Shift Allowance at circa £300K cannot be achieved in 2019/20 and beyond, the impact of both of these specific elements upon the FEP will be a budget shortfall of approximately £3M from 2019/20.
- 4.3 As a consequence of the above, it was recognised at the Executive Committee meeting on 6 June 2018, that Service changes would be required. This will enable a budget to be produced for the Authority in February 2019, which reflects new areas of savings to replace the previously approved FEP.
- 4.4 In addition, the budget report approved by the Authority on 19 February 2018 recognised in setting the budget at that stage, that there was a reliance on General Reserves across each of the three financial years; 2018/19, 2019/20 and 2020/21. As stated in the The Strategy 2018 – 2022 report, General Reserves are not a sustainable funding source to meet ongoing revenue expenditure. It was highlighted within the February 2018 budget report, there would be a requirement to consider further Service changes to ensure a reduction across each of the three years on the reliance on General Reserves; or at the very least ensure by the end of the three-year period, there was no longer a reliance on the use of General Reserves to fund the revenue budget. An extract from the budget report approved by the Authority on 19 February 2018, is shown below:

“it should be recognised that the use of General Balances is not a sustainable means of funding the Authority’s revenue budget. Consequently, consideration needs to be given to further Service changes, in addition to those reflected within the Efficiency Plan, to reduce the reliance on General Balances over the next three year period and/or aim to set a budget beyond this point without reliance on the use of General Balances.”

- 4.5 Therefore, in addition to the £3M annual savings which need to be identified in order to meet the anticipated FEP shortfall in 2019/20, further Service changes need to be identified from 2020/21 onwards, in order to achieve a sustainable revenue budget position. This was recognised as a consequence of further anticipated Government core funding reductions, beyond the period of the existing FEP. Furthermore, there is a need for investment in the Protection function and Support Services as identified in the report The Strategy 2018-2022.

## 5. **OPTIONS**

- 5.1 Any proposed changes would be founded on the outcomes from the IRMP. This would require understanding of the optimum arrangements to mitigate risk in the West Midlands, whilst meeting the legal requirement to operate within a balanced budget and ensure future sustainability. It is anticipated that the following factors would need to be considered as part of any recommendations for changes to shift arrangements:
- Community contact time for Prevention activities
  - Availability for businesses to support economic growth
  - Operational response requirements
  - Maximise efficiency and provide Value for Money
- 5.2 The options set out below are at the early stages of evaluation. It should be noted that although these are considered viable options, they would be subject to Trade Union discussions under the Employee Relations Framework and potential consultation with the wider workforce.

### 5.2.1 **Option 1 - Staff/resource availability**

The current high levels of fleet availability and the positive impact on Prevention, Protection and Response activities, has been enabled through the locally agreed staffing model. By restricting recruitment to a level below the establishment (number of posts) required to maintain the SDM in a conventional manner and then utilising more cost effective Voluntary Additional Shifts (VAS) and Resilience Shifts to address the shortfalls, an effective and efficient model has been provided. In addition, by ensuring a focus on staff (ridership) and appliance availability through areas such as Optimum Crewing Levels, Distributed Training Model and balanced leave arrangements, further efficiencies have been realised. Any reduction in VAS would have an impact on fleet availability affecting Prevention, Protection and Response activity and the Service attendance times

In enabling the existing staffing arrangements outlined above, and in giving consideration to the Authority's FEP, it should be noted the ridership factor is currently at 13.6. This is above the organisational target of 12.5 and results in a further budget pressure of circa £250K.

The VAS arrangements are scalable depending on internal and external factors, although in totality savings that could be realised through a complete cessation of VAS would be in

No. and type of Vehicles OTR per Shift	Reduction in VAS over 24 hours (2 shifts)	Impact on Cat 1 average attendance times (5 minutes)	Average impact on fleet availability % per day	Impact on 2 <sup>nd</sup> appliance on last year's average 7:05 minutes	Reduction in prevention activities (Safe& Well)	Annual Financial Savings
<u>Option One (A) – Based on the 2<sup>nd</sup> PRLs at Highgate, Coventry, Walsall.</u>						
3 (PRLs)	30	No difference	94.59	9.0% increase (38.3 seconds)	186 per month	£2.7 million
<u>Option Two (B) – Based on two 2<sup>nd</sup> PRL's being removed at Highgate and Walsall</u>						
2 (PRLs)	20	No difference	96.4	8.4% increase (35.7 seconds)	124 per month	£1.8 million
<u>Option Three – Four BRV's chosen based on resource utilisation Scenario's 7 &amp; 8</u>						
4 (BRVs)	24	0.0 - 0.4% increase (0 - 1.1 seconds)	92.79	4.8 - 5.4% increase (20.4 - 23 seconds)	248 per month	£2.2 million
<u>Option Four – 5 BRV's based on resource utilisation rates Scenario's 9 &amp; 10</u>						
5 (BRVs)	30	0.4% increase (1.1 seconds)	90.99	6.6 - 9% increase (28.1)	310 per month	£2.7 million

				- 38.3 seconds)		
Option Five – 7 BRV's						
7(BRVs)	38	0.7% increase (2.2 seconds)	87.59	13.2% increase (56.2 seconds)	434 per month	£3.5 million
Option Five – Walsall PRL and 2 BRV's						
1 PRL and 2 BRV	22	No difference	94.59	8.1% increase (35 seconds)	186 per month	£2 million

the region of £3.5M. This would result in an average of 38 shifts not being filled per 24-hour period, which could then be absorbed on the stations with 2 PRL and/or the BRV fleet. In addition it should be noted that there are currently 3 staffing deficiencies per shift (Core/Lates) which are not filled, but are managed dynamically through existing processes. This means that on average there would be 44 staffing deficiencies per 24-hour period (over 2 shifts), which could be managed using fleet availability.

The Table above is an illustration of what this could mean from a purely statistical perspective. There would need to be more extensive consideration about the impact upon achieving assertive, effective and safe response and the risk factors which would inform any final decisions around fleet configuration.

### 5.2.2 **Option 2 - Resource Configuration**

In mitigating the effects of restricting/removing the amount of VAS undertaken and the impact this will have on resource availability, consideration could be given to changes to the way in which resources (PRL & BRV) are currently staffed, building upon the concept of a blended fleet.

Currently resources are configured with five rider personnel on a PRL and three rider personnel on a BRV. A key strategic reason for this configuration is to ensure the delivery of assertive, effective and safe response. In addition, these arrangements also align to a Fire Brigades Union (FBU) endorsed risk assessment, which determines the number of personnel required to enable a safe systems of work in a typical house fire situation.

However, through reducing fleet availability by restricting the number of VAS available, the amount of fire appliances

(PRL's and BRV's) available to complete Prevention and Protection activity is also detrimentally impacted.

Therefore, it may be appropriate to review the number of personnel required to configure each 'unit' and understand the value this may offer to the Service. Further analysis and evidence would be required to understand which activities could still be undertaken, alongside a risk assessment to determine the impact on our expectation to operate assertively, effectively and safely.

- Riding at 4s on PRLs - if this was implemented for all PRLs across the fleet, this would achieve savings somewhere in the region of £6.5M. Up to 164 posts could be saved; this could be scalable - for example if all 3 multi-pumps 2nd PRLs were crewed at 4 then approximately 12 posts would be saved realising a circa 500K saving.
- Riding at 2 on BRV - again this could be scalable - if 50% of the BRV fleet then savings in the region of £1.5 million.

### **5.2.3 Option 3 - Shift arrangements (Risk based crewing)**

The most prevalent current shift pattern is a 24hr core watch system. This is a longstanding arrangement implemented at a time when both the risk profile and risk control measures were notably different.

The late shift was a productive step in recognising the reduction in risk and community contact time at night and therefore enabling a reduction in fleet availability, when the risk was reduced. It is however a requirement to maintain a minimum of 1 PRL per station, as it is reasonably foreseeable that a category 1 incident could occur at any time. Our aim is to provide a risk based 5 minute response time alongside assertive, effective and safe interventions. West Midlands Fire Service covers an area that is densely populated and has high levels of deprivation and vulnerability meaning a response capability is always required. There is further scope to explore staffing and shift arrangements, which further support the approach taken with Lates and more closely align resource to risk and community contact time.

At the time of implementation of the late shift, understanding around the positive impact of prevention activities and the corresponding reduction of risk, as well as subsequent demand in terms of operational response was still being developed. Although both of these factors were taken into account when the late shift was introduced (key contact times & operational risk), there is now a greater level of empirical evidence which could be utilised to understand the most effective and efficient shift systems to deliver the Service's strategic objectives.

If there was a view to implement something along the lines of a 3x 8 shift system, where personnel were distributed according to optimising key contact time, considering a variation in operational/response risk but overall staffing levels were reduced then it is possible that up to £1.4M.

#### **5.2.4 Option 3a – On Call Firefighters**

On-Call Firefighters (formerly known as retained duty system firefighters) are Firefighters who work a part time duty system. This is recognised in the Grey Book, where they commit to a set number of 'on-call' hours per week and during these periods provide cover as a Firefighter, responding from a location normally their place of work or their home, but within 5 minutes of the response vehicle.

WMFS have previously discounted using On-Call firefighters because of issues with recruitment, retention, availability and speed of response for Firefighters employed under this duty system. However, due to the significant financial pressures the Authority faces, employing On-Call Firefighters is an option that now warrants further exploration.

To manage the issues with the current On-Call duty system a model adopted by the Authority could be partially aligned to the Grey Book system, which would ensure it complied with national terms and conditions for pay and allowances etc. However, in addition to considering On-Call Firefighters based at WMFS locations and because of the large commercial footprint in the West Midlands, as well as the number of major employers, the Authority may want to consider having On-Call firefighters based at their work

locations, with training and resources provided by the Service.

To progress this option further work would be required to identify the optimum model for On-Call Firefighters in the Community. There would also be a need to identify the value that could be added through this workforce in terms of flexibility, diversity, resilience, assurance and efficiency.

#### **5.2.5 Option 4 - Management Review**

The current workforce profile for grey book staff is as follows:

77% (1472) of total workforce (of 1911) are grey book (including Fire Control) (as of 1.7.18)

Of these:

60% (879) are foundation level (FF)

35% (523) are Supervisory level (CC and WC)

4% (61) are Middle Manager (SC and GC)

1% (9) are Strategic level (ACdr and above)

To enable the efficient delivery of services to meet the future needs of the strategy, a management review could be conducted to include crew commander to group manager and all elements related to the roles. This will also enable the posts approved through the review to be substantiated, as identified in the 'The Strategy 2018 – 2022 report. The review should be aligned to support the potential options taken forward with regards to any revised staffing models and the levels, numbers and ratios of management required for effective and efficient leadership and supervision. It is anticipated this may realise a saving of circa £100K.



## 6. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out as the matters contained within this report do not currently lead to a policy change. An initial and where appropriate full EIA will be conducted on each option that is being taken forward for further consideration.

## 7 **LEGAL IMPLICATIONS**

7.1 The Fire and Rescue Services Act 2004 (the Act) sets out several statutory duties for Fire and Rescue Authorities. Section 2 of the Act states the main functions that:

- A fire and rescue authority must make provision for promoting fire safety in its area.
- A fire and rescue authority must make provision for; (a) extinguishing fires in its area, and; (b) protecting life and property in the event of fires in its area.
- A fire and rescue authority must make provision for; (a) rescuing people in the event of road traffic accidents in its area, and; (b) protecting people from serious harm, to the extent that it considers it reasonable to do so, in the event of road traffic accidents in its area.

7.2 Within the Act these areas are set out in more detail along with the requirement to respond to incidents outside of its area. Through its IRMP the Authority also has a requirement to manage its risks, whilst complying with the duties set out in the Act.

7.3 Under the Local Government Finance Act 1992 and Local Government Act 2003, the Authority has a legal duty to set a balanced budget and manage its reserves appropriately. In setting its budget the Authority must consider both the legal requirements set out in the Act's and the management of risk through the IRMP.

7.4 Significant changes to the IRMP would require public consultation and consultation with stakeholders.

## 8 **FINANCIAL IMPLICATIONS**

- 8.1 The current projected shortfall in the FEP and 2019/20 budget is approximately £3million. The “Options” Section 5 of this report highlights that a reduction in VAS could achieve an equivalent level of £3M salary related savings. Whilst this would have an impact on appliance availability, it would not result in a reduction in staffing numbers. Furthermore, because the reduction in VAS is a flexible financial control, it could be introduced at the required scale with effect from 1<sup>st</sup> April 2019, there-by ensuring the current projected budget shortfall is fully off-set.
- 8.2 There are a number of other options presented within this report which would require more analysis, to establish the potential level and timescale of annual savings that might be achieved which would need to be reported back to the Authority for further consideration. At that point, if savings are identified, an assessment could be made to determine whether any specific savings should be utilised to restore VAS shifts, or used to meet the need to invest in the Protection function and Support Services from 2019/20, Or whether to meet anticipated future Government core funding reductions from 2020/21 onwards.

## 9. **ENVIRONMENTAL IMPLICATIONS**

- 9.1 The options set out in this report require the service to manage its resources in a flexible way to ensure the environmental impacts are mitigated where possible. If resources are not managed in a flexible way, the risk to the environment could be increased through the following means:
- A reduction in Firefighters may result in not been able to put fires out as quickly leading to increased air pollution from fires and increased risk of environmental damage through water runoff and less control of hazards at a fire.
  - The Service could potentially be less able to resource large incidents linked to climate change, such as flooding’s respond and wild fires.

- The Service may not be able to maintain the same standard of specialist response services, specifically used to protect the environment such as, Hazardous Materials Specialists, Detection Identification and Monitoring teams and Environmental Units.
- Lack of investment and resources into building stock resulting in the degradation of assets and the subsequent environmental impact.
- Unable to maintain or replace equipment and vehicles resulting in a lack of ability to mitigate risk and an increase in emissions.

9.2 These risks will be managed through the Services policies and risk control measures. However, a significant change in the resourcing model of the service will increase the likelihood of these risks materialising.

## **BACKGROUND PAPERS**

Authority Report 19 September 2016 – Efficiency Plan 2016/2020

Authority Report 19 February 2018 – The Plan 2018-2021

Authority Report 19 February 2018 – Budget and Precept 2018/2019

Executive Report 6 June 2018 – Delivery of The Plan 2018/2021

Authority Report 17 September 2018 - The Strategy 2018 - 2022

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PHIL LOACH  
CHIEF FIRE OFFICER



# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Item 11

**17 SEPTEMBER 2018**

## **1. ROUTE MAP TO MAYORAL COMBINED AUTHORITY GOVERNANCE: DRAFT STATUTORY ORDER TO ENABLE TRANSFER OF GOVERNANCE**

Report of the Chief Fire Officer.

RECOMMENDED that the Authority:

- 1.1 note the Home Office response to the key asks of the seven West Midlands Local Authorities set out in the Scheme document and the proposed options to progress the key asks locally (paragraph 3.14 - 3.15);
- 1.2 note the local feedback on the proposals to secure the key asks (paragraph 3.18/9) and the changes required to the West Midlands Combined Authority's (WMCA) constitution to secure the key asks locally (paragraph 3.20);
- 1.3 note the revised timeline and next stages in this direction (paragraph 3.23);
- 1.4 note the detail in the draft Order received from the Home Office, which has been written in consultation with the Authority and the WMCA (Appendix D).

## **2. PURPOSE OF REPORT**

This report is submitted to provide an update for Members on the progress and developments made in the transfer of the governance of the West Midlands Fire Service (the Service), to the Mayoral WMCA since the last report presented to the Authority in April 2018, and to present the draft Statutory Order received from the Home Office.

## **3. BACKGROUND**

- 3.1 In response to the Government direction on fire sector reform and the high level duty placed on emergency services for greater collaboration, WMFRA commissioned an

independent review and appraisal of future governance options that would best support the delivery of services. Subsequently, as part of WMFRA's legal requirement to consult upon its Integrated Risk Management Plan (IRMP) every three years, WMFRA engaged with local communities, partners and businesses between 1 December 2016 and 10 January 2017, to understand views and opinions about the provision of services and how this could continue within the Authority's three year rolling strategy. Accordingly, this presented the opportunity to obtain views on governance and finance.

- 3.2 Both the independent review and the outcomes of public IRMP consultation, identified a Mayoral WMCA model of governance for WMFS as a strong option. Subsequently in February 2017, the Authority approved the route required for the transfer of governance of the Service to the Mayoral WMCA.
- 3.3 The Authority's broad proposal for the transfer of its functions to the Mayoral WMCA received support from the WMCA in March 2017, initiating discussions between the Mayor, WMCA, the Authority and the Home Office for this proposed route.
- 3.4 On the 8<sup>th</sup> September 2017, the WMCA Board noted an indicative timeline for the proposed governance route and approved the development of a Governance Review and Scheme for Mayoral WMCA governance of WMFS, pursuant to Sections 111 and 112 (1d) of Local Democracy, Economic Development and Construction Act 2009.
- 3.5 The Governance Review provided a review of existing governance arrangements and functions, and outlined the new model under the Mayoral WMCA and its benefits. The Scheme detailed the roles, accountabilities and powers required by each individual and body in the proposed governance model.
- 3.6 Both documents were formally considered and consulted upon by all constituent councils between October and November 2017, in adherence to section 112 of the Local Democracy, Economic Development and Construction Act

2009.

3.7 Unanimous support for the Scheme and approval to proceed to consultation was received from all seven local authorities, with the proviso of securing the following key asks:

- that WMFS budget, precepts and reserves be ring-fenced,
- that the Mayor appoint the Chair of the Mayoral Fire Advisory Committee (MFAC) in consultation with the seven local authority Leaders,
- that the MFAC be composed of no fewer than 15 members to ensure sufficient representation from all seven local authorities,
- As part of the support provided for the accountabilities of the Chief Fire Officer (CFO) to include operational independence of the Service.

