WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Monday, 04 October 2021 at 11:00

To be held at Fire Service HQ and digitally via Microsoft Teams

Distribution of Councillors	
Birmingham	D Barrie Z Iqbal M Locke S Spence
Coventry	C Miks S Walsh
Dudley	N Barlow P Miller
Sandwell	C Padda K Singh
Solihull	P Hogarth MBE
Walsall	K Ferguson A Young
Wolverhampton	G Brackenridge J Dehar
Police & Crime Commissioner **Representative - Assistant PCC**	S Foster Wasim Ali
Co-opted Members	Professor S Brake TBC by ABCA
Independent Member	Mr M Ager
Observers	M Carter, UNISON
	R Merker, Fire Officer's Association
	S Price-Hunt, Fire Brigades Union

Please note: Meetings of the political groups will be held at 10.00 am.

Fire Authority

You are summoned to attend the meeting of Fire Authority to be held on Monday, 04 October 2021 at 11:00

At Fire Service Headquarters, 99 Vauxhall Road, Nechells,

Birmingham B7 4HW

and digitally via Microsoft Teams

for the purpose of transacting the following business:

Agenda – Public Session

Chair to move:- "*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.*"

Agenda (not open to public and press)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Agenda prepared by Kirsty Tuffin

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 Committee Management Information System

This meeting of the West Midlands Fire and Rescue Authority will be held at Fire Service Headquarters. However, please note that although the meeting will be open to the public, there will be limited capacity due to ongoing social distancing measures.

The meeting will also be held digitally via Microsoft Teams allowing observers to access remotely. To access the meeting, please contact a member of the Strategic Hub, West Midlands Fire Service, who will be able to provide login details (please note that Microsoft Teams is not required to join a meeting) or provide guidance if you wish to attend in person at HQ.

Clerk Name:	Karen Gowreesunker
Clerk Telephone:	0121 380 6678
Clerk Email:	Karen.Gowreesunker@wmfs.net

Item 5

West Midlands Fire and Rescue Authority

21 June 2021 at 1100 hours

held at Fire Service Headquarters and digitally via Microsoft Teams

Present: In person:

Councillor Brackenridge (Chair)

Councillor Iqbal (Vice Chair)

Councillors Barlow, Hogarth, Locke, Padda, and Singh

Via Microsoft Teams:

Councillors Barrie, Dehar, Ferguson, Miller, Miks, Spence, and Young

Simon Foster, Police and Crime Commissioner

Professor S Brake, Co-opted Member – Health

Maurice Carter (Unison), Steve Price Hunt (Fire Brigade's Union), and Richard Merker (Fire Officers' Association).

Apologies: Co-opted Member – Business

10/21 Hybrid Meeting of the WMFRA - introduction

K Gowreesunker, Clerk to the Authority, welcomed all attendees to the first hybrid meeting of the full Fire Authority and provided an overview of how the meeting would proceed in line with the protocol agreed by the Authority and detailed within the WMFRA Hybrid Meetings Guidance Note (available on the Authority's Committee Management Information System).

11/21 **To Elect the Chair of the Authority for the ensuing year**

Resolved that Councillor Brackenridge be elected Chair of the Authority for the period ending with the annual meeting in 2022.

12/21 **To Elect the Vice Chair of the Authority for the ensuing year**

Resolved that Councillor Iqbal be elected Vice Chair of the Authority for the period ending with the annual meeting in 2022.

13/21 **Apologies for Absence**

Apologies were received from Cllr Walsh.

14/21 **Declarations of Interest**

The Chair declared a personal non-pecuniary interest, due to being a member of the Firefighters Pension Scheme(s).

Councillors Barlow and Hogarth, and Professor Brake, declared a personal non-pecuniary interest, due to being a member of the Local Government Pension Scheme.

15/21 **Chairs Announcements**

The Chair welcomed all attendees to the meeting of the full Fire Authority.

It was noted that a 1.5% pay award had been proposed for staff on grey book terms and conditions. It was believed that the Fire Brigade's Union's position was for its' members to accept the proposed pay award. It was noted that a pay award for staff on green book conditions remained a work in progress.

The Chair expressed a big thank you to all staff who have managed to maintain high standards of service throughout these difficult times.

16/21 **Chief Fire Officer's Announcements**

The Chief Fire Officer welcomed all attendees to the meeting.

The Chief Fire Officer thanked those Members who had left the Authority and welcomed the new Members.

Members were informed of the sad news of the passing of Martin Davis on 4 June 2021. After joining as a firefighter in 1982, Martin had progressed to and initially retired as Watch Commander with the Business Educational Safety Team (BEST), before being re-employed by BEST as a trainer in 2013. After a total of 38 years' service, Martin had been due to retire on 5 June 2021.

The Chair and all Members echoed the comments of the Chief Fire Officer and asked that their condolences were to be passed on.

Upon the start of a new political year, the Chief Fire Officer thanked staff at all levels in maintaining the high level of service delivered as well as the delivery of additional activities, acknowledging that in addition to presenting physical challenges, it had presented mental health challenges. The Service had put into place a variety of measures to support the physical and mental health of staff. It was also noted how Members had embraced digital ways of working.

Maurice Cater thanked the Chief Fire Officer on behalf of Unison, for the recognition of the mental health challenges that staff were contending with.

17/21 **Minutes of the Fire and Rescue Authority 15 February 2021**

Resolved that the minutes of the Fire Authority meeting held on 15 February 2021 be confirmed as a correct record.

18/21 **Membership of the Authority 2021-22**

The Authority noted the appointments made by the constituent district councils for 2021/22.

19/21 **West Midlands Police and Crime Commissioner, Membership on the Fire Authority 2021/22**

Karen Gowreesunker, Clerk to the Authority, provided an overview of the report. The report was submitted to inform the Authority of the invite to, and subsequent request from, the West Midlands Police and Crime Commissioner (WMPCC) to join the Fire Authority, and to support the Authority's decision in response to this request.

The report noted that the correspondence between the Authority and the WMPCC included the invitation for the WMPCC to take a place on the Authority's Collaboration and Transformation Committee.

Following a vote by Members, the Chair noted that the invite to the WMPCC to take up a position on the Authority was in line with the requirements as set out in the Policing and Crime Act 2017. The Chair offered a warm welcome to WMPCC Simon Foster who was in attendance digitally.

Resolved

Members approved the WMPCC request to join the Authority.

Members approved the request for full membership with voting rights, on the basis that the WMPCC as an elected member, attends to enable this.

20/21 **Questions on the Discharge of Functions**

The Authority considered the report.

Resolved

That the following Members 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:

Constituent Council	Lead Councillor	Substitute Councillor
Birmingham	Cllr Iqbal	N/A
Coventry	Cllr Walsh	Cllr Miks
Dudley	Cllr Barlow	Cllr Miller

Sandwell	Cllr Padda	Cllr Singh
Solihull	Cllr Hogarth	
Walsall	Cllr Ferguson	Cllr Young
Wolverhampton	Cllr Brackenridge	Cllr Dehar

21/21 **Governance of the Authority 2021/22**

Karen Gowreesunker, Clerk to the Authority provided an overview of the report.

The report informed Members of a number of changes to the governance of the Authority that would be captured within the Authority's Constitution. Changes included amendments to the wording the Chief Fire Officer exemption to budget matters for Authority, amendments to arrangements to Act in Matters of Urgency, and amendments to the terms and conditions of the Scrutiny Committee and the Collaboration and Transformation Committee. Details of all amendments are laid out in full within the report.

Additionally, the report sought approval of the proposed calendar of meetings for the new Authority municipal year 2021/22, and approval of elements related to Members' Allowances.

Resolved

That the Authority approved the amendments proposed to the Constitution as set in the report in relation to:

1.1.1 refine wording of the Article 6, CFO exemption to budget matters for Authority, paragraph 6.2.3 to enable clarity of the circumstances and decisions for the application of this delegation Appendix 1.

1.1.2 amending the Scrutiny Committee terms of reference to align to the pre and post scrutiny definitions agreed by Fire Authority in October 2020 – Appendix 2.

1.1.3 amend Standing Order 17, Arrangements to Act in Matters of Urgency to align to current practice Appendix 3.

1.1.4 Amend the terms of reference for the Collaboration and Transformation Committee, removing the requirement for membership to be proportionate of the membership of the Authority – Appendix 4.

That the Authority approved the calendar of meetings for 2021/22.

That the Authority approved that no increase be made in Members' Allowances in 2021/22 by way of indexing or otherwise.

That the Authority approved the Members' Allowances Scheme for 2021/22.

That the Authority approved that the Clerk be authorised to make and publish any necessary consequential amendments to constitutional documents in the light of decisions made regarding governance arrangements for 2021/22 in consultation with the Chair, Vice Chair and the Chief Fire Officer.

22/21 **Political Balance and Membership of Committees and Panels 2021/22**

The Authority considered the report on the political balance and membership of committees and panels for 2021/22.

The Authority considered the Constitution and political balance of committees and assignment of Members to committees and panels for 2021/22.

It was confirmed that Cllr Iqbal would be the substitute Member for Cllr Young on the Joint Consultative Panel.

Resolved:

(a) That the political balance and membership of committees and panels for 2021/22, as set out in the report, 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 Collaboration and Transformation Committees be approved.