The Scheme was subsequently revised to reflect the areas raised (see Appendix A).

3.8 The Governance Review and Scheme were considered at the WMCA Board on 8 December 2017. The outcomes of the seven local authority meetings were presented and in accordance with the requirement for the making of an order, approval was provided to proceed to a formal public consultation of the Scheme, pursuant to section 113 (3) of the Local Democracy, Economic Development and Construction Act 2009.

3.9 An eight-week public consultation was subsequently undertaken by the WMCA on behalf of the Secretary of State between 11 January and 8 March 2018 and was closely supported by the local authorities and the Service.

3.10 The consultation sought views on the detail of the proposed Scheme, which included the roles of the Mayor and the WMCA, the proposed MFAC and the CFO. It also sought the views of the communities of the WMCA's area on the benefits of the proposed governance change and the transfer of powers to the WMCA. In April 2018, the Authority considered and were satisfied with the outcomes of the public consultation.

- 3.11 The Authority approved amendments to be made to its constitution articles 4, 15 and part 3 scheme of delegations, to enable the widening of CFO and officer accountabilities on 16 April 2018 (please see section 5 1.3 of the report), which were considered necessary against the context of the changing governance landscape. The full report is provided in Appendix B. It is these CFO accountabilities that are being sought to be secured in the Mayoral WMCA governance model.
- 3.12 In May 2018, the WMCA Board considered the outcomes of the public consultation and agreed to formally submit proposals to the Home Office to initiate the process of drafting the required Statutory Order to enable changes to the governance arrangements.
- 3.13 Following the submission to the Home Office, extensive discussions between Home Office officials, the WMCA and the Service continue to take place. This supports comprehensive understanding of the proposals in order that the key asks are appropriately reflected in the Statutory Order, to enable effective transfer of governance from the Authority to the WMCA in April 2019.

### **Home Office Response to key asks**

- 3.14 The Home Office has responded to the Scheme and confirmed its position with respect to the key asks as follows:
- a) Ring fencing of finances and reserves:  
The Home Office confirmed that it was unachievable to ring fence the fire budget and reserves within the Statutory Order. To do so would require a change to primary legislation and making a submission for a change in primary legislation would significantly delay the timeline, as the Home Office expects legislation relating to BREXIT to dominate the Parliamentary timetabling. It was also stated that it was not Treasury policy to hypothecate or ring fence public funding.
  - b) Composition of MFAC:

The scheme proposes a 'minimum' of 18 members to



be appointed to the MFAC. The Home Office has expressed concern with the potential to allow the composition of the committee to be increased.

- c) The CFO as Head of Paid Service for the Service and operational independence:

The Home Office confirmed that it would be unachievable to provide for the CFO to be the head of paid service of the Service within the Statutory Order due to the need for primary legislation to enable this. This is because the Local Government and Housing Act 1989 only provides for one Head of Paid Service role within a local authority structure. Pleasingly, however, the draft Order continues to recognise the operational independence and technical responsibilities of the CFO.

### **Proposed Solutions from the Home Office to achieving key asks**

3.15 As there was a clear local will to secure the key asks, the below proposals were identified in discussion with the Home Office as a means to enable these to be met locally:

- a) The ringfencing of budget, precept and reserves can be provided for through agreement of the WMCA Board. Transparency can be provided through a public commitment and scrutiny via the Service's Section 151 Officer and the WMCA Overview and Scrutiny Committee. The WMCA's annual budget setting process requires the agreement of all its constituent councils, this provides an additional check and balance for such an arrangement. Levels of assurance can be provided locally, along with an accountability for the CFO to be designated a clear budget in order to be able to lead and deliver the strategy of the Fire and Rescue Service through appropriate resources.
- b) MFAC composition: It is proposed that a minor change be made to the Scheme, setting the committee as being composed of a 'maximum' of 18 members; with 15 elected members and three co-optees. The PCC would retain the voting member status as is currently in place on the reformed

Authority as a co-optee, reflective of the representative model set out in the Policing and Crime Act 2017. This proposal from the Home Office will not present a risk to the local authority representation on the MFAC.

- c) CFO as Head of Paid Service for the Service: Whilst the Statutory Order cannot assign this role to the CFO, it can detail those accountabilities which must only be 'designated accountabilities' to the CFO for exercise. These can align to the key asks proposed in the Scheme. Locally, assurance can be provided through constitutional revisions that designate all organisational and operational matters to the CFO.

3.16 In May 2018, the WMCA Board was informed that all local authorities had agreed to delegate authority to the Leader and Chief Executive/Managing Director of the council to approve the draft Order received from Government. This is in order for it to be laid before parliament and to enable the changes for the Mayoral WMCA to assume governance of the Service. Furthermore, it was stated that all local authorities including the WMCA would be formally consulted should there be any major changes to the proposals in the Scheme made in the draft Order.

3.17 Due to the nature of the changes required as outlined above, a formal consultation with the WMCA and all seven local authorities would have been normal course of action, however, the tight timeline received from the Home Office rendered this unachievable. Consequently, an urgent letter was issued to constituent council Leaders requesting a decision on the proposed solutions to achieving the key asks (paragraph 3.15). The Chair of the Authority and the Chair of the Governance and Transformation Committee were also kept informed of these developments.

## **Constituent Council Responses**

3.18 Six Leaders have agreed to the proposed way forward with two qualifications received in relation to:

- Corresponding amendments to the Constitution of the WMCA to be brought forward for approval alongside the Statutory Order process.
- The ring-fencing of budget and reserves to be considered by the WMCA Board during its budget setting processes and included in the revised WMCA constitution.

3.19 One local authority has sought further clarification regarding the difficulty in securing the ring fencing of the Services finances and reserves in the Statutory Order, as well as querying the impact this would have on meeting the outcomes of the public consultation. In recognition of the validity of the clarifications raised and their technical nature, these points were raised with the Home Office for further exploration. A response received from the Home Office confirmed that it had liaised with HM Treasury and Ministry of Housing, Communities and Local Government officials in producing a composite reply. The technical nature of the response is set out in appendix C and gives a clear picture of the central Government viewpoint. This local authority also asked to be assured of the revised constitutional provisions required to achieve this local ring fence. To support the reporting of local progress this local authority will present a report to its Cabinet on 19 September 2018 and is expected to be the final local level review before the draft Order can enter the parliamentary process.

## **Progressing key asks and finalising the Order**

3.20 Consent will be requested from the WMCA on 14 September for the following proposals to progress this direction.

a) The ring fencing of budget, precept and reserves:

Further to the intention set out paragraph 3.15, assurances will be provided through ring-fencing of the Service's budget, precept and reserves in the WMCA constitution. The proposed wording is set out in the Legal implications section below.

b) MFAC:

- Paragraph 3.15 has also confirmed how the issues relating to the MFAC's composition will be overcome.
- Following discussions in relation to the functions of the MFAC it was confirmed at WMCA Board on the 25 May 2018 that the function of reviewing decisions made by the Mayor of the WMCA in relation to the Service should sit with the WMCA Overview and Scrutiny Committee. This was subsequently made clear in the letter of submission to the Home Office and is now reflected in the draft Order in Appendix D.
- It is also noteworthy that the draft Order permits the payment of allowances to members of the MFAC. Allowances will therefore become a local determination. An independent review of Members' remuneration would be required in order to give effect to any scheme of Member's allowances.

c) CFO as Head of Paid Service for the Service:

- Whilst the Statutory Order cannot assign this role to the CFO, it can detail those areas which must only be 'designated accountabilities' for the CFO to exercise and these can align to the key asks proposed in the Scheme and will be strengthened to align to the proposals in point 1 above. Locally, assurance can be provided through revisions to the WMCA's constitution to designate all organisational and operational matters to the CFO.
- The letter of submission to the Home Office also clarified the point in relation to the appointment and dismissal of the CFO and Principal Officers. Within the Governance Review it was clear that the CFO should be accountable to the Mayor for their actions. However, within the Scheme this was extended in error to include other Principal Officers. The draft Order (Appendix D) rectifies this to the CFO only.

3.21 Also of consideration is the WMCA's Devolution deals I and II have made a strategic commitment to this governance change. Implementing this governance model in 2019 allows the Service to be in the best possible shape when moving under the WMCA as opposed to a delay. A delay to 2020 for example, would not only push back the wider benefits of this governance transfer for the Service and other WMCA public services commitments, it would also delay the value that can be realised through more transformational delivery of services to local communities.

3.22 Early planning for implementation has already begun although it is acknowledged that final approval is yet to be obtained. The changes continue to represent a significant piece of work in terms of planning and implementing the changes in governance and ensuring robust arrangements are in place to deliver an orderly transfer and secure the changes set out in the scheme and governance review. A

joint implementation team has been convened to enable delivery of the proposals over the coming months, aligned to the strategic intent of the governance change as identified in the governance review and scheme. The team will also carry out due diligence work in regard to financial issues. There will be resource implications for staff from both the Service and WMCA, as Officers lead the transfer process through project management disciplines.

### **Revised timeline and next steps:**

3.23 The indicative timeline previously presented to the Authority has been reviewed to reflect the timeline received from the Home Office:

<b>DETAILS</b>	<b>DATE</b>	<b>Amendment</b>
WMCA approved a governance review and scheme to be developed	8 September 2017	
Development of governance review and scheme, which considered the business case for the change in governance.	September 2017	
Constituent Council approval of the content of the governance review and scheme.	October-November 2017	
WMCA approval of the content of the governance review and scheme and approval to proceed to public consultation.	8 December 2017	
Consultation of proposals set out in the scheme on behalf of the Secretary of State	January-March 2018	
Analysis of consultation responses locally	March 2018	
Constituent councils and WMCA consider outcomes of the public consultation. Seek consent to submit proposal to Secretary of State.	March - May 2018	
Governance review, scheme and analysis of consultation reviewed by Secretary of State (4-12 weeks).	June 2018	

Government development of order required to give effect to the proposed changes.	July - September 2018	Received August 2018. Local response required by end of September
Constituent council and WMCA approval of detail of order	October - November 2018	September 2018
Order enters Parliamentary process	December 2018 - January 2019	This process requires three months.
Home Secretary approves order	February 2019	March 2019
The West Midlands Fire and Rescue Authority functions transfer to the WMCA	1 <sup>st</sup> April 2019	Target transfer date remains

3.24 The laying of the draft Order in Parliament is subject to the outcome of the final local authority cabinet meeting on 19 September.

3.25 A report will be tabled at the WMCA Board on 14 September, seeking consent to proceed with the laying of the order and agreement to constitutional amendments to enable the key asks locally. A verbal update of the outcomes of the WMCA Board meeting will be provided to Members with this report.

3.26 Subject to approval being provided to proceed with the laying of the order, the Authority's Governance and Transformation Committee will begin to consider, within the structures already approved for the proposed governance arrangements, the detailed roles and responsibilities of the MFAC. The outcomes of which will be considered by the WMCA Board prior to the implementation of the transfer.

#### 4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

#### 5. **LEGAL IMPLICATIONS**

- 5.1 The legal implications have been included in previous reports to Board. The specific issue that has arisen at this stage is in relation to a number of points that were raised by the Home Office following formal submission of the Governance Review and Scheme.
- 5.2 The Home Office have referred to some points that cannot be delivered through the Order due to the prevailing legislation covering those issues. These points are set out elsewhere in the report together with proposals which will mitigate the impact of these changes. Consultation with the Constituent Authorities has resulted in a request for sight of the proposed amendment to the Constitution which would deal with the issue of a “local” ring-fence for Fire Service budgets, reserves and assets.



5.3 There will be a more significant number of amendments that will be needed to the WMCA Constitution when the transfer of governance completes. As we do not yet have the final Order in place this drafting has not yet been completed however in order to provide some assurance of the way in which the ring-fence would be achieved, the following drafting will be proposed to be included in the WMCA Constitution along with the other changes mentioned above but yet to be completed. The purpose of the arrangement would be to keep the budget and reserves of the Service entirely separate from any of the other function of the WMCA:

A. The Combined Authority will maintain a separate budget known as the Fire Service budget “the budget”. All receipts due to the Combined Authority in relation to the discharge of Fire Service operations and functions as set out in the Statutory Order West Midlands Combined Authority (Fire and Rescue Functions Order 2019), must be paid into “the budget” and all expenditure related to the same matters, must be paid out of “the budget”.


B. All assets relating to the discharge of Fire Service operations and functions will be owned by the WMCA as set out in the Order, but ring fenced for use in relation to Fire Service Operations. Any receipts, income or proceeds of sale in relation to Fire Service Assets will be retained within “the budget”.

C. Any reserves associated with the Fire Service at the point of transfer should be purely for the use of the Fire Service. Future movement in the Fire Service reserves need to be directly linked to the budgetary arrangements set out in A and B above.

D. The CFO together with the officer responsible for the proper administration of financial affairs of the WMCA under section 151 Local Government Act 1972(11), will propose and be accountable for an annual budget for the fire and rescue service which will ensure the most effective and efficient delivery of services to local communities as set out in the Fire Service Strategy.

E. Nothing in these provisions shall be taken as precluding any shared services, shared use of assets or other forms of joint working involving assets, personnel or services maintained by “the budget” with the consent of the Mayor and the Chief Fire Officer.

## 6. **FINANCIAL IMPLICATIONS**

- 6.1 The financial implications have been included in previous reports to Board. Specific issues have arisen at this stage in relation to a number of points that were raised by the Home Office following formal submission of the Governance Review and Scheme.
- 6.2  Due Diligence work is currently being carried out by the Joint Implementation Team.
- 6.3 The Home Office have referred to some points that cannot be delivered through the Order due to the prevailing legislation covering those issues. This section therefore closely correlates with section 5. These points are set out in paragraph 3.14 in the report together with proposals which will mitigate the impact of these changes. Additionally, the draft Order has identified MFAC member allowances and paragraph 3.20 is referred to.

## 7. **ENVIRONMENTAL IMPLICATIONS**

There are currently no environmental implications.

## **BACKGROUND PAPERS**

[WMFRA 20 FEBRUARY 2017 ROUTE MAP TO A WEST MIDLANDS COMBINED AUTHORITY MAYORAL WMCA GOVERNANCE REPORT](#)  
[WMFRA 20 FEBRUARY 2017 OUTCOMES OF THE FUTURE GOVERNANCE WORKING GROUP](#)  
[WMCA 3 MARCH 2017 ROUTE MAP TO MAYORAL WMCA GOVERNANCE](#)  
[AGM June 2017](#)  
[WMCA 8 SEPTEMBER 2017](#)  
[Governance Review and WMCA Scheme Report to Local Authorities](#) (17 October 2017 Sandwell Metropolitan Borough Council example)  
[Scheme](#)  
[Governance Review](#)  
[WMFRA 20 NOVEMBER 2017](#)  
WMCA Board 8 December 2017 [Mayoral WMCA Governance of West Midlands Fire Service - Governance Review and Scheme](#)

[CONSULTATION OUTCOMES REPORT TO LOCAL AUTHORITIES](#) (21 March 2018 Sandwell Metropolitan Borough Council example)  
[WIDENING CFO Accountabilities 16 April 2018](#)  
[ROUTE MAP TO MAYORAL COMBINED AUTHORITY GOVERNANCE: CONSULTATION OUTCOMES AND SCHEME SUBMISSION TO SECRETARY OF STATE 16 APRIL 2018](#)

## **APPENDICES**

### **Appendix A – SCHEME**

#### **West Midlands Combined Authority Scheme**

This scheme is prepared and published following the decision of the West Midlands Combined Authority (WMCA) on 8 September 2017.

The proposals in this scheme will be subject to a further public consultation.

The scheme provides as follows:

- 1.1 It is proposed that the functions exercisable by the West Midlands Fire and Rescue Authority (WMFRA) across the area that the WMCA covers, should become functions of the WMCA pursuant to sections 105 A of the Local Democracy, Economic Development and Construction Act 2009.

These functions are those as set out in the following acts and other relevant identified sections:

- Local Government Act 1985 (including Part IV, schedule 10).
- Local Government in Housing Act 1989.
- Fire and Rescue Service Act 2004.
- Fire and Rescue Order 2007.
- National Framework for Fire and Rescue Services in England 2012.
- Regulatory (Fire) Reform Order 2005.
- Civil Contingencies Act 2014.

The requirements for change are set in 1.16 of this scheme.

- 1.2 It is proposed that the properties, rights and liabilities of the WMFRA

Ref. AU/2018/Sept/93108182

(Official – WMFS – Public)

would become functions of the WMCA.

- 1.3 It is proposed that the functions relating to fire and rescue referred to in 1.1 should become WMCA functions.
- 1.4 It is proposed that the fire and rescue functions once they become functions of the WMCA are exercisable only by the Mayor (section 107D (1) Cities and Local Government Devolution Act 2009).
- 1.5 For the purposes of the exercise of the fire and rescue functions, the Mayor may do anything that the WMCA may do under section 113A of the LDEDC Act 2009 (general power of EPB or combined authority) (1).
- 1.6 It is proposed that the WMCA has the same borrowing powers in respect to its functions, relating to fire and rescue as are currently exercised by the WMFRA.
- 1.7 It is proposed that the WMCA retain the same core grant and precept funding arrangements in respect to its functions relating to fire and rescue, as currently exercised by the WMFRA.
- 1.8 It is proposed that both the funding and reserves for fire are ring fenced within the Mayoral WMCA.
- 1.9 Any decisions or acts made before abolition of the WMFRA should have effect as if agreed by, or, in relation to the Mayoral WMCA. For example, the setting of the precept for, under section 40 Local Government Finance Act 1988 to the constituent councils in respect of the financial year beginning before transfer in governance, should have effect as if issued by the Mayoral WMCA.
- 1.10 It is proposed that Members of the WMCA may assist the Mayor in the exercise of the fire and rescue functions in line with delegations, provided that the functions may not include:

- Functions relating to the budget and setting of the precept,
- Functions relating to statutory plans such as the Integrated Risk Management Plan (IRMP)

and strategies,

- Functions relating to all properties, rights and liabilities,
- The appointment of the Chief Fire Officer and Principal officers.