(d) That the appointment to the roles of Chair and Vice Chairs of Committees and Panels, as set out in the report be approved.

(e) 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 at the AGM in June 2022.

23/21 **<u>Appointments of Representatives to Serve on Other Bodies</u>**

The Authority considered the appointment of representatives to service on other bodies during 2021/22. 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 to the appendix where proportionality applied.

The appointment of representatives to serve on other bodies were agreed as per the report.

24/21 **<u>Member Attendance at Conferences, Seminars and Visits</u>**

The Authority considered the report which set out the arrangements for authorising attendance at conferences, seminars and visits.

Resolved

That the attendance of Members at conferences and seminars for 2021/22 be approved.

25/21 **<u>Governance Statement 2020/21</u>**

The Authority considered the report which sought comment and consideration of the Governance Statement for 2020/21.

Resolved

That the Authority's Governance Statement 2020/21 be approved.

26/21 **Monitoring of Finances**

Mike Griffiths, Treasurer to the Authority provided an overview of the report.

The report dealt with the monitoring of finances of the Authority in the current financial year and covered revenue expenditure and the Capital Programme. Expenditure was compared with a profile of the Authority's budget.

Appendix A compared the revenue budgeted to the end of May 2021 with the actuals to that date.

Overall, the Authority was within budget albeit with variances across various elements.

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

It was noted that the Firefighters' pension scheme was predominantly government financed.

Appendix C provided the capital monitoring statement and scheme analysis.

Resolved

That the monitoring of finances be noted.

27/21 **Decisions Taken Under 'Matters of Urgency'**

The Authority considered the report which provided an overview of the decisions taken under matters of urgency during the period of the Covid-19 pandemic when meetings of the Authority had been postponed.

The decisions were:

1. Procurement Policy

2. Planned Procurement 2021/22
3. Statement of Assurance 2019/20
4. Pay Policy Statement 2021/22
5. Corporate Performance Indicators 2021/22

It was noted that Members had been informed of such matters throughout the year.

Resolved

That the decisions taken and approved was noted.

28/21 **Analysis of Progress of Quarterly Performance Against Our Plan Quarter 4 2020/21**

Phil Loach, Chief Fire Officer provided an overview of the report.

The report outlined the status of the Service's key performance indicators in the fourth quarter of 2020/21 and the progress made in delivering the three strategic priorities contained in Our Plan 2020-23.

The overview of the report focussed on the appendix which provided the detailed commentary against the performance indicators.

It was noted that performance across the vast majority of performance indicators was impressive and reflected that the Service had maintained the delivery of core services.

PI6 'The number of Safe and Well points achieved by the Brigade' demonstrated under performance against the tolerance levels. The performance was below what the Service had set out to achieve due to the impact of the Covid-19 pandemic including lockdowns and business continuity arrangements. It was also noted that a lack of face to face contact had contributed to a lack of engagement.

PI15 'The percentage of employees that have disclosed their disabled status' demonstrated under performance against the tolerance levels. However, performance was just 1% below the target, a target that was very ambitious.

PI 16 ‘The number of female uniformed staff’ demonstrated under performance against the tolerance levels. A Member asked what the Service was doing to encourage female recruitment of firefighters. In answer to the question, it was acknowledged that there had been an impact upon recruitment as a result of not being able to hold face to face engagement. It was noted that the Service set ambitious targets regarding recruitment.

A Member asked what the Service was doing to encourage the recruitment from black, Asian, and minority ethnic (BAME) communities. In answer to the question, Members were asked to draw their attention to performance indicators 17 and 17a, where performance reflected the more sustainably successful recruitment and retention of BAME staff.

The Chair noted that it was only right that Members asked questions on recruitment. The fire sector had been singled out as a sector that struggles to recruit female firefighters. However, the Chair believed that the Service was leading the way nationally and understood and appreciated the challenges and difficulties in recruiting females and from BAME communities.

The Chief Fire Officer noted that by having a diverse workforce helped in the Service’s aim of making the West Midlands safer, stronger and healthier, by having a workforce that reflected the communities it served.

Resolved

That the status of the Service’s key performance indicators in the fourth quarter of 2020/21 were noted.

That the progress made in delivering the three strategic priorities contained in Our Plan 2020-23 were noted.

29/21 Contracts Awards Summary for Period to 30 April 2021

Mike Griffiths, provided an overview of the report which provided a six-month summary of all contracts that had been awarded since September 2020.

Resolved

That the summary of contracts in excess of £250,000 that had been awarded since September 2020, as laid out within the appendix to the report, were noted.

30/21 Annual Report of the Audit and Risk Committee 2020/21

Cllr Miks, Chair of the Audit and Risk Committee, provided an overview of the report which detailed the work of the committee and its Members during the year 2020/21.

The Committee had maintained its functioning throughout the COVID19 pandemic. It had met virtually utilising the Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) Regulations 2020 to ensure business continuity as a Standing Committee of the Authority.

Cllr Miks thanked Members, Officers, both internal and external Auditors, and the members of the Pension Board, for their work and support.

Resolved

The Authority received the Annual Report of the Audit and Risk Committee 2020/21.

31/21 Minutes of the Audit and Risk Committee held on 22 March 2021

The minutes of the Audit and Risk Committee held on 22 March 2021.

32/21 **Exclusion of the Public and the 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, with regard to information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of a crime.

33/21 **Notification of a Fire Safety Prosecution**

Resolved that the Authority noted the details of a forthcoming prosecution under the Regulatory Reform (Fire Safety) Order 2005.

The meeting ended at 12.14 hours.

Stephen Timmington

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Item 6

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

4 OCTOBER 2021

1. **CRMP OBJECTIVES**

Report of the Chief Fire Officer

RECOMMENDED

1.1 THAT Members note the progress of the evidence-based Community Risk Management Plan (CRMP) objectives as a key platform for the delivery of the 3-year rolling Strategy.

2. **PURPOSE OF REPORT**

2.1 This report is submitted to Members to provide the detail of:

- Strategic CRMP objectives which are being developed and will be delivered through the Service's 3-year rolling Strategy.
  Additional options that are being progressed in line with CRMP objectives to support the delivery of the 3-year rolling Strategy.

3. **BACKGROUND**

3.1 On the 21 February 2021 the Fire Authority approved the development of CRMP proposals to enable the delivery of its 3-year rolling Strategy.

The development of a CRMP is focused on the statutory role of a fire service which is to reduce, mitigate or manage death and injury, damage to property, economic, damage or damage to the environment.

The role of a fire fighter in achieving this, is to reduce the likelihood of a risk occurring and/or mitigate its impact when it does. This is the basis for the provision of integrated prevention, protection and response activities through the role of a fire fighter,

aligned to the risk that is presented in a local CRMP.
West Midlands Fire Service (Service) must seek to ensure that this statutory role can be delivered in the most effective and efficient way, which is able to respond to the changing risk environment.

CRMP proposals

3.2 The agreed CRMP proposals are high level and 'evidence based', informed by the review of the Service's CRMP in 2020. This provides an assessment of current and foreseeable risks across the West Midlands conurbation, along with the application of professional knowledge and judgement and is further informed through outcomes from the November 2020 public consultation.

3.3 The CRMP proposals agreed in February 2021 are outlined below:

1. A review of the key factors that contribute to survivability.
2. A review of the current approach to responding to Road Traffic Collisions, Automatic Fire Alarms and Secondary Fires to consider alternative approaches to responding to these current and changing risks.
3. A review of the future impact of emerging risks on the CRMP, including how prevention, protection and response services may need to change to enable flexibility in the delivery of our services.
4. To consider the most appropriate interventions to reduce vulnerability to fire and other risks through the CRMP.
5. To continue to prioritise a range of opportunities to digitally enable the workforce and communities to transform the delivery of services

3.4 The Strategic Enabling Team (SET) have refined and developed each of these proposals into specific objectives through a structured and planned approach using dedicated 3PT projects, overseen through the CRMP project. Specific monthly CRMP workshops have supported progression and ensured dependencies across these objectives are effectively captured and planned for.

3.5 The CRMP objectives have been further defined into the following areas:

1. Survivability
2. Review of our approach to responding to Automatic Fire Alarms
3. Establishing a blended approach to the use of our fleet, incorporating reviewing our approach to responding to road traffic collisions and secondary fires
4. Emerging Risks
5. Reducing Health Inequalities

3.6 In developing the CRMP objectives it became evident that the approved approach to 'flexible fleet management' was an additional area which would need to be reviewed.

3.7 The use of flexible fleet management was an approach agreed in 2019 as a financial control measure, enabling the Chief Fire Officer (CFO) to pre-state appliances off the run, to achieve annual efficiency savings of £3.8 million.

3.8 This approach continues to be used in 2021/22. Aligned to the progression of the CRMP objectives and the principles set out in paragraph 3.10 below, a solution is being sought which will identify alternative approaches to meeting these efficiency savings and maximise resource availability. These solutions will aim to put risk, data, and intelligence at the forefront of all our prevention, protection and response activities.

3.9 CRMP objectives and their progress has been updated into Members throughout August and September 2021 and most recently, to all Authority Members via the Policy Planning Forum on 13 September 2021.

3.10 The following principles form the basis of the development of CRMP objectives and alternative options to our approach to flexible fleet management. These principles have a clear focus on transforming the way in which services are provided to local communities.