### **Mayoral Fire Advisory Committee**

- 1.11 It is proposed that the Order should contain provision for the Mayor to arrange for a committee of the WMCA (the Mayoral Fire Advisory Committee), consisting of members appointed by the constituent councils, to advise and support the Mayor in relation to West Midlands Fire Service (WMFS).
- 1.12 It is proposed the committee appointed should consist of a minimum of fifteen elected members from across the constituent councils, the Police and Crime Commissioner (in accordance with the Policing and Crime Act 2017) and two further co-opted members from Health and Ambulance to promote greater challenge, transparency and further collaboration.
- 1.13 The following additional provisions are proposed to apply to the Mayoral Fire Advisory Committee (the Committee):

### **Governance**

- Appointment of elected members from each of the constituent councils will be made so that the members of the committee taken as a whole, reflect as far as reasonably practicable, the overall balance of political parties prevailing amongst the constituent councils.
- The majority of members of the committee must be members of the constituent councils, all of those members have one vote.

- Where a member is not from a constituent council (a co-opted member) they will not have voting powers.
- Two-thirds of members must be present for a meeting to be quorate.
- The Chair of the Committee will be appointed by the Mayor in consultation with  
  
constituent council leaders.

## **Functions**

- The Committee will not be a decision-making committee this responsibility will remain with the Mayor and Chief Fire Officer, as appropriate.
- The Committee will advise the Mayor, support the Mayor and review decisions made by the Mayor.
- Where decisions are reviewed, the Committee will submit a report to the WMCA Overview and Scrutiny Committee.
- The Committee will support the Mayor in providing advice around exercising fire functions, to ensure the right level of detail and understanding is provided to inform the Mayor's role as the Authority.
- The Committee will represent the priorities and strategy of the Mayor and WMFS in their respective local authorities and will report on performance in relation to fire functions.
- The Committee will represent the priorities and strategy of the Mayor and West Midlands Fire Service (WMFS) within the seven constituent councils, regionally with other Fire and Rescue Services, and nationally through the National Joint Council and Local Government Association.
- The Committee will seek to influence the Government on behalf of the Mayor in matters related to the delivery of fire and rescue services locally, regionally and nationally.
- The Committee will enable the development of partnerships and services to the community through constituent council engagement.

A member's allowance scheme for the committee will be payable by the WMCA.

- 1.14 The Chief Fire Officer (CFO) as head of paid service will be accountable to the Mayor in the operation of their duties.

1.15 It is proposed that the CFO maintains full accountability for the operational functions of the Fire Service. This will include:

- The management of the Fire and Rescue Service,
- The appointment and development of staff,
- The delivery of WMFS Strategy (including matters relating to exercising functions of the Fire and Rescue Services Act 2004 and other relevant legislation),
- The delivery of staffing structures and models which support current and future Strategy,
- The deployment of resources to meet risk,
- The transformation of services and reform of the workforce to meet WMFS and Mayoral/WMCA priorities.

1.16 Modification requirements of enactments in their application to the WMCA as a Fire and Rescue Authority.

## **Primary Legislation**

### *Local Government Act 1972*

1. In section 138(5) of the Local Government Act 1972 (powers of principal councils with respect to emergencies or disasters) (a), the reference to “metropolitan county fire and rescue authority” is to apply as if it included “the WMCA as a fire and rescue authority”.

### *Local Government in Housing Act 1989*

2. (1) The Local Government and Housing Act 1989(c) is modified as follows.
  - (2) In section 67 (application of provisions about companies in which local authorities have interests), subsection (3)(k) applies as if the reference to “joint authority established by Part IV of that Act” included a reference to “the WMCA as a fire and rescue authority”.



- (3) In section 155 (emergency financial assistance to local authorities) subsection (4)(g) applies as if the reference to a “joint authority established by Part IV of the Local Government Act 1985” included a reference to “the WMCA as a fire and rescue authority”.

#### *Crime and Disorder Act 1998*

- 3. (1) The Crime and Disorder Act 1998(d) is modified as follows.
  - (2) In the definition of “fire and rescue authority” in section 5(5) (authorities responsible for strategies), the reference in paragraph (b) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.
  - (3) In the definition of “relevant authority” in section 115(2), the reference in paragraph (j) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

#### *Local Government Act 2003*

- 4. Section 23(1) of the Local Government Act 2003 (meaning of “local authority” for purposes of Part 1) (a) the reference in paragraph (k) to “a joint authority established by Part IV of that Act” is to apply as if it included a reference to “the WMCA as a fire and rescue authority.”

#### *Fire and Rescue Services Act 2004*

- 5. (1) The FRS Act 2004(b) is modified as follows.

(2) Section 4A (power to provide for police and crime commissioner to be fire and rescue authority) has effect as if at the end of subsection

(3)(b) there were inserted—

“, and (c) outside the Area.”;

(3) Section 4B (1) (changes to existing fire and rescue authorities) has effect as if the reference to fire and rescue authorities in England outside Greater London did not include the WMCA.

## Secondary legislation

6. In section 1 of the FRS 2004 Act(1), after subsection (4) insert—  
“(5) This section is also subject to an order under Part 6 of the Local Democracy, Economic Development and Construction Act 2009 which transfers the functions of a fire and rescue authority to a combined authority established under section 103 of that Act”.
7. In paragraph (a) of the definition of “local authority” in regulation 2(1) of the Pipelines Safety Regulations 1996 (interpretation)(c) the reference to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.
8. In article 1(2) of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (application of order to best value authorities) (d) the reference in paragraph (c) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.
9. In regulation 3 of the Community Right to Challenge (Fire and Rescue Authorities and Rejection of Expressions of Interest) (England) Regulations 2012 (relevant authorities) (e) the reference in paragraph (a) to a “metropolitan county fire and rescue authority established under section 26 of the Local Government Act 1985” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.
10. (1) The Local Government Pension Scheme Regulations 2013(f) are

modified as follows. (2) After regulation 64(8), insert—  
“(8A) Paragraph (8B) applies where the exiting employer is the WMFRA and the liabilities of the fund in respect of benefits due to the WMFRA’s current and former employees (or those of any predecessor authority) have been or are to be transferred to the WMCA by virtue of this Order. (8B) Where this paragraph applies, no exit payment is due under paragraph (1) and paragraph (2) does not apply.”.

11. In regulation 2(1) of the Explosives Regulations 2014 (interpretation)(g) in the definition of “local authority”, the reference in paragraph (c) to “a metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.
12. In regulation 2(1) of the Control of Major Accident Hazards Regulations 2015(a) in paragraph (b) of the definition of “local authority”, subparagraph (ii) is to apply as if there were substituted for that subparagraph— “(ii) the Area, the WMCA as a fire and rescue authority;”.

**Appendix B – Widening CFO Accountabilities Report 16 April 2018**

<http://94.236.33.181/Cmis5/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=Epxbw1uAC4obEFPf5XDUzmL9fVK0rD%2bLH4dbkO9LdbAz5PDnLuoRyA%3d%3d&rUzwRPf%2bZ3zd4E7lkn8Lyw%3d%3d=pwRE6AGJFLDNIh225F5QMaQWCtPHwdhUfCZ%2fLUQzgA2uL5jNRG4jdQ%3d%3d&mCTIbCubSFfXsDGW9IXnlg%3d%3d=hFfIUdN3100%3d&kCx1AnS9%2fpWZQ40DXFvdEw%3d%3d=hFfIUdN3100%3d&uJovDxwdjMPoYv%2bAJvYtyA%3d%3d=ctNJFf55vVA%3d&FgPIIEJYlotS%2bYGoBi5olA%3d%3d=NHdURQburHA%3d&d9Qjj0ag1Pd993jsyOJqFvmyB7X0CSQK=ctNJFf55vVA%3d&WGewmoAfeNR9xqBux0r1Q8Za60lavYmz=ctNJFf55vVA%3d&WGewmoAfeNQ16B2MHuCpMRKZMwaG1PaO=ctNJFf55vVA%3d>

Word report to be included

## **Appendix C – Home Office Advice**

The Home Office has liaised with HM Treasury and Ministry of Housing, Communities and Local Government (MHCLG) officials and confirmed that there is no primary legislation presently in existence that would allow for the ring fencing of fire and rescue service central funding. The same applies to locally raised funding as council tax is un-hypothecated income to allow precepting authorities to deliver its functions. In the case of a mayoral precept that will include all mayoral functions and as such the Government has said that it cannot ring-fence the fire and rescue service allocation, although it is traceable.

The position is different where a Mayor has Police and Crime Commissioner (PCC) functions. Section 107G of the Local Democracy, Economic Development and Construction Act 2009 as added by s.5(3) of the Cities and Local Government Devolution Act 2016 allows a separate precept component where a mayor has PCC functions. The legislation is cited below.

### Cities and Local Government Devolution Act 2016 - legislation

[www.legislation.gov.uk](http://www.legislation.gov.uk)

(1)In section 39 of the Local Government Finance Act 1992 (precepting and precepted authorities), in subsection (1) after paragraph (aa) insert— (a)a precept may be issued under this section only in relation to expenditure incurred by the mayor for the authority's area in, or in connection with ...

The Government officials have commented on section 31 grants, which are made to support local authority expenditure, but are not in themselves ring-fenced. Example referred to are the Council Tax freeze grant to local authorities through a section 31 grant and the adult social care precept. The s.31 grant does not require local authorities to spend the grant on a particular function and the adult social care precept is not formally ring-fenced, although it is monitored through a reporting mechanism.

Further, the MHCLG has also confirmed that it presently has no plans to alter its policy in order to enable Fire and Rescue Service funding to be ring fenced under a Mayoral WMCA model via the introduction of primary legislation.

Furthermore, the timetable the Home Office are working to would require draft Order sign off by 24-28<sup>th</sup> September 2018 to enable the legal drafting scrutiny required, in order that it may be laid before parliament in late November to December 2018 to meet the proposed April 2019 transfer date.

Finally, the Home Office has advised that it expects legislation relating to Brexit will dominate Parliamentary timetabling and therefore, should the proposed timeline be compromised, the prospect of re-entering the parliamentary timetable in the immediate future would be slim.

#### Appendix D – Draft Order received from the Home Office

*Draft Order laid before Parliament under section 117(2) of the Local Democracy, Economic Development and Construction Act 2009, for approval by resolution of each House of Parliament.*

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### DRAFT STATUTORY INSTRUMENTS

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**2019 No. 0000**

**LOCAL GOVERNMENT, ENGLAND**

**FIRE AND RESCUE, ENGLAND**

**The West Midlands Combined Authority (Fire and Rescue Functions) Order 2019**

Made - - - - [2019]

Coming into force in accordance with article 1

The Secretary of State makes the following Order in exercise of the powers conferred by sections 105A(1)(a), (3)(a) and (4)(b), 107D(1), (3)(c)(ii), (4), (5)(b), (7)(b) and (c), and (8), 114, 115 and 117(5) of the Local Democracy, Economic Development and Construction Act 2009<sup>(1)</sup> (the “LDEDC Act 2009”). A proposal for making this Order has been made to the Secretary of State by the West Midlands Combined Authority and the district councils whose areas

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<sup>(1)</sup> 2009 c. 20. Section 105A was inserted by section 7 of the Cities and Local Government Devolution Act 2016 (c. 1) (“the CLGD Act 2016”). Section 107D was inserted by section 4 of the CLGD Act 2016 and amended by section 8(3) of the Policing and Crime Act 2017 (c. 3). Section 114 was amended by section 23 of, and paragraphs 17 and 26 of Schedule 5 to, the CLGD Act 2016 and by S.I. 2016/997. Section 115 was amended by section 23(1) of, and paragraphs 17 and 27 of Schedule 5 to, the CLGD Act 2016. Section 117(2), (2A) and (3) were substituted by section 13 of the Localism Act 2011 (c. 20) and section 117(5) was inserted by section 23(1), and paragraphs 17 and 29 of Schedule 5 to, the CLGD Act 2016.

are comprised in the area of that Combined Authority in accordance with section 105B(1)(a) of the LDEDC Act 2009 by inclusion in a scheme prepared and published under section 112 of the LDEDC Act 2009<sup>(2)</sup>.

In accordance with section 107D(9) of the LDEDC Act 2009 the West Midlands Combined Authority and the district councils whose areas are comprised in the area of that Combined Authority have consented to the making of this Order.

In accordance with section 105B(9) of the LDEDC Act 2009, the Secretary of State has laid before Parliament a report explaining the effect of this Order and explaining why the Secretary of State considers it appropriate to make this Order.

A draft of this instrument has been laid before, and approved by a resolution of, each House of Parliament pursuant to section 117(2) of the LDEDC Act 2009.

## **PART 1**

### **Introduction**

#### **Citation and commencement**

1. This Order may be cited as the West Midlands Combined Authority (Fire and Rescue Functions) Order 2019 and comes into force on 1st April 2019.

#### **Interpretation**

2. In this Order—

“the FRS Act 2004” means the Fire and Rescue Services Act 2004<sup>(3)</sup>;

“the LDEDC Act 2009” means the Local Democracy, Economic Development and Construction Act 2009;

“the Area” means the area of the WMCA;

“Chief Fire Officer” means the person with the designated responsibilities for managing the fire and rescue service as set out in the body of this Order;

“constituent councils” means the councils for the local government areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton;

“excluded function” has the meaning given in article 6(1);

“fire and rescue declaration” means a document which—

(a) is prepared and published by the Chief Fire Officer, and approved by the Mayor, in accordance with the Fire and Rescue National Framework, and

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<sup>(2)</sup> Section 112 was amended by sections 6 and 23 of, and paragraphs 17 and 23 of Schedule 5 to, the CLGD Act 2016. Section 105B was inserted by section 7 of the CLGD Act 2016.

<sup>(3)</sup> 2004 c. 21.

- (b) contains a statement of the way in which the Mayor and the WMCA have had regard, in the period covered by the document, to the Fire and Rescue National Framework and to any integrated risk management plan prepared by the Chief Fire Officer for that period;

“fire and rescue functions” means functions conferred on the WMCA as a fire and rescue authority<sup>(4)</sup> by, or by virtue of, any enactment;

“Fire and Rescue National Framework” means the document prepared by the Secretary of State under section 21 of the FRS Act 2004<sup>(5)</sup>;

“the fire and rescue service” means the personnel, finances, reserves, estate, fleet, equipment and services secured by the WMCA for the purposes of carrying out the WMCA’s functions under—

- (a) section 6 of the FRS Act 2004 (fire safety),
- (b) section 7 of that Act (fire-fighting),
- (c) section 8 of that Act (road traffic accidents),
- (d) any order under section 9 of that Act (emergencies) which applies to the WMCA,
- (e) section 2 of the Civil Contingencies Act 2004<sup>(6)</sup> and any regulations under that Act applying to a fire and rescue authority,
- (f) any other provision of or made under an enactment which confers functions on a fire and rescue authority;

“integrated risk management plan” means a document which—

- (a) is prepared and published by the Chief Fire Officer, in accordance with the Fire and Rescue National Framework, and
- (b) sets out for the period covered by the document in accordance with the requirements of the Fire and Rescue National Framework—
  - (i) the fire and rescue service’s priorities and objectives, and
  - (ii) an assessment of all foreseeable fire and rescue related risks that could affect its community,

in connection with the discharge of the WMCA’s functions as a fire and rescue authority;

“the Mayor” means the mayor for the Area;

“the Mayoral FireAdvisory Committee” has the meaning given in article 4(3);

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<sup>(4)</sup> By virtue of section 120 of the Local Democracy, Economic Development and Construction Act 2009, “fire and rescue authority” means a fire and rescue authority under the Fire and Rescue Services Act 2004.

<sup>(5)</sup> Section 21 was amended by paragraph 9 of Schedule 1 to the Policing and Crime Act 2017.

<sup>(6)</sup> 2004 c. 36.



“the transfer date” means 1st April 2019;

“the WMCA” means the West Midlands Combined Authority, a body corporate established by the West Midlands Combined Authority Order 2016<sup>(7)</sup>;

“the WMFRA” means the West Midlands Fire and Rescue Authority<sup>(8)</sup>.

## **PART 2**

### **Transfer of functions**

#### **Transfer of functions of the WMFRA to the WMCA**

**3.—**(1) The functions of the WMFRA that were exercisable in relation to the Area immediately before the transfer date are functions of the WMCA.

(2) The WMCA is the fire and rescue authority for the Area for the purposes of the FRS Act 2004, subject to paragraph 5 of the Schedule.

(3) The WMFRA is abolished.

#### **Exercise of fire and rescue functions**

**4.—**(1) Subject to paragraphs (3) and (4), and article 7(1), the fire and rescue functions are exercisable only by the Mayor.

(2) For the purposes of the exercise of the fire and rescue functions, the Mayor may do anything that the WMCA may do under section 113A of the LDEDC Act 2009 (general power of economic prosperity board or combined authority)<sup>(9)</sup>.

(3) The Mayor may arrange for a committee of the WMCA (“the Mayoral Fire Advisory Committee”) to advise the mayor on the exercise of fire and rescue functions other than any excluded function.

(4) The Mayor may not make any arrangement under section 107D(3) of the LDEDC Act 2009 (functions of mayors: general) that authorises the exercise of any excluded function.

(5) Members and officers of the WMCA may assist the Mayor in the exercise of the fire and rescue functions.

(6) The Mayor may, for the purposes of the exercise of the fire and rescue functions, do anything that the WMCA may do by virtue of—

(a) section 113A of the LDEDC Act 2009,

(b) any order made under section 113D of the LDEDC Act 2009, other than borrow money.