- To continue to evolve our delivery of risk-based services aligned to the needs of local communities.
- To create opportunities and make the best use of our

resources to effectively manage changing risk.
- To sustain our delivery of risk-based services to local communities.
- To maintain and enhance our HMICFRS rated 'outstanding' response services.
- To enable sustainable and resilient services for now and the future
- Maintain and expand our offer to partners and communities, delivering services which are in the communities' interest.
- Manage Health and Safety considerations within existing arrangements, ensuring safe systems of work.
- Deliver the most effective CRMP working with our staff.

3.11 As set out in this report, the development of CRMP objectives have been developed from a position of risk reduction and making the most effective use of resources. Both current and future budget considerations (which form part of the medium-term financial planning within our 3-year rolling strategy) will inform how these proposals are implemented.

4 Progression of CRMP objectives and anticipated impact on our 3-year rolling strategy

4.1 **Survivability:** The CRMP review undertaken in 2020 proposed, *‘SET will commission the review of those key factors that contribute to the survivability timeline and research, through the technical CRMP group’.*

4.2 This objective in its first phase, will provide an evidence base to understand the key stages in the development of an incident, which may influence the number of personnel needed to resolve the incident. Research will seek to understand the impact of response times and crewing levels on the overall effectiveness and speed at which category 1 (high risk) incidents are addressed. The outcomes of this research are to identify if getting to a fire earlier on in its development impacts on the amount of people and resources that are required to resolve the incident. The development of this research and its outcomes will enable the delivery of the aims set out in both Risk Based Crewing and Blended Fleet CRMP objectives.

4.3 This objective is in its early stages of development and officers are in discussion with the University of Central Lancashire, with the aim of working in partnership to progress the work.

4.4 **Automatic Fire Alarms (AFAs):** The CRMP review undertaken in 2020 proposed that: '*the current approach to responding to AFAs, will be reviewed to determine the opportunities these changing risks provide in considering alternative approaches to responding'.*

4.5 The CRMP public consultation, conducted between November 2020 and January 2021, identified 88% of respondents agreed that the Service should consider alternative approaches to AFAs.

4.6 As part of the development of CRMP proposals identified earlier in the report, a review of the approach to the Service's attendance at AFA's is being undertaken across three timed phases. This is to ensure that the appropriate resources (people and appliances) are mobilised proportionate to risk.

4.7 Fire control already dynamically mobilise** resources to AFAs, which enables the right resource to be sent based on what is known about the incident.

**(Dynamic Mobilising - using resources flexibly and efficiently allowing Fire Control to alter or amend the level of initial response to best match the incident needs with the resources available)

4.8 The aim of this work is to:

- provide options for the appropriate resource(s) (people and vehicles), to respond to an AFA within the 3 category types: *non-sleeping, sleeping non-managed and sleeping managed.*
- review our approach to dynamic mobilisation to identify opportunities to respond more efficiently.
- ensure that WMFS responds appropriately to all AFAs where there is a fire.

4.9 Phase 1 of this proposal has already delivered a re-categorisation of AFAs.

4.10 We know that from the AFA calls received between 2019 and 2021, 0.9% of these resulted in a fire incident. Therefore, phases 2 and 3 will go on to continue to gather and analyse data to support the review of response options and resource allocations.

4.11 Once all options are appraised and considered by the Strategic Enabling Team and Chief Fire Officer, it is anticipated that a revised approach to responding to AFAs will be implemented in April 2022 as part of phase 3.

4.12 **Blended Fleet, including review of our response to Road Traffic Collisions (RTCs) and Secondary Fires:** The CRMP review proposed that the '*current approach to responding to RTCs, AFAs and Secondary Fires will be reviewed to determine the opportunities these changing risks provide in considering alternative approaches to responding'*

4.13 The Blended Fleet proposal is developing to further focus on the type of fleet the Service uses to respond to incidents, prevention and protection interventions in the future.

4.14 West Midland Fire Service (WMFS) delivers services to the community through its blended fleet. This is currently made up of Pump Rescue Ladder (PRL) appliances and Brigade Response Vehicles (BRVs) and a number of specialists vehicles such as Business Support Vehicles (BSVs) and Hydraulic Platform Vehicles (HPVs). These specialist vehicles are used dependent on the need of certain types of incidents.

4.15 The review of AFAs (as detailed in the above section), Road Traffic Collisions and Secondary Fires (which are being considered within this proposal) all seek to understand how the Service can respond differently to non-life risk incidents.

4.16 The Blended Fleet proposal aims to further diversify the use of fleet when responding to current and known risks. This enables the Service to protect the availability of appropriate resources for Category 1, high risk incidents, as well as ensuring they remain available to deliver key community risk reduction activities. It will also consider how the fleet should develop for the future aligned to changing risks within the CRMP.

4.17 The following principles have been determined by the Strategic Enabling Team for the development of this proposal:

- A fleet that enables simultaneous activity across all prevention,

protection and response activities, maximising the value release of every resource.
- Commitment to diversifying the current fleet, with more environmentally efficient vehicles which meet external targets.
- A fleet that facilitates a proportionate and flexible response to all incident types.
- Support the principles of people-based mobilising, with the ability to provide enhanced flexible staffing to deliver community risk reduction.
- Enabling our people, to select the most appropriate resource to direct activities to risk reduction.

4.18 Reviews of Road Traffic Collision, AFA and Secondary Fire incident~~s~~ response will identify opportunities when considering alternative approaches to responding. This work is currently reviewing initial data and considering the options for trial. These trials are anticipated to commence between Q3 and Q4 2021/22.

4.19 This proposal is in its initial stages of development and will work across other CRMP proposals, as well as Risk Based Crewing to identify the best approach to further evolving our fleet. It is anticipated that initial outcomes will be considered by the Strategic Enabling Team and Chief Fire Officer in March 2022.

4.20 **Reducing Health Inequalities:** The CRMP review proposed *‘the most appropriate interventions to reduce vulnerability to fire and other risks will be determined through the CRMP, using the principle of an integrated approach to prevention, protection, and response activity enhancing the ‘up stream’ approach to fire fighting*.’

4.21 The public consultation undertaken in November 2020 identified 75% of those who responded, agreed the Service should tackle the wider issues causing vulnerability to fire and other risks. These findings align to those of the Marmot Report, which has linked health inequalities, to risk and vulnerability to fire and other emergencies, i.e., the cause of the cause.

4.22 The Service’s targeted ‘person-centred’ approach to prevention interventions uses the principle of ‘upstream activity’. Identifying and tackling the causes of the causes of preventable death and related injury, underpins our prevention activity.

4.23 This proposal seeks to develop the Service's approach to upstream firefighting through prevention interventions, aiming to reduce health inequalities across an individual's life course. These interventions will:

- Be targeted at reducing health inequalities through engaging with people about their health and wellbeing.
- Allow the community to take action to reduce health inequalities through community access to digital services
- Identify people in the community at risk and vulnerable to fire and other emergencies through intelligence from data shared between partners
- Enhance working with partners to reduce health inequalities, reduce risk and vulnerability to fire and other emergencies.
- Engage with people about health and wellbeing where the issue impacts on their risk and vulnerability to fire and other emergencies

4.24 Digital transformation of prevention services is a focus of this work as it can enable communities to become more independent and resilient in reducing health inequalities. Many of the interventions that will contribute to the development of this objective, will seek to use existing resources and work collaboratively across our partners.

4.25 It is anticipated that our future work with partners to reduce health inequalities as a cause of risk and vulnerability to fire will involve being commissioned to do this. Some of these future interventions are anticipated to have clear links to the wider fire fighter role map considerations.

4.26 **Emerging risks:** As a key outcome of the CRMP review the identification of new and emerging risks requires a greater understanding and assessment, to identify the potential new and increased hazards these present and how they may therefore result in risks to the community.

4.27 Emerging risks include climate change, terrorism, complex built environment, high-profile events (e.g. Commonwealth Games 2022) & major infrastructure projects (HS2).

4.28 The Fire Authority agreed that the impact of Emerging Risks on the CRMP would need to be planned for and Prevention, Protection & Response resources adapted to reduce and mitigate their impact.

4.29 To ensure that the Service has the capability and capacity to deal with identified and emerging risks, the Chief Fire Officer approved the introduction of a third Technical Rescue Unit (TRU) station for WMFS, located at Sutton Coldfield fire station in the Birmingham Local Authority area. The project has a 'go-live' date of May 2022, in time for the Commonwealth Games event to be hosted in Birmingham and at remote sites across the West Midlands.

4.30 The development of this enhanced specialist capability will mitigate risks in an agile and flexible way. It will also increase levels of assurance and resilience in the provision of these services both locally within the West Midlands, as well as through National Resilience requirements.

4.31 It is also anticipated that the Service will enhance its contribution to the 'Prevent Strategy' around extremism and terrorism, which will improve staff awareness and contribution to this agenda. This will continue to demonstrate our role as a key partner in supporting community cohesion, as well as support and enhance the Service's cohesion' element of the DICE strategy.

4.32 This objective will not impact on the response for category 1, high risk, incidents and category 2,3,4 incidents. Prevention & Protection activity will be supported by other stations.

4.33 The personnel requirements are likely to require staff movement and as such there is clear engagement with representative bodies taking place and this will continue through the Employee Relations Framework.

4.34 As part of the developing work a feasibility study into how additional resilience may be available to support specialist response activity (e.g. HQ and/or departmental staff) is being undertaken.

4.35 **Risk Based Crewing:** The Risk Based Crewing Proposal seeks to maximise resource availability whilst transforming the way in which we deliver our Response, Prevention or Protection based activities.

4.36 Aligned to the Authority's budget arrangements, the Services current approach using the flexible management of fleet, is to reduce the numbers of BRVs available at any one time, due to the requirement to make in year savings of £3.8 million. This is achieved by not utilising voluntary additional shifts to meet organisational shortfalls in staffing.

4.37 The Risk Based Crewing approach will look to increase fleet availability through the flexible use of staffing (rather than fleet as the current approach) across different vehicles at Fire Stations. It will deliver enhanced efficiency through more closely matching resource to risk across Prevention, Protection and Response and support the expansion of the 'blended fleet' which will be a key dependency. This will maximise community risk reduction activity through the increased availability of resources, and the proportionate crewing of each vehicle based on the activity being attended.

4.38 This approach will require station-based staff to adopt an agile approach to how they utilise, and crew our blended fleet in a way that is appropriate to the activity being undertaken and the associated risk.

4.39 The principles of risk-based crewing are scalable, and there is scope to 'flex' the approach to accommodate further financial efficiencies if required.

4.40 This proposal will be trialled across several fire stations to understand impacts and benefits. A 3-month trial will take place between November 2021 and January 2022. To ensure evaluation of the trial outcomes and the progression of other CRMP objectives such as Blended Fleet, it is anticipated implementation of Risk Based Crewing will commence in April 2022

5 Alternative options

5.1 As this report identifies, the CRMP objectives focus on how the Service can continue to evolve and improve the delivery of services to communities. The objectives seek to achieve this in different ways and are aligned to the principles set out in paragraph 3.10.

5.2 Officers and the Fire Authority have considered alternative options to support the delivery of CRMP objectives, although some of these are not aligned to the principles of the CRMP planning (paragraph 3,10) or the 3-year rolling Strategy 2021-24.

5.3 The development and implementation of a retention policy has been agreed and will support the Service and CRMP objectives. This will enable where needed, the retention of skills and expertise required to deliver CRMP objectives through the 3- year rolling Strategy.

5.4 The use of reserves and commercial use of estates have been considered and it has been agreed they are not viable options for enabling the progression and implementation of CRMP objectives as part of the 3-year rolling Strategy. The use of estates is an ongoing area of work which can support development from a narrow financial perspective. Assurance of progress of estates will be provided through the Audit and Risk Committee.

5.5 The options of compulsory redundancies and station closures have also been considered. These are not desirable options for both the Authority and Officers. These options do not align to the CRMP planning principles. The progression and implementation of CRMP objectives over the 3-year planning period are designed so that these options should not need to be explored.

Summary considerations

5.6 Each of the CRMP objectives detailed in this report are focused on reducing risk to our communities and increasing the capacity and skills of staff for community risk reduction activity.

5.7 The CRMP objectives do not seek to change the Authority’s agreed 3-year rolling Strategy, or annual plan and priorities. They aim to transform our approach to delivering the 3-year rolling Strategy so that this can be achieved in the most effective and efficient way.

5.8 The planned approach to the delivery of CRMP objectives will be progressed using operational decision making, through Chief Fire Officer delegations set out in Part 3 of the Authority constitution, Scheme of Delegations.

5.9 A key planning assumption (aligned to earlier principles) is that our future services will be delivered in a more flexible and agile way. To achieve this the Service aims to put person-based mobilising at the forefront of determining how an incident will be resourced, depending on the type of risk it presents. This will enable a more dynamic approach to mobilising to incidents. This will not result in a change to our response levels to high-risk incidents and as such, the CRMP objectives seek to ensure that the 5-minute attendance time to high-risk incidents is maintained.

5.10 Maximising community risk reduction activity will enable the role of a fire fighter to continue to focus on reducing risk through both prevention and protection activities. The majority of CRMP objectives will have an impact on how we deliver prevention activity for the future. The Reducing Health Inequalities objective will specifically engage partners and the workforce on how we can deliver interventions, which seek to reduce these inequalities, as a recognised contributor to risk and vulnerability of an individual to fire and other incidents.

5.11 The CRMP objectives are each developing at a different pace, and some have been prioritised to enable early implementation and transformation. Dependencies across objectives are carefully managed through 3PT, to ensure that these can release the most benefit to local communities. For example, the outcomes of the AFA objectives, Road Traffic Collision and Secondary Fires review will inform the progression of the Blended fleet in the short term.

5.12 Individual CRMP objectives will engage with staff and stakeholders in a proactive way and as determined by the 3PT project plan. A wider CRMP communication and engagement strategy supports informing and awareness across the workforce and stakeholders. Where CRMP objectives result in a change to working practices, these will be engaged and developed through the WMFS Employee Relations Framework.

5.13 Being able to deliver services in a different way, to meet the changing operating environment as well as the diverse needs of communities requires ‘smarter’ ways of working. The WMFS CRMP consultation outcomes have told us that our communities agree with the ongoing the use of technology and digital solutions, to complement our face-to-face engagement and delivery Safe and Wells. Digital innovation is a consistent consideration in the planning and design of CRMP objective deliverables. Increasing our digital ways of working will allow the Service to focus the capacity and skills or staff on engaging each other and the community, targeting the skills of its workforce focus on delivering community risk reduction services those most vulnerable.

6. EQUALITY IMPACT ASSESSMENT

6.1 The matters contained in this report. Each individual CRMP proposals will require an individual Equality Impact Assessment to enable its most effective approach to planning.

7. LEGAL IMPLICATIONS

7.1 The recommendations in this report ensure the effective and efficient delivery of Fire and Rescue Authority Services as set out on the Fire and Rescue Services’ Act, Regulatory Reform Order, Emergency Order, Civil Contingencies Act and the National Framework which incorporates the duties of these Acts, but also the requirements for governance and assurance of performance.

8. FINANCIAL IMPLICATIONS

8.1 It is anticipated that each of the options in Section 4 of this report would lead to an improvement in the effectiveness and efficiency of the Service.

8.2 Whilst the CRMP objectives primarily focus on transforming services in response to changing risks, some of the options in Section 4 have the potential to enable financial efficiency savings. This is particularly the case with the Risk Based Crewing option, which could achieve annual financial efficiency savings of at least £3.8M, with scope to ‘flex’ the approach to accommodate further financial efficiencies if required.

8.3 Progress on the CRMP proposals will be reported to future Fire Authority meetings, with any associated financial efficiency savings being reflected within the budget report, due to be considered by the Authority on 14 February 2022.

9. ENVIRONMENTAL IMPLICATIONS

9.1 There are no environmental implications.

BACKGROUND PAPERS

Policy Planning Forum - 6 September 2021
FRA report - CRMP and 3 year rolling strategy - 21 February 2021
Our Plan 2020-23
IRMP 2021-23
SET Report - CRMP Proposals - 6 January 2021
SET Report - CRMP Consultation Outcomes - 13 January 2021
West Midlands Fire Authority Constitution (June 2021)

The contact name for this report is Karen Gowreesunker – telephone number 07973 810338.

KAREN GOWREESUNKER	Strategic Enabler Strategy
PHIL LOACH	Chief Fire Officer

Item 7

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

MATTERS OF URGENCY

4 OCTOBER 2021

1. **DECISION TAKEN UNDER 'MATTERS OF URGENCY' – RETENTION OF RETIRED EMPLOYEES**

Report of the Chief Fire Officer.

RECOMMENDED

1.1 THAT Members note the decision taken and approved under 'Matters of Urgency', whereby the new Retention Policy be adopted.

2. **PURPOSE OF REPORT**

2.1 This report is submitted to confirm retrospectively the decision taken and approved under 'Matters of Urgency'.

3. **BACKGROUND**

3.1 The Constitution of West Midlands Fire and Rescue Authority (WMFRA) makes provision for required decisions that cannot be postponed being considered under Standing Order 17.1 'Arrangements to Act in Matters of Urgency'. This order provides the Chief Fire Officer (CFO) with the delegation to make urgent decisions in consultation with the Chair and Vice Chair.

4. **Retention of Retired Employees**

4.1 The report submitted proposed a new Retention Policy is introduced to provide an additional workforce planning tool and form part of the re-organisation, redeployment, redundancy policy. The policy will enhance the management of corporate risk by retaining key knowledge, skills and experience through the use of temporary or fixed term contracts where appropriate. In addition, it will enable and support WMFRA to improve its talent management succession planning processes. It may also support financial efficiencies in support of the Community Risk Management Plan (CRMP).

4.2 It was RECOMMENDED:

That the Chief Fire Officer adopt a new Retention Policy for employees who express a desire to remain employed by WMFRA following retirement and satisfy the criteria set out in the Retention Policy as per Appendix 2.

That the Chief Fire Officer makes this decision in consultation with the Chair, Vice Chair, Clerk and Monitoring Officer.

That the resolution is reported to the next ordinary meeting of the Fire Authority.