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<sup>(7)</sup> S.I. 2016/653, as amended by S.I. 2017/510.

<sup>(8)</sup> The West Midlands Fire and Rescue Authority was established under section 26 of the Local Government Act 1985 (c. 51) and the words “fire and rescue authority” were substituted by section 32 of, and paragraph 10 of Schedule 2 to, the Civil Contingencies Act 2004 (c. 36).

<sup>(9)</sup> Section 113A was inserted by section 13 of the Localism Act 2011 and amended by section 23 of, and paragraph 25 of Schedule 5 to, the Cities and Local Government Devolution Act 2016.

### **The Mayoral Fire Advisory Committee**

**5.—**(1) Committee (“the Committee”) must consist of no more than 18 members, appointed by the Mayor as follows—

- (a) no more than 15 members on the nomination of the constituent councils, provided that—
  - (i) each member must be nominated by a constituent council from one of that council’s elected members,
  - (ii) at least one member must be appointed on the nomination of each of the constituent councils,
  - (iii) the Mayor and the constituent councils must, when appointing or nominating members, ensure so far as is reasonably practicable that the number of members appointed on the nomination of each constituent council is proportionate to the number of electors of each of the constituent councils, and
  - (iv) where the Mayor decides not to appoint a person who has been nominated by a constituent council, that council may nominate a further person from that council’s elected members who will be appointed by the mayor without further veto,
- (b) the Police and Crime Commissioner in relation to the Area,
- (c) two co-opted members to support wider collaboration to be determined by the Mayor in consultation with the chair of the Committee.

(2) The Mayor and the constituent councils must, when appointing or nominating members, ensure that the members taken as a whole reflect so far as reasonably practicable the balance of the political parties for the time being prevailing among the constituent councils when taken together.

(3) The Mayor must ensure that the majority of the members are members appointed in accordance with paragraph (1)(a).

(4) The Mayor must, after consultation with the leaders of the constituent councils, appoint one of the members of the Committee to serve as chair of the Committee.

(5) On a vote at a meeting of the committee, each member appointed under paragraph (1)(a) or (b) has one vote.

(6) The WMCA may pay basic allowances, allowances for travel and subsistence to members of the Committee in accordance with a scheme drawn up by the WMCA.

(7) A member of the committee appointed in accordance with paragraph (1)(a) ceases to be a member if they cease to be an elected member of the relevant constituent council.

(8) A member may resign by written notice served on the proper officer of the constituent council of which they were a member of at the time of their

appointment to the committee and the resignation is to take effect on receipt of the notice by the proper officer.

(9) The Mayor may at any time terminate the appointment of a member where they have not attended scheduled meetings of the committee throughout a period of six consecutive months from the date of that member's last attendance.

(10) Where a person appointed in accordance with paragraph (1)(a) ceases to be a member by virtue of paragraph (7), (8) or (9), the constituent council that nominated that member must, as soon as practicable, give written notice to the Mayor and nominate another person from that council's elected members.

(11) Where a person appointed in accordance with paragraph (1)(b) or (c) ceases to be a member, the Mayor must appoint another person to be a member in accordance with paragraph (1)(b) or (c) (as the case may be).

### **Excluded fire and rescue functions**

- 6.—**(1) The following fire and rescue functions are “excluded functions”—
- (a) the fire and rescue functions specified in the following provisions of the FRS Act 2004—
    - (i) section 13 (reinforcement schemes),
    - (ii) section 15 (arrangements with other employers of fire-fighters), and
    - (iii) section 16 (arrangements for discharge of functions by others),
  - (b) the functions of—
    - (i) appointing, or dismissing, the chief fire officer,
    - (ii) approving the terms of appointment of the chief fire officer, and
    - (iii) holding the chief fire officer to account for managing the fire and rescue service in accordance with article 7(2) and (3),
  - (c) the functions of approving—
    - (i) the integrated risk management plan, and
    - (ii) the fire and rescue declaration,
  - (d) the function of approving plans, modifications to plans and additions to plans for the purpose of ensuring that—
    - (i) so far as is reasonably practicable, the WMCA is able to continue to perform its fire and rescue functions if an emergency occurs,
    - (ii) the WMCA is able to perform its functions so far as necessary or desirable for the purpose of preventing an emergency, or reducing, controlling or mitigating the effects of an emergency, or taking other action in connection with it, and
  - (e) the function of approving any arrangements for the co-operation of the WMCA in relation to its fire and rescue functions and other general Category 1 responders and general Category 2 responders in respect of the performance of the WMCA's duty as a fire and rescue authority

under section 2 of the Civil Contingencies Act 2004<sup>(10)</sup> and any duties under regulations made in exercise of powers under that Act.

(2) In subparagraphs (d) and (e), “emergency” has the meaning given in section 1 of the Civil Contingencies Act 2004 for Part 1 of that Act.

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<sup>(10)</sup> 2004 c.36. Category 1 responders general are listed in Part 1, and category 2 responders general are listed in Part 2 of Schedule 1 to the Civil Contingencies Act 2004. There are amendments to section 2 and Schedule 1 which are not relevant to this Order.

## **Delegation of functions of to the Chief Fire Officer**

7.—(1) The following functions must be delegated to the Chief Fire Officer in relation to the fire and rescue service—

- (a) the operational and technical management of the fire and rescue service,
  - (b) the provision of operational and technical advice to the Mayor,
  - (c) the preparation and publication of the integrated risk management plan,
  - (d) together with the officer responsible for the proper administration of financial affairs of the WMCA under section 151 Local Government Act 1972<sup>(11)</sup>, the proposal of an annual budget for the fire and rescue service,
  - (e) the preparation and delivery of the fire and rescue service strategy,
  - (f) the functions of the WMCA under—
    - (i) sections 6, 7 and 8 of the FRS Act 2004, and any order under section 9 of that Act which applies to the WMCA,
    - (ii) section 2 of the Civil Contingencies Act 2004, and any regulations under that Act applying to a fire and rescue authority,
    - (iii) any other provision of or made under an enactment which confers functions on a fire and rescue authority,
  - (g) the appointment and development of all fire and rescue service staff, and the staffing structure,
  - (h) the dismissal of fire and rescue service staff,
  - (i) the management and allocation of the estate, finance and reserve, equipment, any other assets and the fleet,
  - (j) the management and negotiation of trade union relations.
- (2) The Chief Fire Officer must have regard to the Fire and Rescue National Framework in carrying out their functions.
- (3) The Mayor must hold the Chief Fire Officer to account for the exercise of—
- (a) the designated functions of the chief fire officer, and

## **PART 3**

### **Transitional arrangements and asset transfers**

#### **Transfer of property, rights and liabilities**

8.—(1) by virtue of this paragraph vest in, the WMCA on the transfer date.

(2) In relation to the property, rights and liabilities transferred by paragraph (1) and any property, rights and liabilities acquired in connection with the WMCA's fire and rescue functions on or after the transfer date—

- (a) all functions in relation to such property, rights and liabilities are to be exercised by the Mayor,
- (b) all decisions relating to such property, rights and liabilities are to be made by the CFO and Mayor as appropriate and as set out in the body of this Order.

(3) Subject to article 6, nothing in paragraph (2) prevents the Mayor from making arrangements under section 107D(3) of the LDEDC Act 2009 in relation to the matters mentioned in paragraph (2).

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<sup>(11)</sup> 1972 c. 70.

## **Secondments**

**9.** In the case of a person who, immediately before the transfer date is seconded to the WMFRA, the secondment is to have effect, after that time, as a secondment to the WMCA.

## **Continuity**

**10.—**(1) The abolition of the WMFRA, the transfer or abolition of the WMFRA's functions, and the transfer of the WMFRA's property, rights and liabilities, do not affect the validity of anything done before the abolition or transfer.

(2) Paragraphs (3) to (5) apply where any functions, property, rights or liabilities are transferred by this Order from the WMFRA to the WMCA.

(3) There may be continued by or in relation to the WMCA anything (including legal proceedings) which—

(a) relates to any of the functions, property, rights or liabilities transferred, and

(b) is in the process of being done by or in relation to the WMFRA immediately before the transfer date.

(4) Anything which—

(a) was made or done by or in relation to the WMFRA for the purposes of, or otherwise in connection with, any of the functions, property, rights or liabilities transferred; and

(b) is in effect immediately before the transfer date, has effect as if made or done by or in relation to the WMCA.

(5) The WMCA is to be substituted for the WMFRA in any instruments, contracts or legal proceedings which—

(a) relate to any of the functions, property, rights or liabilities transferred, and

(b) are made or commenced before the transfer date.

(6) In this paragraph a reference to the transfer of a function includes a reference to the abolition of the function and the conferral of a corresponding function on another person.

## **Transfers: supplementary provision**

**11.—**(1) All property, rights and liabilities transferred by this Order are to be transferred by that transfer, notwithstanding that they may be or include—

(a) property, rights and liabilities that would not otherwise be capable of being transferred, or

(b) rights and liabilities under enactments.

(2) No right of reverter, right of pre-emption, right of forfeiture, right of re-entry, right to compensation, option or similar right affecting any land or other property is to operate or become exercisable as a result of any transfer of land or other property by virtue of this Order (whether or not any consent required to the transfer has been obtained).

(3) No right to terminate or vary a contract or instrument is to operate or become exercisable, and no provision of a contract or relevant document, is to

operate or become exercisable or be contravened, by reason of the transfer made by this Order.

(4) Paragraphs (1) to (3) above have effect in relation to—

- (a) the grant or creation of an estate or interest in, or right over, any land or other property, or
- (b) the doing of any other thing in relation to land or other property, as they have effect in relation to the transfer made by this Order of land or other property.

(5) In this article, “relevant document” means—

- (a) any enactment, other than an enactment contained in the LDEDC Act 2009,
- (b) any subordinate legislation made otherwise than under that Act, or
- (c) any deed or other instrument.

#### **PART 4**

#### **Modification of enactments and consequential repeal**

#### **Modification of enactments and consequential repeal**

**12.** The modification of enactments in their application to the WMCA as a fire and rescue authority and the consequential repeal set out in the Schedule have effect.

	<i>Name</i>
Address	Minister of State
Date	Home Office
	Article 12
SCHEDULE	
Modification of enactments in their application to the WMCA as a fire and rescue authority and consequential repeal	
PART 1	
Modification of primary legislation	

#### **Local Government Act 1972**

**1.** In section 138(5) of the Local Government Act 1972 (powers of principal councils with respect to emergencies or disasters)<sup>(12)</sup>, the reference to “metropolitan county fire and rescue authority” is to apply as if it included “the WMCA as a fire and rescue authority”.

#### **Local Government and Housing Act 1989**

**2.—**(1)<sup>(13)</sup> is modified as follows.

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<sup>(12)</sup> 1972 c.70. Subsection (5) was inserted by section 156(3) of the Local Government and Housing Act 1989 (c. 42) and the words “metropolitan county fire and rescue authority” were substituted by paragraph 10(2) of Part 1 of Schedule 2 to the Civil Contingencies Act 2004 (c. 36). Other amendments have been made to section 138 which are not relevant to this Order.

<sup>(13)</sup> 1989 c.42. Section 67 has been repealed by sections 216(1) and 241 of, and Part 16 of Schedule 18 to, the Local Government and Public Involvement in Health Act 2007. The repeal has not yet been brought into force. Section 155(4) (g) has been amended by the substitution of

(2) In section 67 (application of provisions about companies in which local authorities have interests), subsection (3)(k) applies as if the reference to “joint authority established by Part IV of that Act” included a reference to “the WMCA as a fire and rescue authority”.

(3) In section 155 (emergency financial assistance to local authorities) subsection (4)(g) applies as if the reference to a “joint authority established by Part IV of the Local Government Act 1985” included a reference to “the WMCA as a fire and rescue authority”.

### **Crime and Disorder Act 1998**

**3.—**(1) ~~(14)~~ is modified as follows.

(2) In the definition of “fire and rescue authority” in section 5(5) (authorities responsible for strategies), the reference in paragraph (b) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

(3) In the definition of “relevant authority” in section 115(2), the reference in paragraph (j) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

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the words “an Integrated Transport Authority” by section 77(5) of, and Part 4 of Schedule 4 to, the Local Transport Act 2008. There are other amendments to section 155 which are not relevant to this Order.

<sup>(14)</sup> 1998 c.37. In section 5(5) the definition of “fire and rescue authority” was substituted by section 53(1) of, and paragraph 89(1), (2) (b) of, Schedule 1 to, the Fire and Rescue Services Act 2004. In paragraph (b) of subsection (5) the words “metropolitan county fire and rescue authority” were substituted by virtue of paragraph 10(1), (2) of Part 1 of Schedule 2 to the Civil Contingencies Act 2004. There are other amendments to section 5 which are not relevant to this Order. Paragraph (j) of section 115(2) was inserted by section 22 of, and paragraphs 1 and 7(1), (2) of Schedule 9 to, the Police and Criminal Justice Act 2006 c. 48. Other amendments have been made to section 115 which are not relevant to this Order.



## **Local Government Act 2003**

4. Section 23(1) of the Local Government Act 2003 (meaning of “local authority” for purposes of Part 1)<sup>(15)</sup> the reference in paragraph (k) to “a joint authority established by Part IV of that Act” is to apply as if it included a reference to “the WMCA as a fire and rescue authority.”

## **Fire and Rescue Services Act 2004**

5.—(1)<sup>(16)</sup> is modified as follows.

(2) Section 4A (power to provide for police and crime commissioner to be fire and rescue authority) has effect as if at the end of subsection (3)(b) there were inserted—

“, and

(c) outside the Area.”.

(3) Section 4B(1)(changes to existing fire and rescue authorities) has effect as if the reference to fire and rescue authorities in England outside Greater London did not include the WMCA.

## **PART 2**

### **Modification of secondary legislation**

#### **Pipelines Safety Regulations 1996**

6. In paragraph (a) of the definition of “local authority” in regulation 2(1) of the Pipelines Safety Regulations 1996 (interpretation)<sup>(17)</sup> the reference to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

#### **Local Government (Best Value Authorities)(Power to Trade)(England) Order 2009**

7. In article 1(2) of the Local Government (Best Value Authorities)(Power to Trade)(England) Order 2009 (application of order to best value authorities)<sup>(18)</sup> the reference in paragraph (c) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

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<sup>(15)</sup> 2003 c. 26. In section 23(1)(k), the words “(fire and rescue services and transport)” were substituted by section 32 of, and paragraph 10 of Schedule 2 to, the Civil Contingencies Act 2004.

<sup>(16)</sup> 2004 c. 21. Sections 4A and 4B were inserted by paragraph 5 of Part 1 of Schedule 1 to the Policing and Crime Act 2017.

<sup>(17)</sup> S.I. 1996/825, the words “metropolitan county fire and rescue authority” were substituted by virtue of paragraph 10(1), (2) of Part 1 of Schedule 2 to the Civil Contingencies Act 2004 (c.36).

<sup>(18)</sup> S.I. 2009/2393.

**Community Right to Challenge (Fire and Rescue Authorities and Rejection of Expressions of Interest) (England) Regulations 2012**

8. In regulation 3 of the Community Right to Challenge (Fire and Rescue Authorities and Rejection of Expressions of Interest) (England) Regulations 2012 (relevant authorities)<sup>(19)</sup> the reference in paragraph (a) to a “metropolitan county fire and rescue authority established under section 26 of the Local Government Act 1985” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

**Local Government Pension Scheme Regulations 2013**

9.—(1) Regulation 64 of the Local Government Pension Scheme Regulations 2013<sup>(20)</sup> is to be read as if, after paragraph (8), there were inserted—

“(8B) 21).

(8B) Where this paragraph applies, no exit payment is due under paragraph (1) and paragraph (2) does not apply.”.

**Explosives Regulations 2014**

10. In regulation 2(1) of the Explosives Regulations 2014 (interpretation)<sup>(22)</sup> in the definition of “local authority”, the reference in paragraph (c) to “a metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

**Control of Major Accident Hazards Regulations 2015**

11. In regulation 2(1) of the Control of Major Accident Hazards Regulations 2015<sup>(23)</sup> in paragraph (b) of the definition of “local authority”, sub-paragraph (ii) is to apply as if there were substituted for that sub-paragraph—

“(ii) [OBJ]”.

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<sup>(19)</sup> S.I. 2012/1647.

<sup>(20)</sup> S.I. 2013/2356; regulation 64(1) is substituted by regulation 22 of S.I. 2015/755, and paragraphs (8A) and (8B) were inserted by S.I. 2017/469.

<sup>(21)</sup> S.I. 2019/[tba].

<sup>(22)</sup> S.I. 2014/1638; to which there are amendments not relevant to this Order.

<sup>(23)</sup> S.I. 2015/483; to which there are amendments not relevant to this Order.

**PART 3**  
**Consequential repeal**

**Local Government Act 1985**

**12.** Part 6 of Schedule 10 to the Local Government Act 1985 (number of members of joint authorities: West Midlands)<sup>(24)</sup> is repealed.

**EXPLANATORY NOTE**

*(This note is not part of the Order)*

This Order provides for the conferral of the functions of the West Midlands Fire and Rescue Authority (“the WMFRA”) on the West Midlands Combined Authority (“the WMCA”). It has been made following the publication, on 8th September 2017, of a scheme for the conferral of those functions on the WMCA. The scheme is available from the WMCA at [ ] or at [web address].

Part 6 of the Local Democracy, Economic Development and Construction Act 2009 (“the LDEDC Act 2009”) provides for the establishment of combined authorities for the areas of two or more local authorities in England. Combined authorities are bodies corporate which may be given power to exercise specified functions of a local authority or public authority under sections 104, 105 and 105A of the LDEDC Act 2009, and power to exercise specified functions of any other public authority under section 16 of the Cities and Local Government Devolution Act 2016 (“the 2016 Act”). The Secretary of State may provide for there to be a mayor for the area of the combined authority where the constituent councils of the combined authority (each district council or county council whose area is within the area of the combined authority) and any existing combined authority consent under section 107B(3) of the LDEDC Act 2009.

Article 3 of this Order transfers the functions of the WMFRA to the WMCA on 1st April 2019, and provides that the WMCA is the fire and rescue authority for the area of the combined authority for the purposes of the Fire and Rescue Services Act 2004. The article also abolishes the WMFRA.

Article 4 provides that the fire and rescue functions of the WMCA are to be exercised by the Mayor of the WMCA, and for this purpose the Mayor may exercise similar powers to the WMCA’s powers under section 113A of the LDEDC Act 2009. It provides for the Mayor to establish a Mayoral Fire Advisory Committee to advise the Mayor in the exercise of those functions,

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<sup>(24)</sup> 1985 c.51. Column 2 of the table in Part 2 was repealed by section 93, and Part 1 of Schedule 9 to the Police and Magistrates’ Courts Act 1994. The words “Integrated Transport Authority” in the heading of column 4 were substituted by section 77(5) and paragraph 53 of Schedule 4 to the Local Transport Act 2008. The West Midlands Integrated Transport Authority was abolished by the WMCA Order 2011.

and also provides that members and officers of the WMCA may assist the Mayor in the exercise of those functions.

Article 5 makes provision about the membership and meetings of the Mayoral Fire Advisory Committee.

Article 6 sets out certain fire and rescue functions which may not be delegated by the Mayor.

Article 7 sets out the fire and rescue functions that must be delegated to the chief fire officer which include, in particular, the operational management of the fire and rescue service.

Articles 8, 9, 10 and 11 make transitional arrangements and supplementary provisions in relation to the transfer of functions, property, rights and liabilities from the WMFRA to the WMCA.

Article 12 and the Schedule make consequential amendments to primary and secondary legislation.

A full regulatory impact assessment has not been prepared as this instrument will have no impact on the costs of business and the voluntary sector.

KAREN GOWREESUNKER

Clerk to the Authority

Contact number: 0121 380 6678

PHIL LOACH  
CHIEF FIRE OFFICER

DRAFT STATUTORY INSTRUMENTS

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**2019 No. 0000**

**LOCAL GOVERNMENT, ENGLAND**

**FIRE AND RESCUE, ENGLAND**

**The West Midlands Combined Authority (Fire and Rescue Functions) Order 2019**

*Made - - - - [2019]*

*Coming into force in accordance with article 1*

The Secretary of State makes the following Order in exercise of the powers conferred by sections 105A(1)(a), (3)(a) and (4)(b), 107D(1), (3)(c)(ii), (4), (5)(b), (7)(b) and (c), and (8), 114, 115 and 117(5) of the Local Democracy, Economic Development and Construction Act 2009<sup>(a)</sup> (the “LDEDC Act 2009”).

A proposal for making this Order has been made to the Secretary of State by the West Midlands Combined Authority and the district councils whose areas are comprised in the area of that Combined Authority in accordance with section 105B(1)(a) of the LDEDC Act 2009 by inclusion in a scheme prepared and published under section 112 of the LDEDC Act 2009<sup>(b)</sup>.

In accordance with section 107D(9) of the LDEDC Act 2009 the West Midlands Combined Authority and the district councils whose areas are comprised in the area of that Combined Authority have consented to the making of this Order.

In accordance with section 105B(9) of the LDEDC Act 2009, the Secretary of State has laid before Parliament a report explaining the effect of this Order and explaining why the Secretary of State considers it appropriate to make this Order.

A draft of this instrument has been laid before, and approved by a resolution of, each House of Parliament pursuant to section 117(2) of the LDEDC Act 2009.

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- (a) 2009 c. 20. Section 105A was inserted by section 7 of the Cities and Local Government Devolution Act 2016 (c. 1) (“the CLGD Act 2016”). Section 107D was inserted by section 4 of the CLGD Act 2016 and amended by section 8(3) of the Policing and Crime Act 2017 (c. 3). Section 114 was amended by section 23 of, and paragraphs 17 and 26 of Schedule 5 to, the CLGD Act 2016 and by S.I. 2016/997. Section 115 was amended by section 23(1) of, and paragraphs 17 and 27 of Schedule 5 to, the CLGD Act 2016. Section 117(2), (2A) and (3) were substituted by section 13 of the Localism Act 2011 (c. 20) and section 117(5) was inserted by section 23(1), and paragraphs 17 and 29 of Schedule 5 to, the CLGD Act 2016.
- (b) Section 112 was amended by sections 6 and 23 of, and paragraphs 17 and 23 of Schedule 5 to, the CLGD Act 2016. Section 105B was inserted by section 7 of the CLGD Act 2016.

# PART 1

## Introduction

### Citation and commencement

1. This Order may be cited as the West Midlands Combined Authority (Fire and Rescue Functions) Order 2019 and comes into force on 1st April 2019.

### Interpretation

2. In this Order—

“the FRS Act 2004” means the Fire and Rescue Services Act 2004(a);

“the LDEDC Act 2009” means the Local Democracy, Economic Development and Construction Act 2009;

“the Area” means the area of the WMCA;

“Chief Fire Officer” means the person with responsibility for managing the fire and rescue service;

“constituent councils” means the councils for the local government areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton;

“excluded function” has the meaning given in article 6(1);

“fire and rescue declaration” means a document which—

(a) is prepared and published by the Chief Fire Officer, and approved by the Mayor, in accordance with the Fire and Rescue National Framework, and

(b) contains a statement of the way in which the Mayor and the WMCA have had regard, in the period covered by the document, to the Fire and Rescue National Framework and to any integrated risk management plan prepared by the Chief Fire Officer for that period;

“fire and rescue functions” means functions conferred on the WMCA as a fire and rescue authority(b) by, or by virtue of, any enactment;

“Fire and Rescue National Framework” means the document prepared by the Secretary of State under section 21 of the FRS Act 2004(c);

“the fire and rescue service” means the personnel, assets, finances, reserves and services secured by the WMCA for the purposes of carrying out the WMCA’s functions under—

(a) section 6 of the FRS Act 2004 (fire safety),

(b) section 7 of that Act (fire-fighting),

(c) section 8 of that Act (road traffic accidents),

(d) any order under section 9 of that Act (emergencies) which applies to the WMCA,

(e) section 2 of the Civil Contingencies Act 2004(d) and any regulations under that Act applying to a fire and rescue authority,

(f) any other provision of or made under an enactment which confers functions on a fire and rescue authority;

“integrated risk management plan” means a document which—

(a) is prepared and published by the Chief Fire Officer, in accordance with the Fire and Rescue National Framework, and

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(a) 2004 c. 21.

(b) By virtue of section 120 of the Local Democracy, Economic Development and Construction Act 2009, “fire and rescue authority” means a fire and rescue authority under the Fire and Rescue Services Act 2004.

(c) Section 21 was amended by paragraph 9 of Schedule 1 to the Policing and Crime Act 2017.

(d) 2004 c. 36.

- (b) sets out for the period covered by the document in accordance with the requirements of the Fire and Rescue National Framework—
  - (i) the fire and rescue service’s priorities and objectives, and
  - (ii) an assessment of all foreseeable fire and rescue related risks that could affect its community,
 in connection with the discharge of the WMCA’s functions as a fire and rescue authority;
- “the Mayor” means the mayor for the Area;
- “the Mayoral Fire Committee” has the meaning given in article 4(3);
- “the transfer date” means 1st April 2019;
- “the WMCA” means the West Midlands Combined Authority, a body corporate established by the West Midlands Combined Authority Order 2016(a);
- “the WMFRA” means the West Midlands Fire and Rescue Authority(b).

## PART 2

### Transfer of functions

#### **Transfer of functions of the WMFRA to the WMCA**

**3.—**(1) The functions of the WMFRA that were exercisable in relation to the Area immediately before the transfer date are functions of the WMCA.

(2) The WMCA is the fire and rescue authority for the Area for the purposes of the FRS Act 2004, subject to paragraph 5 of the Schedule.

(3) The WMFRA is abolished.

#### **Exercise of fire and rescue functions**

**4.—**(1) Subject to paragraphs (3) and (4), and article 7(1), the fire and rescue functions are exercisable only by the Mayor.

(2) For the purposes of the exercise of the fire and rescue functions, the Mayor may do anything that the WMCA may do under section 113A of the LDEDC Act 2009 (general power of economic prosperity board or combined authority)(c).

(3) The Mayor may arrange for a committee of the WMCA (“the Mayoral Fire Committee”) to advise the mayor on the exercise of fire and rescue functions.

(4) The Mayor may not make any arrangement under section 107D(3) of the LDEDC Act 2009 (functions of mayors: general) that authorises the exercise of any excluded function.

(5) Members and officers of the WMCA may assist the Mayor in the exercise of the fire and rescue functions.

(6) The Mayor may, for the purposes of the exercise of the fire and rescue functions, do anything that the WMCA may do by virtue of—

- (a) section 113A of the LDEDC Act 2009,
- (b) any order made under section 113D of the LDEDC Act 2009,

other than borrow money.

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(a) S.I. 2016/653, as amended by S.I. 2017/510.

(b) The West Midlands Fire and Rescue Authority was established under section 26 of the Local Government Act 1985 (c. 51) and the words “fire and rescue authority” were substituted by section 32 of, and paragraph 10 of Schedule 2 to, the Civil Contingencies Act 2004 (c. 36).

(c) Section 113A was inserted by section 13 of the Localism Act 2011 and amended by section 23 of, and paragraph 25 of Schedule 5 to, the Cities and Local Government Devolution Act 2016.

## **The Mayoral Fire Committee**

**5.—**(1) The Mayoral Fire Committee (“the Committee”) must consist of no more than 18 members, appointed by the Mayor as follows—

- (a) no more than 15 members on the nomination of the constituent councils, provided that—
  - (i) each member must be nominated by a constituent council from one of that council’s elected members,
  - (ii) at least one member must be appointed on the nomination of each of the constituent councils,
  - (iii) the Mayor and the constituent councils must, when appointing or nominating members, ensure so far as is reasonably practicable that the number of members appointed on the nomination of each constituent council is proportionate to the number of electors of each of the constituent councils, and
  - (iv) where the Mayor decides not to appoint a person who has been nominated by a constituent council—
    - (aa) the Mayor must notify that constituent council, giving reasons, and
    - (bb) that constituent council may nominate a further person from that council’s elected members who must be appointed by the Mayor,
- (b) the police and crime commissioner in relation to the Area,
- (c) two co-opted members to be determined by the Mayor in consultation with the chair of the Committee.

(2) The Mayor and the constituent councils must, when appointing or nominating members in accordance with paragraph (1)(a), ensure that the members taken as a whole reflect so far as reasonably practicable the balance of the political parties for the time being prevailing among the constituent councils when taken together.

(3) The Mayor must ensure that the majority of the members are members appointed in accordance with paragraph (1)(a).

(4) The Mayor must, after consultation with the leaders of the constituent councils, appoint one of the members of the Committee to serve as chair of the Committee.

(5) On a vote at a meeting of the Committee, each member appointed under paragraph (1)(a) or (b) has one vote.

(6) The WMCA may pay allowances to members of the Committee in accordance with its scheme of allowances.

(7) A member of the Committee appointed in accordance with paragraph (1)(a) ceases to be a member if they cease to be an elected member of the relevant constituent council.

(8) A member may resign by written notice served on the proper officer of the constituent council of which they were a member of at the time of their appointment to the Committee and the resignation is to take effect on receipt of the notice by the proper officer.

(9) The Mayor may at any time terminate the appointment of a member where they have not attended scheduled meetings of the Committee throughout a period of six consecutive months from the date of that member’s last attendance.

(10) Where a person appointed in accordance with paragraph (1)(a) ceases to be a member by virtue of paragraph (7), (8) or (9), the constituent council that nominated that member must, as soon as practicable, give written notice to the Mayor and nominate another person from that council’s elected members.

(11) Where a person appointed in accordance with paragraph (1)(b) or (c) ceases to be a member, the Mayor must appoint another person to be a member in accordance with paragraph (1)(b) or (c) (as the case may be).



## **Excluded fire and rescue functions**

- 6.—**(1) The following fire and rescue functions are “excluded functions”—
- (a) the fire and rescue functions specified in the following provisions of the FRS Act 2004—
    - (i) section 13 (reinforcement schemes),
    - (ii) section 15 (arrangements with other employers of fire-fighters), and
    - (iii) section 16 (arrangements for discharge of functions by others),
  - (b) the functions of—
    - (i) appointing, or dismissing, the Chief Fire Officer,
    - (ii) approving the terms of appointment of the Chief Fire Officer, and
    - (iii) holding the Chief Fire Officer to account for managing the fire and rescue service in accordance with article 7(2) and (3),
  - (c) the functions of approving—
    - (i) the integrated risk management plan, and
    - (ii) the fire and rescue declaration,
  - (d) the function of approving plans, modifications to plans and additions to plans for the purpose of ensuring that—
    - (i) so far as is reasonably practicable, the WMCA is able to continue to perform its fire and rescue functions if an emergency occurs,
    - (ii) the WMCA is able to perform its functions so far as necessary or desirable for the purpose of preventing an emergency, or reducing, controlling or mitigating the effects of an emergency, or taking other action in connection with it, and
  - (e) the function of approving any arrangements for the co-operation of the WMCA in relation to its fire and rescue functions and other general Category 1 responders and general Category 2 responders in respect of the performance of the WMCA’s duty as a fire and rescue authority under section 2 of the Civil Contingencies Act 2004<sup>(a)</sup> and any duties under regulations made in exercise of powers under that Act.
- (2) In subparagraphs (d) and (e), “emergency” has the meaning given in section 1 of the Civil Contingencies Act 2004 for Part 1 of that Act.

## **Delegation of functions to the Chief Fire Officer**

- 7.—**(1) The following functions are exercisable only by the Chief Fire Officer in relation to the fire and rescue service—
- (a) the operational and technical management of the fire and rescue service,
  - (b) the provision of operational and technical advice to the Mayor,
  - (c) the preparation and publication of the integrated risk management plan,
  - (d) together with the officer responsible for the proper administration of financial affairs of the WMCA under section 151 Local Government Act 1972<sup>(b)</sup>, the proposal of an annual budget for the fire and rescue service,
  - (e) the preparation and delivery of the fire and rescue service priorities and objectives,
  - (f) the functions of the WMCA under—
    - (i) sections 6, 7, 8, 13, 16 and 17 of the FRS Act 2004, and any order under section 9 of that Act which applies to the WMCA,

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(a) 2004 c.36. Category 1 responders general are listed in Part 1, and category 2 responders general are listed in Part 2 of Schedule 1 to the Civil Contingencies Act 2004. There are amendments to section 2 and Schedule 1 which are not relevant to this Order.

(b) 1972 c. 70.

- (ii) section 2 of the Civil Contingencies Act 2004, and any regulations under that Act applying to a fire and rescue authority,
  - (iii) the Regulatory Reform (Fire Safety) Order 2005(a),
  - (iv) any other provision of or made under an enactment which confers functions on a fire and rescue authority,
  - (g) the appointment and development of all fire and rescue service staff, and the staffing structure,
  - (h) the dismissal of fire and rescue service staff,
  - (i) the management and allocation of assets, finances and reserves,
  - (j) the management and negotiation of trade union relations.
- (2) The Chief Fire Officer must have regard to the Fire and Rescue National Framework in carrying out their functions.
- (3) The Mayor must hold the Chief Fire Officer to account for the exercise of—
- (a) the functions of the Chief Fire Officer, and
  - (b) the functions of persons under the direction and control of the Chief Fire Officer.

## PART 3

### Transitional arrangements and asset transfers

#### **Transfer of property, rights and liabilities**

**8.—**(1) All property, rights and liabilities (including rights and liabilities in relation to contracts of employment) which immediately before the transfer date were property, rights and liabilities of the WMFRA are transferred to, and by virtue of this paragraph vest in, the WMCA on the transfer date.

(2) In relation to the property, rights and liabilities transferred by paragraph (1) and any property, rights and liabilities acquired in connection with the WMCA's fire and rescue functions on or after the transfer date—

- (a) all functions in relation to such property, rights and liabilities are to be exercised by the Mayor,
- (b) all decisions relating to such property, rights and liabilities are to be made by the Mayor.

(3) Subject to article 6, nothing in paragraph (2) prevents the Mayor from making arrangements under section 107D(3) of the LDEDC Act 2009 in relation to the matters mentioned in paragraph (2).

#### **Secondments**

**9.** In the case of a person who, immediately before the transfer date is seconded to the WMFRA, the secondment is to have effect, after that time, as a secondment to the WMCA.

#### **Continuity**

**10.—**(1) The abolition of the WMFRA, the transfer or abolition of the WMFRA's functions, and the transfer of the WMFRA's property, rights and liabilities, do not affect the validity of anything done before the abolition or transfer.

(2) Paragraphs (3) to (5) apply where any functions, property, rights or liabilities are transferred by this Order from the WMFRA to the WMCA.

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(a) S.I. 2005/1541.

(3) There may be continued by or in relation to the WMCA anything (including legal proceedings) which—

- (a) relates to any of the functions, property, rights or liabilities transferred, and
- (b) is in the process of being done by or in relation to the WMFRA immediately before the transfer date.

(4) Anything which—

- (a) was made or done by or in relation to the WMFRA for the purposes of, or otherwise in connection with, any of the functions, property, rights or liabilities transferred; and
- (b) is in effect immediately before the transfer date,

has effect as if made or done by or in relation to the WMCA.

(5) The WMCA is to be substituted for the WMFRA in any instruments, contracts or legal proceedings which—

- (a) relate to any of the functions, property, rights or liabilities transferred, and
- (b) are made or commenced before the transfer date.