The decision was made in accordance with Standing Orders by the Chief Fire Officer in consultation with the Chair, Vice Chair, Opposition Leader and Clerk to the Authority. It was resolved that the decision be reported to the next ordinary meeting of the Fire Authority.

The report outlining the recommendation and decision is available within the Retention of Retired Employees Report.

5. EQUALITY IMPACT ASSESSMENT

5.1 In preparing this report a full Equality Impact Assessment has not been undertaken.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications arising from this report. Legal implications for the decision are outlined within the Retention of Retired Employees Report.

7. FINANCIAL IMPLICATIONS

7.1 There are no direct implications arising from this report. Any financial implications for the decision are outlined within the Retention of Retired Employees Report.

8. **ENVIRONMENTAL IMPLICATIONS**

8.1 There are no environmental implications arising from this report. Environmental implications for the decision are outlined within the Retention of Retired Employees Report.

9. **BACKGROUND PAPERS**

9.1 The West Midlands Fire and Rescue Constitution, June 2021.

The contact name for this report is Karen Gowreesunker, Clerk to the Authority, Strategic Enabler - Strategy, telephone number 0121 380 6678.

PHIL LOACH
CHIEF FIRE OFFICER

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

DATE: September 2021

Retention of Retired Employees

Matter of Urgency (Section 17.1 Authority Standing Orders) Decision

Report of the CHIEF FIRE OFFICER

It is RECOMMENDED:

1.1 That the Chief Fire Officer adopt a new Retention Policy for employees who express a desire to remain employed by WMFRA following retirement and satisfy the criteria set out in Appendix 1.

1.2 That the Chief Fire Officer makes this decision in consultation with the Chair, Vice Chair, Clerk and Monitoring Officer.

1.3 That the resolution is reported to the next ordinary meeting of the Fire Authority.

Purpose of the report:

This report is submitted to propose a new Retention Policy is introduced to provide an additional workforce planning tool and form part of the re-organisation, redeployment, redundancy policy. The policy will enhance the management of corporate risk by retaining key knowledge, skills and experience through the use of temporary or fixed term contracts where appropriate. In addition, it will enable and support WMFRA to improve its talent management succession planning processes. It may also support financial efficiencies in support of the Community Risk Management Plan (CRMP).

Background

The Government encourages and supports employers in offering opportunities for flexible working. In addition, the Government has recognised that it is in the interests of both employers and pension schemes if employees can have early access to their retirement benefits but still be available to work. This approach has a twofold benefit, the first is to the employer in that they retain the skills and experience of an employee. The second is to the employee who can have access to their retirement benefits but also continue in employment.

The Retention Policy would apply to all staff in both the Local Government Pension Scheme (LGPS) and the Firefighters Pension Schemes (FPS). Due to pension scheme rules the policy for Local Government Pension Scheme and the policy for both Firefighters Pension Schemes are dealt with separately within the policy.

The Government's tax regime for pensions which came into effect on 6 April 2006 relaxed the rules to allow a firefighter to retire and receive some of their pension benefits, and then to be re-employed by the Authority.

Where this is the case, the annual pension may be reduced (often referred to as abated) by the amount by which the pension received and pay in the new post exceeds the pay received in the previous role. Abatement prevents a person who is re-engaged receiving pension and pay which exceeds their previous gross salary.

Members of the West Midlands LGPS scheme currently are not affected by abatement and the new FPS 2015 due to be implemented from April 2022 is expected to be aligned to this approach.

Retention remains at the discretion of the employer and to ensure a consistent and transparent approach is applied it is considered good practice that fire authorities formulate policies on this issue.

A Retention Policy has not previously been considered by the West Midlands Fire and Rescue Authority. However, should in exceptional circumstances where it is identified that specific knowledge skills and experience need to be retained this Retention Policy would provide a transparent approach to fulfil this requirement. A specific business case will be developed and approved in line with the Retention Policy. (draft Retention Policy is set out in Appendix 1).

A corporate risk has recently been registered relating to the recruitment and retention of key employees. The 2 paragraphs below provide examples of when the Retention Policy may have been used are shown below.

Over the last few years, staff with key skills in the Protection (Fire Safety) Team have retired, this has left gaps in capability, although Protection have an ongoing recruitment campaign it has become increasing difficult to recruit. Following the Grenfell Tower tragedy in 2017, FRS Protection Teams have seen an increase in fire safety activity, Fire and Rescue Service are also starting to understand the burden of future legislative changes as a result. Over the next three years 10 posts will be lost due to retirement alone. These recruitment challenges are being experienced by all FRS's across the sector due to the challenges of succession planning and more specifically, time needed to train Fire Safety Inspection Officers to achieve competence, develop knowledge and experience.

Members of WMFS Organisational Learning and People Development Team have also retired creating an issue around delivery of risk critical training. This directly impacts on statutory health and safety responsibilities.

The proposed Retention policy will support the mitigation of this corporate risk.

It is worthy of note that the Authority's approach to Workforce planning profiling has highlighted a risk of significant staff loss due to retirement in one 'block' prior to 31st March 2022. This is due in part to the outcome of the recent Pension challenge (Fire and Judiciary) at an Employment Appeals Tribunal. Some of the impact from these cases come into effect from this date

The Retention Policy confirms that people appointed outside of the Managing Vacancies process ie they are re-appointed, will be appointed on a fixed term or temporary contract only following a break to clearly sever continuous service. This will assist to prevent any undue additional costs to the Service at a later date.

The new Retention policy will contribute as part of the mitigation plan to manage corporate risk and provide an opportunity to manage the impacts of ongoing budget reduction in support of the Community Risk Management Plan (CRMP).

Factors for Consideration

There are several factors to consider when determining to adopt a policy of re-employment of existing staff.

Potential benefits:

- Retention of experienced employees with considerable skills base to support ongoing delivery of the Plan, succession planning and manage Corporate Risk
- Potential financial efficiencies to offset budget reductions and in support of the CRMP
- Reduction in recruitment/training and development costs.
- Appropriate levels of skills and technical support retained within functions that in turn supports staff Wellbeing.
- Positive impact on staff morale by providing an alternative option for staff who do not want to retire at their earliest retirement age. This will further support improvements identified in the recent WMFRA HMICFRS inspection in respect of 'looking after our people'.

Re-appointment Policy Criteria

It is important to recognise that there is no automatic right to re-employment and any re-appointment will be based around the following factors:

- the appointment is required for the operational effectiveness of the Authority and in the interests of public safety
- the employee who has retired/is retiring has critical skills and knowledge which are not widely available and which the Authority needs to retain due to an impact on Corporate Risk
- the re-appointment offers may offer some efficiencies or is cost neutral in terms of budget setting and financial management.
- the person who has retired/is retiring is engaged on a project which is near to completion and where retention of their skills is required on a temporary basis until project completion

Any application for re-appointment will either be on a temporary or fixed term basis and must be supported by a detailed business case including the consideration that has been given to the following:

- the wishes of the individual

- the risk of not re-appointing the individual
- impact of the re-appointment the individual
- financial implications and efficiencies
- the individual's performance, sickness/discipline record and fitness for the role
- the skills and knowledge of the individual

Equality Impact Assessment

In preparing this report an initial Equality Impact Assessment is required and has been carried out. The initial Equality Impact Assessment did raise issues which required a full Equality Impact Assessment to be completed and is attached to this report.

Key points of note are that adopting a policy to provide staff with the opportunity to return to work following retirement, subject to the scope of the policy, could potentially avert an adverse age discrimination claim.

Conversely, the retention of staff in the current workforce longer than was required could have implications for changing the makeup of the Workforce to better reflect the community it serves. As part of each decision-making process, each re-appointment application should be subjected to robust equality analysis to ensure there is no impact on developing a more diverse workforce.

This Retention Policy may also support the development of employees as the re-appointed person would need to work with their Line Manager to upskill and share their experience with other team members.

In line with the retention policy staff are only re-appointed on temporary or fixed term contracts to ensure the medium and longer term people and equality objectives are not negatively impacted.

Legal Implications

The WMFRA should have a clear and transparent position on the re-engagement and re-appointment of retired personnel. This will reduce the risk from unsuccessful candidates bringing a claim against the service based on their retirement status to the Employment Tribunal based on age discrimination.

The National Framework paragraphs 6.7 - 6.11 provide a clear position on the re-engagement of Principal Officers and this position is clearly outlined within the Retention policy.

Financial Implications

Adopting a Retention Policy will provide opportunities for ongoing financial efficiencies.

There may also be potential savings in terms of any subsequent abatement and reduced pensions contributions, however, this will be based on the individual circumstances.

The savings that this approach may achieve are dependent upon the retirement profile in the Service at the time.

Environmental Implications

There are no environmental implications.

Background Papers

The Fire and Rescue National Framework for England 2018.

The contact name for this Karen Gowreesunker, Clerk to the Authority, and Strategic Enabler Strategy.

Appendix 1 – Retention policy

1 STRATEGY

West Midlands Fire Service is committed to maintaining an efficient and effective workforce and recognises the valuable contribution of all employees in achieving its objectives.