(6) In this paragraph a reference to the transfer of a function includes a reference to the abolition of the function and the conferral of a corresponding function on another person.

### **Transfers: supplementary provision**

**11.**—(1) All property, rights and liabilities transferred by this Order are to be transferred by that transfer, notwithstanding that they may be or include—

- (a) property, rights and liabilities that would not otherwise be capable of being transferred, or
- (b) rights and liabilities under enactments.

(2) No right of reverter, right of pre-emption, right of forfeiture, right of re-entry, right to compensation, option or similar right affecting any land or other property is to operate or become exercisable as a result of any transfer of land or other property by virtue of this Order (whether or not any consent required to the transfer has been obtained).

(3) No right to terminate or vary a contract or instrument is to operate or become exercisable, and no provision of a contract or relevant document, is to operate or become exercisable or be contravened, by reason of the transfer made by this Order.

(4) Paragraphs (1) to (3) above have effect in relation to—

- (a) the grant or creation of an estate or interest in, or right over, any land or other property, or
- (b) the doing of any other thing in relation to land or other property,

as they have effect in relation to the transfer made by this Order of land or other property.

(5) In this article, “relevant document” means—

- (a) any enactment, other than an enactment contained in the LDEDC Act 2009,
- (b) any subordinate legislation made otherwise than under that Act, or
- (c) any deed or other instrument.

## **PART 4**

### **Modification of enactments and consequential repeal**

#### **Modification of enactments and consequential repeal**

**12.** The modification of enactments in their application to the WMCA as a fire and rescue authority and the consequential repeal set out in the Schedule have effect.

*Name*

## SCHEDULE

Article 12

### Modification of enactments in their application to the WMCA as a fire and rescue authority and consequential repeal

#### PART 1

##### Modification of primary legislation

##### **Local Government Act 1972**

1. In section 138(5) of the Local Government Act 1972 (powers of principal councils with respect to emergencies or disasters)(a), the reference to “metropolitan county fire and rescue authority” is to apply as if it included “the WMCA as a fire and rescue authority”.

##### **Local Government and Housing Act 1989**

2.—(1) The Local Government and Housing Act 1989(b) is modified as follows.

(2) In section 67 (application of provisions about companies in which local authorities have interests), subsection (3)(k) applies as if the reference to “joint authority established by Part IV of that Act” included a reference to “the WMCA as a fire and rescue authority”.

(3) In section 155 (emergency financial assistance to local authorities) subsection (4)(g) applies as if the reference to a “joint authority established by Part IV of the Local Government Act 1985” included a reference to “the WMCA as a fire and rescue authority”.

##### **Crime and Disorder Act 1998**

3.—(1) The Crime and Disorder Act 1998(c) is modified as follows.

(2) In the definition of “fire and rescue authority” in section 5(5) (authorities responsible for strategies), the reference in paragraph (b) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

(3) In the definition of “relevant authority” in section 115(2), the reference in paragraph (j) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

- 
- (a) 1972 c.70. Subsection (5) was inserted by section 156(3) of the Local Government and Housing Act 1989 (c. 42) and the words “metropolitan county fire and rescue authority” were substituted by paragraph 10(2) of Part 1 of Schedule 2 to the Civil Contingencies Act 2004 (c. 36). Other amendments have been made to section 138 which are not relevant to this Order.
- (b) 1989 c.42. Section 67 has been repealed by sections 216(1) and 241 of, and Part 16 of Schedule 18 to, the Local Government and Public Involvement in Health Act 2007. The repeal has not yet been brought into force. Section 155(4)(g) has been amended by the substitution of the words “an Integrated Transport Authority” by section 77(5) of, and Part 4 of Schedule 4 to, the Local Transport Act 2008. There are other amendments to section 155 which are not relevant to this Order.
- (c) 1998 c.37. In section 5(5) the definition of “fire and rescue authority” was substituted by section 53(1) of, and paragraph 89(1), (2)(b) of, Schedule 1 to, the Fire and Rescue Services Act 2004. In paragraph (b) of subsection (5) the words “metropolitan county fire and rescue authority” were substituted by virtue of paragraph 10(1), (2) of Part 1 of Schedule 2 to the Civil Contingencies Act 2004. There are other amendments to section 5 which are not relevant to this Order. Paragraph (j) of section 115(2) was inserted by section 22 of, and paragraphs 1 and 7(1), (2) of Schedule 9 to, the Police and Criminal Justice Act 2006 c. 48. Other amendments have been made to section 115 which are not relevant to this Order.

### **Local Government Act 2003**

4. Section 23(1) of the Local Government Act 2003 (meaning of “local authority” for purposes of Part 1)(a) the reference in paragraph (k) to “a joint authority established by Part IV of that Act” is to apply as if it included a reference to “the WMCA as a fire and rescue authority.”

### **Fire and Rescue Services Act 2004**

5.—(1) The FRS Act 2004(b) is modified as follows.

(2) Section 4A (power to provide for police and crime commissioner to be fire and rescue authority) has effect as if at the end of subsection (3)(b) there were inserted—

“, and

(c) outside the Area.”.

(3) Section 4B(1)(changes to existing fire and rescue authorities) has effect as if the reference to fire and rescue authorities in England outside Greater London did not include the WMCA.

## **PART 2**

### **Modification of secondary legislation**

#### **Pipelines Safety Regulations 1996**

6. In paragraph (a) of the definition of “local authority” in regulation 2(1) of the Pipelines Safety Regulations 1996 (interpretation)(c) the reference to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

#### **Local Government (Best Value Authorities)(Power to Trade)(England) Order 2009**

7. In article 1(2) of the Local Government (Best Value Authorities)(Power to Trade)(England) Order 2009 (application of order to best value authorities)(d) the reference in paragraph (c) to a “metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

#### **Community Right to Challenge (Fire and Rescue Authorities and Rejection of Expressions of Interest) (England) Regulations 2012**

8. In regulation 3 of the Community Right to Challenge (Fire and Rescue Authorities and Rejection of Expressions of Interest) (England) Regulations 2012 (relevant authorities)(e) the reference in paragraph (a) to a “metropolitan county fire and rescue authority established under section 26 of the Local Government Act 1985” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

#### **Local Government Pension Scheme Regulations 2013**

9.—(1) Regulation 64 of the Local Government Pension Scheme Regulations 2013(f) is to be read as if, after paragraph (8), there were inserted—

- 
- (a) 2003 c. 26. In section 23(1)(k), the words “(fire and rescue services and transport)” were substituted by section 32 of, and paragraph 10 of Schedule 2 to, the Civil Contingencies Act 2004.
- (b) 2004 c. 21. Sections 4A and 4B were inserted by paragraph 5 of Part 1 of Schedule 1 to the Policing and Crime Act 2017.
- (c) S.I. 1996/825, the words “metropolitan county fire and rescue authority” were substituted by virtue of paragraph 10(1), (2) of Part 1 of Schedule 2 to the Civil Contingencies Act 2004 (c.36).
- (d) S.I. 2009/2393.
- (e) S.I. 2012/1647.
- (f) S.I. 2013/2356; regulation 64(1) is substituted by regulation 22 of S.I. 2015/755, and paragraphs (8A) and (8B) were inserted by S.I. 2017/469.

“(8A) Paragraph (8B) applies where the exiting employer is the West Midlands Fire and Rescue Authority and the liabilities of the fund in respect of benefits due to the West Midlands Fire and Rescue Authority’s current and former employees (or those of any predecessor authority) have been or are to be transferred to the West Midlands Combined Authority by virtue of the West Midlands Combined Authority (Fire and Rescue Functions) Order 2019(a).

(8B) Where this paragraph applies, no exit payment is due under paragraph (1) and paragraph (2) does not apply.”.

#### **Explosives Regulations 2014**

**10.** In regulation 2(1) of the Explosives Regulations 2014 (interpretation)(b) in the definition of “local authority”, the reference in paragraph (c) to “a metropolitan county fire and rescue authority” is to apply as if it included a reference to “the WMCA as a fire and rescue authority”.

#### **Control of Major Accident Hazards Regulations 2015**

**11.** In regulation 2(1) of the Control of Major Accident Hazards Regulations 2015(c) in paragraph (b) of the definition of “local authority”, sub-paragraph (ii) is to apply as if there were substituted for that sub-paragraph—

“(ii) the Area, the WMCA as a fire and rescue authority;”.

### **PART 3**

#### **Consequential repeal**

#### **Local Government Act 1985**

**12.** Part 6 of Schedule 10 to the Local Government Act 1985 (number of members of joint authorities: West Midlands)(d) is repealed.

#### **EXPLANATORY NOTE**

*(This note is not part of the Order)*

This Order provides for the conferral of the functions of the West Midlands Fire and Rescue Authority (“the WMFRA”) on the West Midlands Combined Authority (“the WMCA”). It has been made following the publication, on 8th September 2017, of a scheme for the conferral of those functions on the WMCA. The scheme is available from the WMCA at [to be completed] or at [web address].

Part 6 of the Local Democracy, Economic Development and Construction Act 2009 (“the LDEDC Act 2009”) provides for the establishment of combined authorities for the areas of two or more local authorities in England. Combined authorities are bodies corporate which may be given power to exercise specified functions of a local authority or public authority under sections 104, 105 and 105A of the LDEDC Act 2009, and power to exercise specified functions of any other public authority under section 16 of the Cities and Local Government Devolution Act 2016 (“the 2016 Act”). The Secretary of State may provide for there to be a mayor for the area of the combined authority where the constituent councils of the combined authority (each district council

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(a) S.I. 2019/[tba].

(b) S.I. 2014/1638; to which there are amendments not relevant to this Order.

(c) S.I. 2015/483; to which there are amendments not relevant to this Order.

(d) 1985 c.51. Column 2 of the table in Part 2 was repealed by section 93, and Part 1 of Schedule 9 to the Police and Magistrates’ Courts Act 1994. The words “Integrated Transport Authority” in the heading of column 4 were substituted by section 77(5) and paragraph 53 of Schedule 4 to the Local Transport Act 2008. The West Midlands Integrated Transport Authority was abolished by the WMCA Order 2011.

or county council whose area is within the area of the combined authority) and any existing combined authority consent under section 107B(3) of the LDEDC Act 2009.

Article 3 of this Order transfers the functions of the WMFRA to the WMCA on 1st April 2019, and provides that the WMCA is the fire and rescue authority for the area of the combined authority for the purposes of the Fire and Rescue Services Act 2004. The article also abolishes the WMFRA.

Article 4 provides that the fire and rescue functions of the WMCA are to be exercised by the Mayor of the WMCA, and for this purpose the Mayor may exercise similar powers to the WMCA's powers under section 113A of the LDEDC Act 2009. It provides for the Mayor to establish a Mayoral Fire Advisory Committee to advise the Mayor in the exercise of those functions, and also provides that members and officers of the WMCA may assist the Mayor in the exercise of those functions.

Article 5 makes provision about the membership and meetings of the Mayoral Fire Advisory Committee.

Article 6 sets out certain fire and rescue functions which may not be delegated by the Mayor.

Article 7 sets out the fire and rescue functions that must be delegated to the Chief Fire Officer which include, in particular, the operational management of the fire and rescue service.

Articles 8, 9, 10 and 11 make transitional arrangements and supplementary provisions in relation to the transfer of functions, property, rights and liabilities from the WMFRA to the WMCA.

Article 12 and the Schedule make consequential amendments to primary and secondary legislation.

A full regulatory impact assessment has not been prepared as this instrument will have no impact on the costs of business and the voluntary sector.





**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**17 SEPTEMBER 2018**

1. **WEST MIDLANDS FIRE SERVICE AND WARWICKSHIRE  
FIRE AND RESCUE SERVICE COLLABORATION UPDATE  
REPORT**

Report of the Chief Fire Officer.

RECOMMENDED

THAT the Authority note the progress made with the Collaboration programme since the signing of the memorandum of understanding (MOU) in February 2018.

2. **PURPOSE OF REPORT**

This report is submitted to provide Members with an update of the developments made in the first phase of the collaboration journey; exploring the benefits of joint working.

3. **BACKGROUND**

- 3.1 On 9<sup>th</sup> February 2018 a Memorandum of Understanding (MOU) was signed by the Leader of Warwickshire County Council (WCC), Councillor Izzi Seccombe and Chair of the West Midlands Fire Authority, Councillor John Edwards as a firm statement of intent to pursue opportunities for greater collaboration.
- 3.2 This direction was pursued as it is believed that a number of positive opportunities exist for joint collaborative working as a means of achieving reform and enhanced service delivery. The commitment is also supportive of the duty placed on emergency services to explore opportunities for collaborative working as set out in the Policing and Crime Act 2017.

- 3.3 Though there is no specific statutory Duty for Fire – Fire collaboration, the Minister for Police and Fire, Nick Hurd MP, expressed his support for the direction in the House of Commons, stating that Government are ‘...keen to encourage the greatest levels of collaboration between our emergency services’.
- 3.4 A programme approach was developed for the collaboration commitment and representatives from the Senior leadership teams of both services met on 9<sup>th</sup> April to commence the programme.
- 3.5 This report shares with Members the MoU (Appendix 1) together with the emerging approach.

#### Approach

- 3.6 To manage the impact upon service delivery a rolling programme of reviews was established, with no more than three service areas being under review at any one time.
- 3.7 Each review will be delivered within a 60-day timeframe through a series of facilitated workshops, involving the relevant teams from each Fire Service. Workshops will be designed and tailored to build up robust and evidence-led options appraisals by completion of the final workshop.
- 3.8 All potential options were assessed against the following success criteria, which are based on the principles of the Policing and Crime Act 2017 and HMICFRS themes for Fire and Rescue:

<b>Public safety</b>	<ul style="list-style-type: none"><li>• <i>How far does the proposal maintain or improve public safety for the communities served by the two FRSs?</i></li><li>• <i>Will the proposals impact on public safety of neighbouring FRS and communities?</i></li></ul>
<b>Service Resilience</b>	<ul style="list-style-type: none"><li>• <i>How far do the proposals enhance service resilience levels within both services to maintain/improve public safety?</i></li></ul>
<b>Service Effectiveness</b>	<ul style="list-style-type: none"><li>• <i>How far do the proposals enhance the ability of each FRS to keep people safe and secure from fire and other risks?</i></li></ul>

<b>Service Efficiency</b>	<ul style="list-style-type: none"><li>• <i>How far do the proposals enhance the ability of each FRS to use its resources to manage risk, and secure an affordable way of providing its service, now and in the future?</i></li></ul>
<b>Service Quality</b>	<ul style="list-style-type: none"><li>• <i>How far do the proposals improve the quality of service received by the public?</i></li></ul>

- 3.9 All decisions taken will ensure alignment with statutory expectations and each FRSs strategic objectives.

### **Governance of the Programme**

- 3.10 A Programme Board has been established to oversee the work. Membership includes WCC's Joint Managing Director, Monica Fogarty, Warwickshire FRS's Chief Fire Officer, Andy Hickmott and West Midlands Fire Service's Chief Fire Officer, Phil Loach.
- 3.11 A joint Programme Team has also been established to deliver the work programme. The team will coordinate input from a range of experts including finance, HR, legal, communication and performance.
- 3.12 At the end of each review the Programme Board will report progress to an Executive Group including the Leader of WCC, WCC Fire & Rescue Portfolio Holder, Cllr Andrew Crump, and the Chair of the WMFRA.
- 3.13 The first 60 day review commenced in May and was completed in July and appraised collaborative options for Fire control, Training and Social vulnerability.
- 3.14 In this time three workshops were held with teams from both FRSs: workshop 1 looked at understanding each service's present or 'as is' position, workshop 2 focussed on exploring and appraising potential options for collaboration, with the final workshop focussing on presenting an outline business case for the preferred option.

### **Outcomes of Review 1**

Ref. WMFS/WFRS

(Official – WMFS – Public)

### 3.15 Fire Control

- Collaboration in this service area is considered as a key enabler to other collaborative working and was identified as an area for early consideration as both services are currently transitioning to Vision 4 technology.
- Shared control solutions have the potential to enable a 'borderless' approach in service delivery, which could maximise the benefits for the communities of the West Midlands and Warwickshire.
- During the 60 day review, Options appraisals highlighted that a single function based at the WMFS Headquarters would potentially provide the most benefit for both FRSs and their respective communities.
- A full business case will now be developed over the next three months, with an indicative timeline of 12-24 months for implementation. Having delivered a successful joint Fire Control with Staffordshire FRS, the Service has the relevant experience and expertise to deliver a single function with Warwickshire FRS efficiently and effectively.
- The anticipated benefits for both services are expected to be considerable, though an initial investment and transition cost would be required.
- A dedicated communications strategy for Fire control has been developed to ensure all stakeholders are kept well informed, including representative bodies, staff and partners.
- Staffordshire FRS are fully informed of all developments as a key stakeholder in this direction.

### 3.16 Training

- The 60 day review focused on exploring collaborative options for training provision, based upon existing assets and sites.
- For WMFS this included the potential to share usage of Radford Rd Coventry site and for WFRS these options were considered in the context of the plans for a training centre at Southam. Should this be the preferred option, a

tender would be undertaken for the refurbishment of the fire house.

- Beyond the 60 day review, Programme Board have also commissioned work to look at training demand and provision options across the full breadth of the two services.
- Exploration of these options is ongoing, but early indications is that there are considerable potential benefits.
- Progress will be reviewed by Lead Officer from both Services on 13<sup>th</sup> September.

### 3.17 Social Vulnerability

- Significant work has been undertaken as a result of the existing Prevention Partnership Agreement (PPA) signed by the two services in 2017. It is evident there is much potential to be realised in this area, however, critical work needs to be undertaken before any further joined up working can be explored. The work identified through the previous PPA will now be refocused to include and reflect the present MOU aspirations.
- A challenge to collaboration in this area is the difference in how risk and vulnerability is currently identified by both FRSS. This requires review and alignment.
- An outcome of the options appraisals was that the alignment of both services' risk identification methods is required to ensure that services are tailored to reach the most vulnerable in both communities.
- It was agreed by Programme Board that when new areas of work are identified within prevention, these are approached together.
- The above actions will support an additional work stream to further explore the potential of a single prevention function or service / delivery model across the two services.

### **Timescales and next steps**

- 3.18 Key decisions for Fire Control are expected in December 2018 and for Training in October 2018, with Review 2 potentially commencing October 2018.
- 3.19 The outcomes from the first review will continue to progress alongside Review cycle 2.

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 In preparing this report an initial Equality Impact Assessment is required and has been carried out. The initial Equality Impact Assessment did not raise issues which required a full Equality Impact Assessment to be completed.

#### 5. **LEGAL IMPLICATIONS**

Include positive legal implications referring to either legislation or the National Framework to support the legality of this report.

- 5.1 There will be legal implications for the Fire control option, these are currently being determined and will be brought back to the Authority.
- 5.2 This direction is in line with Government expectations for emergency services and meets the Policing and Crime Act 2017 Duty to collaborate as mentioned in the background section.
- 5.3 Fire & Rescue Services Act sections on mutual aid; section 13, section 16.

#### 6. **FINANCIAL IMPLICATIONS**

- 6.1 The costs for this collaboration work is currently being financed through existing budgets.
- 6.2 Financial implications for the implementation phase of each area are currently being determined and will be presented to the Authority once clear.

#### 7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications.

## **BACKGROUND PAPERS**

None

The contact name for this report is DCFO Phil Hales 0121 380 6908.

PHIL LOACH  
CHIEF FIRE OFFICER

## **APPENDICES**

Appendix 1 – Warwickshire and West Midlands Fire & Rescue  
Authorities Collaboration MOU



**Warwickshire and West Midlands Fire & Rescue Authorities  
Collaboration 2018**

1. Warwickshire and West Midlands Fire and Rescue Authorities believe that a number of positive opportunities exist for collaborative working as a means of achieving change and enhanced service delivery.
2. The Public Sector is in a period of pressure – both for efficiency and improved services within reducing resources. Within the West Midlands in particular, agencies have grasped this challenge positively, engaging with devolution, public sector reform and the opportunity to achieve system wide change and development. We believe that the development of Fire and Rescue Services must also benefit from this context of change, and collaboration is a means of doing so. The national policy regarding blue light services sets out a new and clear duty to collaborate and collaboration will move us closer in meeting this duty.
3. The community engagement agenda is an opportunity for Fire and Rescue Services. Within Warwickshire and the West Midlands we have progressive and ever increasing ambitions and expectations about our standards of service and our role within the Community. We recognise that the need to consider working differently within an ever reducing resource base means that working differently is a given, both operationally and politically.
4. Working differently will achieve many things. It must add value, and better protect, the communities we serve. Vulnerability and risk in the community is ever present and ever changing, as are the functions, resources, boundaries, and beliefs of the various public agencies which support them.
5. The geographic boundary between the Warwickshire and West Midlands Fire Services is unique in the UK Fire and Rescue Service. We share 129Km of boundary and the physical geography means it makes sense to look at reciprocal and collaborative opportunities. This is not new and in the past there have been previous considerations of options. Few tangible results have yet been achieved and this time we need to change that outcome. Full political support means that we now have a much better chance of success.





**WARWICKSHIRE**  
FIRE & RESCUE SERVICE



**Warwickshire**  
County Council



Fire Service Headquarters  
Philippa House, Birmingham B1 1AA

6. Both Fire and Rescue Authorities are fully open to the scope of considerations that these opportunities present. These considerations include all aspects of operational service delivery across Fire training; prevention; protection; and response as well as all aspects of operational and organisational support functions. In particular we are committed to exploring fully the opportunities for enhanced community welfare. We wish to exploit the potential for joining up with our colleagues in the NHS and Local Government; recognising the need to work together to support the social care, health and wellbeing of our communities.
7. Finally, it is a governing principle that any collaborative measures must improve on the Status Quo. Such measures must better serve our communities. Demonstrably so, whilst also enhancing efficiency and effectiveness.

Both Warwickshire County Council (Warwickshire Fire & Rescue Service) and the West Midlands Fire Authority endorse this body of work and commit to the programme\* of work which will get us there. We expect this programme to be complete by July 2018, and to make the necessary links and connections with wider change under way with both Fire and Rescue Services and the wider West Midlands public service reform agenda.

**Signed: 9 February 2018**

**Cllr John Edwards**

**Chair**

**West Midlands Fire & Rescue Authority**

**Cllr Izzi Seccombe**

**Leader**

**Warwickshire County Council**

\*The Collaboration Programme of Work is enclosed, setting out proposed areas of exploration and development.



# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**17 SEPTEMBER 2018**

Item 13

## **1. MEMBERS' ALLOWANCES**

Report of the Clerk and Monitoring Officer

### **RECOMMENDED**

THAT Members note following approval at the Authority meeting on 10<sup>th</sup> April 2017, a review of the Members' Allowances scheme has commenced and that the result of the review will be reported at the 19 November Authority meeting.

## **2. PURPOSE OF REPORT**

This report is provided to ensure Members remain informed about all aspects relating to the review of the Members' Allowances scheme.

## **3. BACKGROUND**

- 3.1 In accordance with Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (the Regulations), the Authority is required to make and approve a scheme of the payments of members' allowances each year.
- 3.2 There was no pay award to NJC and Local Government Services in 2010/11, 2011/12 and Members' Allowances were not therefore increased. The scheme does not allow for indexing beyond 1 April 2011 and an Independent Remuneration Panel would usually be convened to review the Members' Allowances scheme. In the years between 2012/13 and 2017/18 in view of the continuing difficult financial situation faced by the Authority, it was agreed to defer reconsideration of the scheme and to review the situation in 12 months' time.

- 3.3 There have been minimal increases in local government pay. However, in view of the continuing financial stringency, the reformation of the Fire Authority as approved at the Authority meeting on 10 April 2017 and the revised governance structure as approved at the Authority meeting on 25 June 2018, an Independent Review has commenced to review the scheme of Members' Allowances. There has been a delay in the commencement of the review due to the sourcing of an appropriate independent body.
- 3.4 The Members' Allowances scheme was revised and approved at the Authority meeting on 25 June 2018. The scheme was revised to reflect the dissolved Executive Committee, the new Governance and Transformation Committee and the amalgamation of the Appointments, Standards and Appeals Committee.
- 3.5 The review will be conducted by Andrew Campbell, Policy Consultant, Local Government Association Consultancy.
- 3.6 The review will allow Members to provide representations of their views on the Members' Allowances. Following, representations will be analysed and external data will be researched against existing West Midlands Fire & Rescue Authority current members' allowances. A report will be produced after the analysis of representations and the comparison of existing external data.

#### 4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report do not relate to a policy change.

#### 5. **LEGAL IMPLICATIONS**

There are no legal implications associated with the implementation of the recommendations set out in this report.

6. **FINANCIAL IMPLICATIONS**

Provision has been made in the Authority's budget to meet costs associated with the payment of Members' Allowances. The changes that have been made to the Authority with the reduction of committees and Members has resulted in full year savings of circa £85,000.

7. **ENVIRONMENTAL IMPLICATIONS**

None

**BACKGROUND PAPERS**

Fire Authority Meeting 10 April 2017,

Route Map to a Mayoral WMCA Governance, a reformed Fire Authority,  
(Agenda Item No. 5)

Fire Authority Meeting 25 June 2018,

Governance of the Authority 2018-2019,  
(Agenda Item No. 9)

Appointment of Co-opted Members,  
(Agenda Item No. 10)

The Author of this report is Karen Gowreesunker, Clerk and Monitoring Officer, telephone number 0121 380 6678.

Karen Gowreesunker  
CLERK to the Authority



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**17 SEPTEMBER 2018**

1. **THE CONSTITUTION**

Joint Report of the Clerk to the Authority and Monitoring Officer.

RECOMMENDED

THAT the Authority note the contents of the revised Constitution 2018. The Constitution will be available electronically on CMIS.

2. **PURPOSE OF REPORT**

This report is submitted to provide an updated Constitution 2018 following the reform of the Fire Authority through the creation of 'The Fire and Rescue Authority (Membership) Order 2017' and the subsequent amendments to the structure and membership of all Committees together with their Terms of Reference.

3. **BACKGROUND**

- 3.1 At the Annual Meeting of the Fire Authority held on Monday 25 June 2018, the Authority approved a Governance of the Authority that set out the structure and membership of all Committees together with their Terms of Reference.

The Constitution has been reviewed and updated to include the new structure and membership and Terms of Reference.

The Constitution has been thoroughly reviewed and updated with the current Articles and Standing Orders.

The Terms of Reference for the Joint Consultative Panel were amended slightly in the reduction of Employer Representatives from 6 to 5, however the Terms of Reference have not been

updated as the Employee Relations Framework is still being discussed. As soon as the Employee Relations Framework is completed, the Constitution will be updated.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

5. **LEGAL IMPLICATIONS**

Section 37 of the Local Government Act 2000 requires all local authorities exercising executive arrangements to have a constitution outlining the way in which it will carry out its affairs. The Act does not apply to fire and rescue authorities and there are therefore no executive arrangements in place at West Midlands Fire and Rescue Authority. However, this Constitution has been produced in recognition that it is considered good governance.

6. **FINANCIAL IMPLICATIONS**

There are no financial implications as a result of the amendments to this report.

7. **ENVIRONMENTAL IMPLICATIONS**

The Constitution will not be printed and circulated to Members of the Authority following the decision of the Authority in 2015 for the Authority to work electronically, but will be available on the Authority's website in Public Documents. A paper copy will be available to view in the Strategic Hub at Fire Service Headquarters.

**BACKGROUND PAPERS**

Governance of the Authority Report  
Fire Authority AGM – 25 June 2018



The contact name for this report is Julie Connor Tel. No. 0121 380 6906

KAREN GOWREESUNKER  
CLERK TO THE AUTHORITY

SATINDER SAHOTA  
MONITORING OFFICER



# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Item 15

**17 SEPTEMBER 2018**

## **1. CONTRACT AWARDS SUMMARY FOR PERIOD TO 30 SEPTEMBER 2018**

Report of the Chief Fire Officer

RECOMMENDED

THAT the Authority note the attached Appendix which summarises the contracts in excess of £250,000 that have been awarded since April 2018.

## **2. PURPOSE OF REPORT**

This report provides a six-month summary of all contracts that have been awarded since April 2018.

## **3. BACKGROUND**

- 3.1 At the Authority meeting on the 29 June 2015, Members approved a number of revisions to the Constitution. One of the revisions was that a retrospective twice yearly summary report of tender contract awards in excess of £250,000 be submitted to the Fire Authority for information purposes.
- 3.2 In accordance with the above requirement, a summary of those contracts awarded is attached as Appendix 1.

## **4. EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to a policy change.

## **5. LEGAL IMPLICATIONS**

The procurement processes that were followed for the procurement exercises detailed in the Appendices to this report were conducted in accordance with the Authority's Procurement Standing Orders and the Public Contract Regulations 2015.

6. **FINANCIAL IMPLICATIONS**

These are contained in the attached Appendices.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

**BACKGROUND PAPERS**

Authority Meeting 21 September 2015

Standing Order 1/8 – Procurement Procedures

The contact name for this report is Phil Hales - Telephone Number – 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER

## APPENDIX 1

Contract Title	Winning Supplier	Approval Date	Contract Period (Including Extension Options)	Annual Contract value or Total Value for one off Purchase	Total Contract Value (including extension periods)	Budget	Basis of award e.g. Lowest Price or MEAT*	Date and Minute Number of Planned Tender Report	Any Other Relevant Information
Redevelopment of Aston Fire Station	Interclass Construction	30 April 2018	12 months	£3,240,000	£3,240,000	£4,385,000	MEAT	11 April 2016	Budget includes contingency and other expenditure towards the redevelopment
Leading & Development Programme	Encompass Consultant	18 June 2018	2 years with 2 options of 24 months	£75,000	£450,000	N/A	MEAT	10 April 2017	Funded from the Apprenticeship Levy
Station End Mobilising Equipment	Softcat plc	20 June 2018	One off purchase	£270,000	£270,000	£270,000	Direct call off	11 April 2016	
Relocation of Primary Fire Control	Approved Shop Fitting & Interiors	4 May 2018	12 weeks	£365,000	£365,000	£575,000	MEAT	10 April 2017	Budget includes contingency and other expenditure towards the redevelopment
Upgrade of Wide Area Network (WAN)	Virgin Media Business Limited	25 June 2018	3 years with an option to extend for a further 2 years	One off cost of £128,000 plus £205,000pa	£1,153,000	£1,150,000	Direct call off	25 June 2018	
Liquid Fuels	WFL Fuels T/A Hall Fuels and Certas Energy	10 July 2018	12 months	£450,000	£450,000	£425,000	Price only	19 February 2018	Budget shortfall to be made up from within overall Corporate Procurement budget provision.

Cleaning Consumables	Bunzl Ltd	12 July 2018	2 years with an option for further 2 years	£120,000	£480,000	£480,000	MEAT	25 June 2018	
Roof replacements	The General Asphlate Company	10 August 2018	One off purchase	£380,000	£380,000	£380,000	MEAT	19 February 2018	

\* Most Economically Advantageous Tender (MEAT)

**17 SEPTEMBER 2018**

1. **RESULT OF RECENT FIRE SAFETY PROSECUTIONS**

Report of the Chief Fire Officer

RECOMMENDED

THAT the details of the fire safety prosecutions be noted.

2. **PURPOSE OF REPORT**

This report is submitted to inform the Authority of the result of prosecutions under the Regulatory Reform (Fire Safety) Order 2005.

3. **BACKGROUND**

- 3.1 This section of the report relates to the Diamond Sheesha Lounge, Digbeth, Birmingham. Mr Kazim Mashedi, Mr Waquas Rehman and Mr Sulaman Rahid were pursued by this Authority following a severe fire which highlighted serious fire safety failures and resulted in two persons suffering serious injuries. The fire occurred on 25 December 2013 and was arson, and the perpetrators have not been identified. At its height 10 pumping appliances, 1 aerial appliance and 8 main jets were in use at the fire.

The young man who jumped from the upper floor dislocated his shoulder and knee; and suffered smoke inhalation. The young lady required stitches after cutting her hands and forearms as she tried to jump towards a tree to break her fall. She landed on her back on concrete causing bruising to her back and ankles. Both suffer flashbacks.

No consideration was given to the proximity of the wooden sheesha structure to the building where the young man was living, therefore, the fire spread rapidly and made the only staircase unusable. There were no alarms to give early warning nor any fire resisting doors to protect the single means of escape.

- 3.2 Mr Rehman and Mr Rahid pleaded guilty at the earliest opportunity. Mr Mashedi initially elected to go to trial but pleaded guilty on the day the trial was to begin.

3.3 Sentencing took place on 7 August 2018 at Birmingham Crown Court. His Honour Judge Richard Bond presided.

3.4 Mr Rehman and Mr Rahid each received 8 months immediate custody and are to pay £6,000 each towards costs. Mr Mashedi received 18 months immediate custody and is to pay £14,736 towards the remainder of the costs.

#### 4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

#### 5. **LEGAL IMPLICATIONS**

The Regulatory Reform (Fire Safety) Order 2005 imposes a duty on persons to provide assistance or information to Enforcing Authority to ensure that the Order can be effectively enforced. The Order imposes a statutory duty on Fire and Rescue Authorities to enforce the provisions of the Order.

#### 6. **FINANCIAL IMPLICATIONS**

The award against the defendants covers the legal costs of £26,736 incurred by the Authority in preparing the relevant prosecution file. The awards also compensate for officers' time spent on the case.

#### 7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

### **BACKGROUND PAPERS**

Fire Safety Files

The contact name for this report is Assistant Chief Fire Officer Gary Taylor - telephone number – 0121 380 6006.

PHIL LOACH  
CHIEF FIRE OFFICER



Minutes of the Audit and Risk Committee
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23 July 2018  
at Fire Service Headquarters, Vauxhall Road,  
Birmingham B7 4HW

**Present:** Councillors Miks (Chair), Craddock, Dehar, Iqbal, Jenkins and Mr Ager (Independent)

**Apology:** Mr P Farrow, Mr J Matthews

All Members of the Committee and Officers in attendance introduced themselves as most Members were new.

**35/18 Declarations of Interest in contracts or other matters**

There were no declarations of interest.

**36/18 Minutes of the Audit Committee held on 4 June 2018**

**Resolved** that the minutes of the meeting held on the 4 June 2018 be approved as a correct record.

**37/18 Audit Findings 2017-18**

The Committee noted the Audit Findings Report (AFR) 2017/18. The AFR set out and reported on the key messages arising from the external audit work undertaken during the year. The AFR is designed to support the Auditor's opinions and conclusions and is a requirement of the Code of Audit practice.

Mr Richard Percival, Grant Thornton, explained the findings to the members of the Committee and summarised the key messages on the Financial Statements and Value for Money arrangements arising from their audit of the accounts. The accounts had been received promptly and the Auditors wished to record their appreciation for the assistance

provided to them by Kal Shoker and the Finance Team and other staff during the audit.

The Auditor stated that Audit Opinion would be issued in a day or two and the AFR would be presented to the Fire Authority as its meeting on the 17 September 2018.

The Management Representation letter would be signed following the meeting. Nothing unusual had been found during the audit and following update work on the final version of the accounts, the auditor would produce an unqualified Value For Money conclusion.

The External Auditor stated that they had not exercised any of their additional statutory powers or duties.