In certain circumstances the re-engagement of staff after retirement can support the Service in achieving its objectives, and whilst there is no automatic right to re-engagement after retirement, West Midlands Fire Service will consider re-engagement after retirement in the following circumstances:

> **Re-employment** - retired employees will be eligible to apply for vacancies, through an open recruitment process, provided the role is fundamentally different from the post from which they retired. A simple change in hours will not be a materially different employment. To be a materially different employment the duties and/or the level of responsibility in the new employment must be different from those in the old employment. Where there is doubt, advice can be sought from People Support Services however, individuals are responsible for obtaining their own independent advice on tax and financial implications of re-engagement.

> **Re-appointment** - on occasions when it would be in the interests of public safety and/or efficiency, the Service will permit retired employees to be either temporarily re-appointed or given a fixed term contract into the role they were undertaking prior to their retirement. This can only be done with the express agreement from the Chief Fire Officer or Fire Authority members in the case of re-engagement of principal officers.

2 PURPOSE

The purpose of this policy is to ensure that the Service consistently and fairly applies re-engagement after retirement procedures across all employment groups in accordance with relevant government guidance, legislation and pension regulations.

1 Scope

1.1. The policy applies to all employees who are directly employed by the Authority and are members of the Local Government Pension Scheme (LGPS), the Firefighters Pension Scheme (FPS), the New Firefighters Pension Scheme (NFPS) and the Firefighters Pensions Scheme 2015 who have retired from their role either on a voluntary basis, through ill health or through redundancy and are in receipt of their pension scheme benefits or who have submitted their notice to retire.

3 RESPONSIBILITY

3.1. West Midlands Fire Authority is responsible for:

- approving the Authority's Retention Policy and delegating the day to day management to the Chief Fire Officer
- In line with the Retention Policy approve the re-appointment and consideration of re-engagement of principal officers

3.2. The Chief Fire Officer (CFO) is responsible for:

- having overall accountability for this Retention Policy and its implementation
- reviewing, considering and determining the outcome of applications for re-appointment within the Service in line with the Authority's Scheme of Delegation.

3.3. The Strategic Enabler for People is responsible for:

- Supporting the CFO in reviewing, considering and determining the outcome of applications for re-employment within the Service below the level of Principal Officer.

- agreeing the implementation of a re-employment opportunity as a resourcing tool for internal vacancies as appropriate

- liaising with PSS and Finance in the context of employment legislation and pension regulations as applicable

3.4. People Support Services are responsible for:

- implementing this Retention Policy
- providing training and development to those involved in the application of this policy
- ensuring that the policy and procedure meets and continues to meet the requirements of employment legislation and pension regulations
- effectively communicating this policy and procedure to all staff
- evaluation, review, administration and management of the process of this policy
- providing accurate information regarding procedures to managers and employees.

3.5. Managers are responsible for:

- implementing and ensuring that employees are aware of this policy.
- Development of Business cases to support decision making

3.6. Individuals are responsible for:

- familiarising themselves and following the principles of this policy/process.
- obtaining their own independent advice on tax and other financial implications of re-engagement. The Authority will not accept liability for tax or other financial charges incurred by individuals.

4 PROCEDURES

4.1. Introduction

This is the procedure that underpins and implements West Midlands Fire Services Retention Policy.

4.2. Principles

4.2.1. Re-employment

Re-employment after retirement into a vacant post that is fundamentally different to the post from which an individual retired will follow a fair, open and competitive recruitment and selection process in accordance with the Services Recruitment & Selection Policy.

4.2.2. Re-appointment

Re-appointment after retirement into the same or a similar role may be considered where: -

- the re-appointment is required for the operational effectiveness of the Authority and in the interests of public safety
- the person who has retired/is retiring has critical skills and knowledge which are not widely available and which the Authority needs to retain due to an impact on Corporate Risk
- the re-appointment offers efficiencies or is cost neutral in terms of budget setting and financial management
- the person who has retired/is retiring is engaged on a project which is near to completion and where retention of their skills is required on a temporary basis until project completion

Any application for re-appointment will either be on a temporary or fixed term basis and must be supported by a detailed business case including the consideration that has been given to the following:

- the wishes of the individual
- the risk of not re-appointing the individual
- impact of the re-appointment the individual
- financial implications and efficiencies
- the individual's performance, sickness/discipline record and fitness for the role
- the skills and knowledge of the individual

For all appointments at Principal Officer level, approval will be subject to agreement by the Appointments Committee taking into account the legislative requirements of FRA Chief Fire Officer appointment procedures. The reason why the re-appointment was necessary with consideration to the points above, and alternative approaches were deemed not appropriate, must be published.

4.2.3. Break in service

Re-employment may be on a temporary or permanent basis, re-appointment will only be offered on a temporary or fixed term basis. A formal break in service will be required for any re-appointment.

For members of the FPS or NFPS who have retired between the age of 50 and 55 and have a Protected Pension Age a break in service of at least six months is required if re-engaged into a grey book role.

For members of the FPS or NFPS who have retired between the age of 50 and 55 and have a Protected Pension Age a break in service of at least one month is required for re-engagement to a fundamentally different post, such as a green book role.

For all other cases, a break of one complete calendar month will be required. This is to ensure that in the event of a redundancy claim the service will not be continuous from the original date of appointment.

Breaks in service cannot be taken as paid leave.

4.2.4 Abatement

Employees re-employed after retirement who are in receipt of benefits from their government pension scheme will have their pension abated.

This means that the pension payment will be withheld in whole or part if the annual salary from the new post when added to the annual pension payment exceeds the annual salary payment at the time of retirement.

Where this is the case, the annual pension will be reduced by the amount by which the pension received and pay in the new post exceeds the pay received in the previous role.

All individuals should ensure they have discussed matters fully with their pension provider before they begin the re-employment application process.

Inter service abatement - In determining whether to apply inter-service abatement, consideration will be given to any pension benefit currently being received by the employee concerned.

Employees retiring from West Midlands Fire Authority but recommencing employment with a different “scheme employer” (i.e. another Local Authority) should be aware that abatement rules may vary depending on the scheme employers own specific policy.

4.2.5. Protected Pension Age

Employees who are members of the FPS who are able to retire between 50 and before 55 years of age are able to do so because they have a “Protected Pension Age”. Re-engagement under certain conditions can result in them losing protections afforded to them under the “Protected Pension Age” rules and may result in them incurring a tax liability on pension. Employees must ensure that they have taken advice from an appropriate person e.g. tax advisor as the Authority will not accept liability for tax charges incurred by individuals who have lost their “Protected Pension Age” status.

The Authority will require any member of the FPS who has a “Protected Pension Age” to confirm in writing that they have taken tax advice before any offer of re-engagement would be confirmed.

4.2.6. Pension Entitlement on Re-employment

Previous service will not count towards continuous service for any purpose.

If any former uniformed employee is re-employed into a uniformed role on Grey or Gold Book terms and conditions, they will automatically be enrolled into the Firefighter’s Pension Scheme 2015, provided that their new role includes a requirement to engage in firefighting duties or attendance at other emergencies. This applies if they work full time or part time on a permanent basis.

Former uniformed employees who are re-employed into a non-uniformed role on Grey or Gold Book terms and conditions and non-uniformed employees who are re-engaged will automatically be enrolled into the LGPS. This applies if they work full time or part time or on a temporary or permanent basis.

Employees can opt out of either pension scheme if they wish within 3 months of re-joining the Authority. To receive reimbursement of automatic pension contributions, employees must notify PSS that they wish to opt out within 3 months of the commencement of their re-engagement.

4.2.7. Contractual Entitlements on Re-employment

Specific details of entitlements to annual leave, sick leave etc. will be detailed in the employee's new contract of employment and uniformed employees who subsequently re-join the Authority in a Green Book role will be subject to the terms and conditions of employment outlined in the National Joint Council for Local Government National Agreement on Pay and Conditions of Service ("The Green Book").

4.2.8. Re-employment after Ill Health Retirement

Individuals who have been retired on ill health grounds who are subsequently deemed fit to undertake work will be eligible to apply for re-employment through open competition. Their entitlement to continue receiving their ill health pension benefits will depend on the scheme they are in therefore individuals are encouraged to take advice in relation to their specific scheme arrangements before making an application for re-employment.

4.3. Monitoring

The Strategic Enabler for PSS will monitor activities under this policy and procedure and will have responsibility to ensure issues outlined in the policy are met. Continuous improvement involves ensuring this policy is in line with best practice and legislative changes.

4.4. Review

This policy will be reviewed in accordance with the Services flexible policy review programme, or where any new or emerging political, social, technological, legislative, environmental or reputational changes require it to be.

Retention Policy

Business Case

The Business case will be submitted to the SE PSS for consideration and to liaise with SE People and the Chief Fire Officer. Once a decision is made the SE PSS will arrange for the outcome to be fed back to the referring manager.

Title of Business Case	
Submitted by	
Role and Section	
Phone	
Email	

1. Following notification of a person's intention to retire from the Service the Line Manager will review and assess the role to consider any specialist knowledge, skill and/or experience which is required to ensure the health safety and wellbeing of our employees or the delivery of the Plan to keep communities safe. (please state which)

2. ☐ ☐ ☐ ☐ Describe how you plan to retain these essential skills and consider the impact of this on other employees, how you will mitigate any negative impact whilst considering the Service's drive to have a workforce reflective of its community. Your People Support Services (PSS) Business Partner will support you to answer this question.