Materiality calculations remained the same as reported in the audit plan and were set out in a table in the report. The materiality level was set at circa £2.5m with the performance materiality level circa £1.8m.

Of the six standard risks, the Auditor stated there were no risks to be reported to the Committee.

The Auditor had given a green light, to the accounting policies, confirming that they were appropriate and disclosures sufficient.

There were no other matters to be reported by exception as the Annual Governance Statement and information in the narrative report were considered consistent with the accounts and passed the tests.

In respect of Value for Money, the Auditor had carried out an initial risk assessment in February 2018 and identified one significant risks in respect of certain areas of proper arrangements using the guidance contained in AGN03.

The significant risk identified by the Auditor was the development of the governance arrangements to the West Midlands Combined Authority, and recognised that the Authority was operating within a dynamic environment as part of the West Midlands.

The Auditor acknowledged that in seeking to settle its Trade Dispute with the Fire Brigades Union, the Authority's Executive Committee had decided that the Plan should be revised. New employment contracts had been withdrawn resulting in the Authority no longer being able to provide "Wider Health Related" services as planned. This too would impact on the delivery of the Financial Efficiency Plan and moving forward it would be extremely important to demonstrate to the WMCA financial sustainability.

Expansion of wider health services was now limited and the Authority would need to demonstrate how it would be working with partners.

The Auditor considered the overall pace of change to be good and there were mechanisms in place for keeping Members aware of developments.

Another key risk was the potential for delay of the Parliamentary Order in December 2018.

The Governance arrangements required a clear split between holding the Authority to account and scrutiny and this would be provided by the Mayoral Fire Advisory Committee and Overview and Scrutiny Committee with membership from each constituent authority and this would improve the accountability of the FRS through an elected Mayor.

The Auditor noted that risks were being managed at authority level and at project levels, but the detail of how arrangements would be delivered was yet to be worked through. This was due to the uncertainty of the over-arching governance arrangements and recognised this by the change of title of committee and felt this level of granularity was important.

The Chair thanked the Auditor and was impressed to note that the Authority's accounts were amongst the best in the West Midlands.

## 38/18 **Statement of Accounts 2017-18**

The Audit and Risk Committee's approval was sought for the Authority's Statement of Accounts for the financial year ended 31 March 2018. The full Statement was attached as Appendix A to the report and can be viewed at [www.wmfs.net/your-fire-service/openness/documents](http://www.wmfs.net/your-fire-service/openness/documents)

A summary of the Statement outlining the main issues was attached at Appendix B to the report. The Treasurer stated the Statement links closely with the Audit Findings Report.

It was confirmed that the Letter of Representation was to be signed by the Chair of the Audit and Risk Committee at the end of the meeting.

Members were informed that the Statement linked to the Workshop held for Members of the Audit Committee on 4 June 2018, however, as the majority of Members were new to the Audit and Risk Committee, the Treasurer recapped the main areas of the lengthy report.

The Treasurer stated that the main Statements were the Comprehensive Income and Expenditure Statement and the Balance Sheet, although both were significantly affected by accounting requirements relating to pension arrangements.

The Treasurer highlighted the Movement in Reserves Statement which showed Earmarked Reserves had decreased by £4.750 million to £38.984 million in the year ending 31<sup>st</sup> March 2018 and General Reserves had decreased by £0.846 million to £8.390 million in the year ending 31<sup>st</sup> March 2018.

This was the first year for some time the overall level of balances had reduced and would need to be closely monitored during the next three year budget cycle.

The reserve strategy presented to the Authority on 19<sup>th</sup> February 2018 as part of the budget report had indicated both General Reserves and Earmarked Reserves would fall significantly over the next three financial.

In summary, as at 31 March 2018, there was £8.390m in general balances, £38.984m in earmarked reserves and £50.027m in total usable reserves.

The Balance Sheet set out Long term borrowing as £36.002m as at 31<sup>st</sup> March 2018. No further borrowing had taken place during 2017/18 and this had reduced from £37.363m as at 31 March 2017. The Committee noted the link to the treasury management strategy later on the agenda. At the top of the Balance Sheet, Property, Vehicles, Plant and Equipment which had been acquired in part from loans taken out in previous years, totalled £144m, which was quite significant in comparison to the long term borrowing figure.

£51.379m cash and cash equivalents was held in balances as at 31<sup>st</sup> March 2018 compared to £57.428m as at 31<sup>st</sup> March 2017. The utilisation of balances reflected on the cash and cash equivalents.

Cllr Craddock noted the transfer from Earmarked Reserves of £4.750m and the increase in the use of General Reserves of £846,000 and felt there was a bigger hole in the budget than was reflected in the figures provided. Cllr Craddock indicated that the Treasurer was playing with figures.

The Treasurer advised that Grant Thornton, the Authority's Independent Auditors had audited the accounts and re-emphasised the scale of Balances used during 2017/18 as reflected within the Statement of Accounts

The Treasurer acknowledged in his view the effect of Pensions didn't help with the clarity of the accounts due to valuations and liabilities associated with this issue but confirmed that prescribed local government accounting conventions were used in the preparation of the Statement of Accounts.

Cllr Craddock still felt that the Authority was operating at a deficit and that the Treasurer was hiding the Authority's deficit.

The Treasurer stated that General Balances had been used in 2017/18 to help fund the Authority's budget but the use of balances was in line with information provided specifically in budget reports approved by Members, with the use of General Balances being £846k in 2017/18 compared to £850k reflected in the Budget report approved by the Authority on 19<sup>th</sup> February 2018 and this had specifically been highlighted within the reserve strategy contained in the budget report. The Reserve Strategy had also highlighted the anticipated significant use of Balances over the next three financial years.

Richard Percival from Grant Thornton confirmed that the accounts and their format were difficult to understand even for qualified accounts.

However, the Fire Authority as part of Local Government needed to comply with accounting standards to demonstrate its performance on council tax.

There is a deal of adjustment regarding precept figures and pension liability.

The Auditors were aware of the movement of reserves of £846,000 had been set aside to be drawn down in the current year and the Auditor would have been concerned if the amount budgeted for had not been drawn down in line with the financial plans.

The Auditor confirmed the Treasurer was right to flag to Members that the Authority would be continuing to use its balances and should be aware what the balances were and if they would be sufficient going forward. The Auditor stated that protecting balances to a reasonable level was important.

The Deputy Chief Fire Officer stated the accounts were difficult to understand and the Authority found itself in a difficult situation. However, officers were looking at options for further efficiencies, including Council Tax options, Grants, and the Fair Funding Review.

The future was unclear but would not get better and there would be continued pressure on the budget and in order to balance the budget, the Authority had agreed the use of reserves.

A report would be presented to the Fire Authority in September on the efficiencies to be made. The Authority were aware of the cuts in funding and how it had tried to find alternative ways of delivering the budget. However, this would not now be achieved and there was a need to refocus on where the money is going to come from.

There was no capital funding or transformation grants from the Government and the refurbishment of Coventry and Aston Fire stations, the purchase of fire kit and fire appliances etc. all required capital funding which was predominantly being met currently from Earmarked Reserves.

The Accounting Regulations made the Statement of Account difficult to read, however officers understood the position the Service found itself and confirmed that the use of balances was not sustainable.

He agreed that it was the purpose of Audit and Risk Committee to scrutinise the accounts, but currently there was a specific funding problem and the Authority needed a clear plan on how it was going to be addressed.

Further reports would be presented to the Audit and Risk Committee for Challenge and Review and the DCFO welcomed the scrutiny of the committee as it triangulated the issues being faced.

To meet the challenges ahead the Authority would be changing its strategy and was working on efficiency plans. The Trade Dispute had compressed the timeline but a rationale would be provided to members at future meetings of the Authority.

The Treasurer confirmed that £2m in alternative funding from health and wellbeing was appropriate at the time of preparation of the budget report, however, this was a

concern as highlighted in the Audit Findings Report presented by the Auditor at page 42 financial outlook

**Resolved** that the Statement of Accounts Summary be noted and the Statement of Accounts for 2017/18 as set out at Appendix A be approved.

### **39/18 Treasury Management Annual Report 2017-18**

The Committee received the Treasury Management Annual Report 2017/18, which covered the Treasury Activity during 2017/18 and the Actual Prudential Indicators for 2017/18, which had been compiled by the Treasurer

The Authority approved its 2017/18 Treasury Management strategy as part of the Budget setting process in February 2017 and the Audit Committee received a mid-year Treasury Management update in November 2017.

The key Treasury Management activities were:

- Capital expenditure
- The Authority's Debt
- The Authority's Investment

#### Capital expenditure

The Authority's capital expenditure for 2017/18 was £4.527m, which was funded mainly by revenue contributions (£4.354m) and capital grants (£0.173m). The largest spend on capital was £2.1m on the redevelopment of Coventry Fire Station and £0.8m on vehicle replacements. No borrowing undertaken to finance any capital expenditure in 2017/18.

#### The Authority's Debt

The Authority's total External Debt as at the 31 March 2018 was £37.4m, £34.2m of the debt was with the Public Works Loan Board and the balance £3.2m is related to the Authority's Share of the ex-WMCC debt.



The Authority holds long term assets valued at of £144m which the loans have help to fund and the average rate of interest paid on the debt was 5.5%.

### The Authority's Investments

As at the 31<sup>st</sup> March 2018 the Authority's investments totalled £51.9m which are invested with Sandwell MBC as part of the pooling of bank account arrangements the Authority has with them.

Interest is received on the Authority's average cash balance and is based on the average return achieved by Sandwell MBC plus 10 basis points which for 2017/18 was 0.404%. This compares favourably to the benchmark, which is the average 7-day LIBID rate of 0.21%.

In answer to a Member's question about the average interest rate of 5.5% on debt, it was noted that many loans had been taken out several years previously. There were options for refinancing, but this would require the payment of a premium. It was also noted that some of the higher interest rate loans were reaching their maturity date and would be ending soon.

Members discussed the problems facing local authorities in respect of investments and the advantages of bank accounts being part of a pool.

It was noted that the Treasurer works closely with Sandwell MBC who have appointed Treasury Management Advisors. It was felt that the pooling arrangement with Sandwell did not provide any additional level of risk or exposure.

The Treasurer stated that interest rates are expressed as an average rate and any Treasury Management reports would look at a range of loans. In respect of their interest rates, this could include fixed and variable rates.

Many of the loans were taken out in previous years when interest rates were higher. Perversely if the Authority had borrowed more recently, the interest rate would have been lower and therefore the average rate would be reduced.

**Resolved** that the report and Appendix be noted and the Prudential and Treasury Indicators 2017/18 be approved.

**40/18 Audit and Risk Committee Work Programme 2018/19**

The Committee noted the Work Programme for 2018/19.

It was agreed that the Fraud Awareness would be arranged to take place on 3 September 2018 at the Audit and Risk Committee.

Cllr Craddock agreed to enquire about the training provided by Walsall MBC and agreed to provide further information to the Committee at a future meeting.

DCFO stated this could be included in the Members Training Programme.

**41/18 Update on Topical, Legal and Regulatory Issues (Verbal Report)**

There were no new issues to report.

The meeting finished at 1117 hours.

Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net
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<b>Joint Consultative Panel</b>
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**26 July 2018**  
**at Fire Service Headquarters, Vauxhall Road, Birmingham**

**Present:** Councillor Brackenridge(Chair)  
Councillors Barlow, Edwards, Iqbal and Miks

Employees Side:  
Steve Price-Hunt – Fire Brigades Union (FBU)  
Sasha Hitchins – FBU  
John Routley – Unison

Officers:  
Gary Taylor, Assistant Chief Fire Officer  
Karen Gowreesunker, Clerk to the Authority  
Wendy Browning-Sampson, People Support Services  
Sarah Warnes, Strategic Enabler, People Support

4/18 **Apologies:**

CFO Andy Hickmott,  
Association of Principal Fire Officers (APFO)  
Kevin Rowsell, Fire Officer's Association (FOA)

The Chair queried the attendance of the Representative from Unison due to the nature of the agenda, as the only item to be discussed was the Cultural Review following the Trade Dispute with the FBU.

Sarah Warnes confirmed that representatives from all Unions were Members of the Joint Consultative Panel.

Cllr Edwards expressed surprise that Unison should be excluded from the meeting as the Cultural Review would be across the whole organisation.

All members agreed it was suitable for the representative from Unison to attend the meeting.

5/18      **Declarations of Interest**

There were no declarations of interest on this occasion.

6/18      **Notes of the Joint Consultative Panel held on 16 April 2017**

The notes of the Joint Consultative Panel held on 16 April 2018 were received.

7/18      **Update on the Cultural Review as an Outcome of Work towards the resolution of the Trade Dispute issued by the Fire Brigades Union**

Members were informed that any reference in the report to point 3 of the Trade Dispute was incorrect and should read as point 5 of the Trade Dispute wherever referenced in the report.

The Joint Consultative Panel (JCP) were informed of the progress of the cultural review identified as a requirement to resolve point 5 of the Trade Dispute.

The Members of the JCP were invited to offer their views and thoughts for the terms of reference of the cultural review.

It was resolved at the Annual General Meeting of the Fire Authority held on 25 June 2018 to hold an additional meeting of the Joint Consultative Panel by the end of July 2018 in order to provide Members with details of any progress in relation to the ongoing Cultural Review.

The Terms of Reference for this review were still in their initial draft stages and would be discussed by the Assistant General Secretary of the FBU and Chief Fire Officer during facilitated meetings of the National Joint Secretaries.

These conversations remained confidential to those parties in attendance. A further meeting was scheduled for the 31 July 2018 where it is anticipated that the Terms of Reference would be agreed.

The removal of the Trade Dispute was not dependent on the completion of the Cultural review.

The Panel noted that the Review will be Independently Chaired by an individual/organisation and will be reported to the Fire Authority on 17 September 2018. Councillor Edwards stated that some actions may be necessary following the Review rather than just being noted.

It was expected that an Independent Cultural Review would be expected to look at the circumstances around the dispute and be used as a learning experience. The Review should be widely focussed and obtain the views on Employee Relations Framework and the role it played. A review of this nature had never been conducted before and it was hoped that it would not be required again in the future, as many benefits as possible should be obtained from the Review.

The review should be wide and cover all the circumstances, both the Authority and all parts of the organisations. The Independent nature of the review would ensure that it is not compromised and all parts of the organisation would benefit from its results.

Sarah Warnes confirmed that the nature of a cultural review was to be independent and the breadth of the review was important and should provide positive benefits and learning. The Terms of Reference were hoped to be agreed the week commencing 30 July 2018.

Councillor Edwards hoped the review would consider the circumstances of the dispute and all Members would learn from the review.

Councillor Miks found the review interesting, particularly the number of points increasing from 5 to 20 was out of kilter and felt that a good strong review would be good. More communication would be appreciated.

The Chair confirmed this was the reason for his resolution to the Fire Authority to hold a special JCP meeting in order that Members would have some oversight. The Chair supported Councillor Edward's point of view about the whole Trade Dispute and how it evolved.

The Chair stated a root and branch review to get to the bottom of the issues and provide confidence that the Authority wanted to resolve and move on with industrial relations.

Cllr Miks stated that it appeared that there were 5 issues and these increased up to 20 issues. The Chair asked for clarification on the increased issues.

It was confirmed that more points were added to the initial 5 points. The Clerk stated against each item there were a number of elements within them and other areas that were not clear. The meeting arranged for the following week between the Chief Fire Officer and FBY Assistant General Secretary to work through the issues with a view to being able to close the dispute down.

Cllr Edwards stated that the review would continue following the Trade Dispute and there would be no time pressures.

Cllr Barlow said the fact that there were 5 or 20 points clearly illustrated the need for a review and it had to be transparent and independent. Cllr Barlow supported the review.

The Chair supported the review and stated that two reviews had been undertaken in Wolverhampton and they had been fully independent, thorough, open and transparent. He continued to state that it is important that members of JCP have an overview and they can hear information from all sides to do their job properly.

Steve Price-Hunt welcomed the Chair of the Authority's view that the Authority would be acting upon the outcomes of the Review and would not simply note it. The FBU welcomed the review and positive comments and wanted to resolve issues. This was the second Trade Dispute and he did not want there to be a third.

The Chair thanked Steve Price-Hunt for his comments.

The Chair understood the delicate nature of the discussions, but asked for an overview of the main points being discussed nationally. It was difficult to accept as a member of the Authority when the Trade Dispute was against Authority.

The Clerk confirmed that an update would be provided at the Authority meeting scheduled for the 17 September 2018.

Councillor Edwards stated that members of the Authority were all familiar with the 5 points as the details of the Trade Dispute had been discussed in private session. This had been requested and the FBU had acquiesced that the confidential information could be conveyed to the parent organisation.

The CFO had given a verbal update at the Fire Authority meeting and referred to the additional points and confirmed that an update would be provided to the Authority at the 17 September meeting.

Following the meeting on the 31 July 2017, a further meeting would possibly be held on 20 August and would provide a formal ending to the Trade Dispute.

The Chair of the JCP was very pleased to hear that by the 20 August 2018 the Authority would hope to have some good news and would move on with independent review. He looked forward to that time.

The Chair welcomed the JCP being fully briefed on issues in the future.

Councillor Miks felt that the Authority had been briefed as much as they could be and looked forward to working with the Unions and the future.

Steve Price-Hunt found the meeting incredibly valuable and important and looked forward to working with Members in the future. He felt that dialogue at the early stages of a dispute can provide intervention and looked forward to a productive year.

John Routley, Unison, welcomed the review and asked to be involved in the Terms of Reference.

The Chair stated that if the Unions agree to have a common approach he would be more than happy.

Councillor Edwards looked forward to an excellent working relationship.

Chair thanked everyone for attending the meeting, the air had been cleared and thanked everyone for their attendance and looked forward to seeing everyone next time.

The meeting closed at 1350 hours.

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