3. **Name of Strategic Enabler** You will need to have received the approval of your Strategic Enabler. Prior to this business case being supported by SE People and approved by the Chief Fire Officer.	

4. **Name of People Support Services (PSS) Business Partner** You should discuss your Business Case with your PSS Business Partner. This is to consider and mitigate any impacts on other activities across the Service such as restructures, together with any other People and/or People related policy impacts/ Copy in your PSS Business Partner when submitting your Business Case.	

5. **Stakeholder Engagement** List identified stakeholders and engagement that has taken place, together with further engagement required. Consider how your Business Case might impact on your stakeholders who should include Trade Unions/Representative Bodies.	

6. **Describe how your Business Case supports the Organisational strategy.** Include Environmental and Sustainability strategy and Digital and Data strategy.	

7. **Does your Business Case impact upon our Community Risk Management Plan (CRMP)?** Consider speaking to the Community Risk Management Coordinator to further your understanding.	

What are the legal implications of the work covered in this Business Case? Consider if your Business Case supports legislation or a National Framework. Could it impact on reputational risk such as negative publicity/public perception. Liaise with your PSS Business Partner to further your understanding.	

8. **Are there any financial implications associated with the work covered in this Business Case?** Consider if there are any related costs and identify funding. Are there any funding/return on investment opportunities? Will your Business Case create income generation? Liaising with your Finance Liaison Officer (FLO) will inform them of any related costs to see if spends can be supported and to further your understanding.	

Are there any risks to the completion of this Business Case? Have you identified anything that may prevent the aim of your Business Case from being achieved? If you have, how can these be mitigated?	

Communications Plan and Timeframe Outline your communications plan. Consider how you will communicate your Business Case and supporting rationale to your team and representative bodies or other interested groups.	

We are interested to understand your experience when completing this Business Case template. To help us understand if this and the supporting guidance aided your completion, or if further improvements could be made, please complete the feedback form below.

Item 8

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

4 OCTOBER 2021

1. AUDIT FINDINGS REPORT 2020/2021

Report of the Treasurer.

RECOMMENDED

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

2. PURPOSE OF REPORT

2.1 This report is submitted to advise Members 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 Representatives from Grant Thornton will present and explain the findings detailed in the AFR to Members.

3.3 The AFR is attached as Appendix A.

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

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 2020/2021 was set at £45,500.

BACKGROUND PAPERS

Statement of Accounts 2020/2021 located in the Financial Management Section.

The contact officer for this report is Wayne Brown, Deputy Chief Fire Officer, telephone number 0121 380 6007.

MIKE GRIFFITHS
TREASURER

Grant Thornton

The Audit Findings

Year ended 31 March 2021

West Midlands Fire and Rescue

September 2021

Contents

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Associate

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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.

This Audit Findings 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. Its contents have been discussed with management and will be discussed with the Audit & Member Standards Committee.

Avtar Sohal

Name : Avtar Sohal

For Grant Thornton UK LLP

Date : 14 September 2021

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- 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/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely between July and September. Our findings are summarised on pages 5 to 12. Per Appendix B, there are currently no audit adjustments resulting from this year's audit work. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters outlined on page 5 of this report.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix D to this report. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks, as reported to you in our audit plan in June 2021. We are yet to finalise our procedures on this area of VFM work, however, the progress we have made are set our in the value for money arrangements section of this report. We will note any significant findings or recommendations in our Auditor's Annual Report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Audi tor's report in December 2021.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

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) and the Code, 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;
- 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 outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Risk Committee meeting on 27 September 2021. These outstanding items include:

- receipt of management representation letter;
- review of the final set of financial statements;
- completion of audit work in relation to PPE,
- receipt of IAS 19 assurance statement from the auditors of West Midlands Pension Fund and completion of our work on pensions liability in relation to the fire-fighters pension fund and LGPS liability,
- Completion of our work on payroll and the associated remuneration reports.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted within our audit plan presented to the Audit & Risk Committee on 7 June 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access to financial systems, video calling, verification of the completeness and accuracy of information provided remotely produced by the entity and similar challenges relating to pandemic working conditions.

Avtar Sohal

Avtar Sohal for Grant Thornton UK LLP

2. 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 levels remain the same as reported in our audit plan in June 2021.

We detail in the adjacent table our determination of materiality for West Midlands Fire and Rescue Authority

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	£2.6m	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 2% of prior year gross expenditure. We did not identify a requirement to change this upon receipt of draft financial statements.
Performance materiality	£1.9m	Based on the internal control environment at the Authority we determined that 75% of headline materiality would be an appropriate benchmark.
Trivial matters	£0.130m	We decided that matters below 5% of materiality were trivial.
Materiality for senor officer remuneration	£0.050m	We identified senior management remuneration as a sensitive item and set a lower materiality of £50,000 for testing these items.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course the course of business as a significant risk of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Our audit work has not identified any issues in this area. We are satisfied that there is no evidence of material management override of control or bias.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition (rebutted) Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated sue to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there s no risk of material misstatement due to fraud relating to revenue recognition. As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.	At the planning stage, having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue and expenditure recognition could be rebutted, because: • there is little incentive to manipulate revenue and expenditure recognition • opportunities to manipulate revenue and expenditure recognition are very limited; and • the culture and ethical frameworks of local authorities, including West Midlands Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable. We have kept our risk assessment under continual review during the course of the audit but have not noted any circumstances which would suggest a requirement to update our conclusion. Therefore we do not consider this to be a significant risk for West Midlands Fire and Rescue Authority.
Valuation of land and buildings (PPE) The Authority revalues its land and buildings annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£124.3m in the draft financial statements)	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Tested revaluations made during the year to see if they had been input correctly into the Authority's balance sheet Our audit work on the valuation of land and buildings remains in progress. However, our audit work to date has not identified any significant reporting issues.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,866m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount rate, where for the LGPS the consulting actuary has indicated that a 0.1% change in the discount rate would have a £4m effect on the liability. In addition, the authority has five unfunded fire fighter pension schemes and a 0.5% change in discount rate would have an overall impact of £164m. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • requested assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our work on the pension fund is not yet fully complete. In particular we are awaiting to receive the IAS19 assurance letters from the auditors of West Midlands Pension Fund before we can complete our testing on valuation of the Local Government Pension Fund net liability. In relation to the firefighters scheme, our auditor expert has provided assurance that the methodologies used by the actuary, GAD, to establish assumptions will produce reasonable assumptions as at 31 March 2021, with the exception of the CPI inflation assumption, which is 0.1% pa below the expected range as at 31 March 2021. We are currently discussing this with our technical team to determine our response to this matter. However, the audit work completed to date has not highlighted any issues in respect of the valuation of the pension fund net liability.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £124.3m	The Authority has £124.3m of Land and Buildings in use by the Authority. In addition there are Surplus Assets (£2.1m) and assets under construction which are mainly vehicle assets and equipment (£1.7m). Of these assets, some are specialised assets valued at depreciated replacement cost (DRC) at year end, as an estimate of current value. Infrastructure, community assets and assets under construction are held at historic cost. Residential homes are valued at fair value and those that are no longer in use are classified as surplus. All other assets are valued at current value, interpreted as existing use value (market value). The Authority has engaged an external valuer (Wilks Head and Eve) to complete the valuation of properties as at 31 March 2021.	We have: - evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - evaluated the competence, capabilities and objectivity of the valuation expert; - discussed with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met; - challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and - tested revaluations made during the year to see if they had been input correctly into the Authority's asset register. Our audit work on the valuation of land and buildings remains in progress,, however, our audit work to date has not identified any significant reporting issues.	TBC

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Fire Fighter Net pension liability-£1,801.4m	The Authority's net pension liability for Fire Fighter pensions at 31 March 2021 is £1,801.4m (P/Y 1,655.0m) comprising of all Firefighter Pension schemes. The Authority uses GAD to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. The results have been calculated by carrying out a detailed valuation of the most recent data provided to the actuary (as at 31 March 2020), which has then been rolled forward to reflect the position as at 2021. In particular the actuary has allowed for service accrued between 1 April 2020 and 31 March 2021 and known pension and salary increases that would have applied. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	See below	TBC

Audit Comments

We have

- Undertaken an assessment of management's expert;
- Reviewed and assessed the actuary's roll forward approach taken;
- Used an auditor's expert (PWC) to assess the actuary and assumptions made by the actuary for both schemes; and reviewed
- Completeness and accuracy of the underlying information used to determine the estimate
- The impact of any changes to valuation method
- Reasonableness of the Authority's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements.

* PWC stated that they were satisfied with GAD assumptions except for the CPI assumption which is 0.1% pa below the expected range which is more optimistic than PWC would expect to see. We are currently considering the impact on our work.

Assumption	Actuary Value 2020	Actuary Value 2021	PwC range	Impact of year on year change in assumption	
Discount rate	2.25%	2.00%	1.95% to 2.05%.	increases the liability. Per PWC the assumptions sit towards the bottom (prudent) end of our expected range as at 31 March 2021 and hence are considered to be reasonable	
Rate of CPI inflation	2.0%	2.40%	2.85% to 2.80%	Increases the liability.	tbc
Salary growth: GAD have set the assumption at 1.75% p.a. above CPI	4.0%	4.15%	1.00% above RPI-CPI (Pension Increase Rate	Increases the liability.	tbc
Life expectancy –males- longevity at 60 for future pensioners	23.0 years	23.1 years	20.4 – 22.7 years/ 21/8 – 24.3 years		
Life expectancy – Females longevity at 60 for future pensioners	23.0 years	23.1 years	23.2 – 24.9 years/ 25.2 – 26.7 years		

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
LGPS liability – £64.8 m	The Authority's net pension liability at 31 March 2021 is £64.8m. This is in relation to the Authority's obligations as a member employer of the West Midlands Pension Fund, part of the Local Government Pension Scheme. The Authority uses Barnett Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £23.2m increase in the liability during 20/21.	We have • Undertaken an assessment of management's expert; • Reviewed and assessed the actuary's roll forward approach taken; • Used an auditor's expert (PWC) to assess the actuary and assumptions made by the actuary; and reviewed	TBC

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% to 2.05%	●
Pension increase rate	2.85%	2.85% to 2.80%	●
Salary growth	3.85%	1.00% above RPI-CPI (Pension Increase Rate	●
Life expectancy – Males currently aged 45 / 65	21.6 years/ 23.4 years	20.4 – 22.7 years/ 21/8 – 24.3 years	●
Life expectancy – Females currently aged 45 / 65	23.9 years/ 25.8 years	23.2 – 24.9 years/ 25.2 – 26.7 years	●

- Completeness and accuracy of the underlying information used to determine the estimate
- The impact of any changes to valuation method
- Reasonableness of the Authority's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements.

Assessment

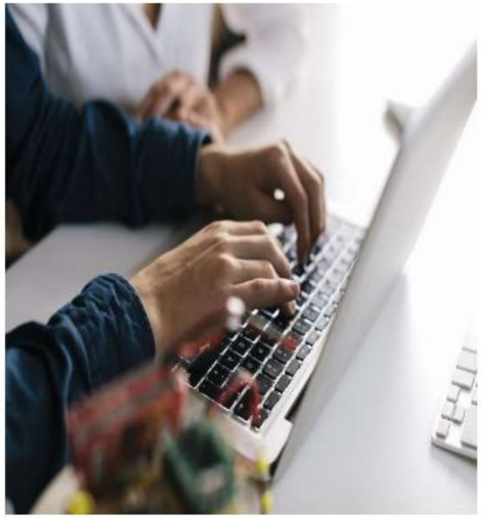
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Risk Committee. We have not been made aware of any instances of material fraud in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Authority, which is included in the Audit & Risk Committee papers.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send several confirmation requests to the Authority's banking partners and investment counterparties. This permission was granted and the requests were sent and none are outstanding.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (comprising the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We plan to issue an unmodified opinion in this respect – refer to agenda papers.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	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. We anticipate that group instructions in this respect will not be issued until later in the year. However, based on our understanding of the process from previous years our expectation is that the Authority will be below the threshold and we will therefore not be required to carry out detailed procedures.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of West Midlands Fire and Rescue Authority in the audit report, as detailed in Appendix D as a result of the incomplete Value for Money work (please note, current regulations allow for a period of three months after the closure of the financial statements audit to complete work on the Value for Money conclusion.) and the completion of the WGA submission.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Authority's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix D to this report. We expect to issue our Auditor's Annual Report by 30 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
We have not identified Any risks of significant weaknesses from our initial planning work.	We have reviewed your annual governance statement as part of our audit procedures and this has not identified any new risks. We will continue our review of your arrangements following completion of opinion audit and will report by the December deadline agreed with management and in line with the timetable set by the national audit office.

4. 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 Authority'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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

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. We have provided no non-audit services.

Appendices

A. Follow up of prior year recommendations

Under the auditing standards we are required to report to you on the Authority's progress against any audit recommendations made in prior periods. We are pleased to note that there were no recommendations raised during the prior period, This is reflective of the robust control environment in place at the Authority.

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements, PY unadjusted misstatements and misclassification and disclosure changes.

Our audit work is not yet complete, however we have not uncovered a requirement for any adjusting entries or noted any above trivial unadjusted misstatements.

Furthermore, aside from a small number of clerical issues which are typical of any accounts preparation process, we note no misclassification or disclosure amendments which we are required to bring to your attention. This is indicative of the robust control environment in place at the Authority.

C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services (please note, there are no reconciling items between the fees per our audit scoping letter and AFR, and the disclosures at note 33 of the draft financial statements).

Audit fees	Proposed fee	Final fee
Authority Audit	£45,500	£45,500
Total audit fees (excluding VAT)	£45,500	£45,500

Reconciliation to Note 30 in the financial statements

Fee per note 30:	£000	
External audit fees	45	(as above)
Additional fees	10	relate to 2019/20 audit year

D. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Catherine Miks
Audit and Risk Committee Chair
Fire Service Headquarters,
99 Vauxhall Road,
Nechells,
Birmingham
B7 4HW

Dear Catherine, Chair of Audit and Risk Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Avtar Sohal

Director and Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Item 9

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

4 OCTOBER 2021

1. **STATEMENT OF ACCOUNTS 2020/2021**

Report of the Treasurer.

RECOMMENDED

1.1 THAT the Statement of Accounts for 2020/2021 as set out in Appendix A be noted.

1.2 THAT the Statement of Accounts summary for 2020/2021 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 2021.

3. **BACKGROUND**

3.1 The Accounts & Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of July. However, for 2020/21 and 2021/22 only the Regulations have been amended by the Accounts & Audit (Amendment) Regulations 2021. The deadline to publish the Authority's audited accounts for 2020/21 being pushed back from 31 July 2021 to 30 September 2021. The Audit and Risk Committee at its meeting on 27 September 2021 will be reviewing the Statement of Accounts for 2020/21.

3.2 It is a further requirement of the Regulations that Members are informed of any material changes required by the external auditors. Audit work on the Statement of Accounts by Grant Thornton commenced in July 2021 and has been substantially completed.

3.3 The draft Accounts show net cost of services in 2020/2021 of £118.277 million including an appropriation to Earmarked Reserves which have increased by £6.780 million to £36.917 million and

General Reserves have increased by £0.015 million to £5.838 million.

3.4 The total Provision of Services in 2020/2021 shows a deficit of £55.211 million, after allowing for the required accounting treatment of pensions governed by International Accounting Standard – Nineteen (IAS19). Capital expenditure totalled £2.304 million.

3.5 The 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.

4. EQUALITY IMPACT ASSESSMENT

4.1 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

5.1 The course of action recommended in this report will enable the Authority to meet its statutory obligations under the Accounts & Audit Regulations 2015 and Accounts & Audit (Amendment) Regulations 2021.

6. FINANCIAL IMPLICATIONS

6.1 There are contained in the report and the Statement of Accounts.

BACKGROUND PAPERS

Accounts & Audit Regulations 2015
Accounts & Audit (Amendment) Regulations 2021
Code of Practice on Local Authority Accounting 2020/2021
Final Accounts Files – Finance Office

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

MIKE GRIFFITHS - TREASURER

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Financial Statements & Notes to the Accounts

2020/2021

CONTENTS

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

NARRATIVE REPORT BY THE TREASURER

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 (WMFRA), made up of 15 Councillors representing the local authorities. They are also joined by West Midlands Police and Crime Commissioner and two co-opted Members. 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 four Brigade Managers – the Chief Fire Officer (CFO), Deputy CFO and two Assistant CFO's.

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 CFO together with the Strategic Enabling Team (SET) and Authority work towards achieving three priorities:

Prevention: Delivering interventions which support safer and healthier communities.

- We will, work with our partners to, reduce fire related risks faced by the most vulnerable in our communities.
- We will improve the safety, health and well-being of the most vulnerable people in our communities, through targeted prevention activities directly linked to vulnerability from fire.
- We will educate to prevent arson-related incidents, supporting safer and stronger communities through our partnership working.
- We will reduce the number of people killed or seriously injured on our roads through education and prevention, working with strategic partners.
- We will work in partnership to support and protect the most vulnerable in our communities throughout the COVID-19 pandemic and beyond.

Protection: Protecting life and property to make businesses stronger and communities safer.

- We will protect life and property by targeting high-risk buildings and vulnerable businesses though an advice, compliance and enforcement approach to fire safety legislation, with a focus on residential tall buildings.
- We will continuously improve our community safety outcomes by implementing the learning from independent and sector-led reviews.

- We will improve community safety through innovative and smarter approaches, using digital technology to enhance the delivery of protection activities.

- We will assist in the restoration of economic growth through prevention, education and support to businesses, including collaboration with other regulators and partner agencies.

- We will develop and adopt innovative approaches to reduce disruption to businesses, communities and West Midlands Fire Service caused by unwanted fire signals.

Response: Dealing excellently with incidents.

- We aim to get to incidents within our attendance standards across all categories; with five minutes in high-risk areas, to save life, reduce harm and protect homes and businesses.

- We will, through our highly trained firefighters, deliver an assertive, effective and safe response to all incidents to make the biggest difference for our communities.

- We will lead rescue operations and work collaboratively with partners to deliver an effective response.

- We will deliver a local, national, and international response to major incidents, new risks and humanitarian situations, through our firefighters and specialist teams.

Further information can be found on our website **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 2020/2021 are set out on the following pages and consist of:

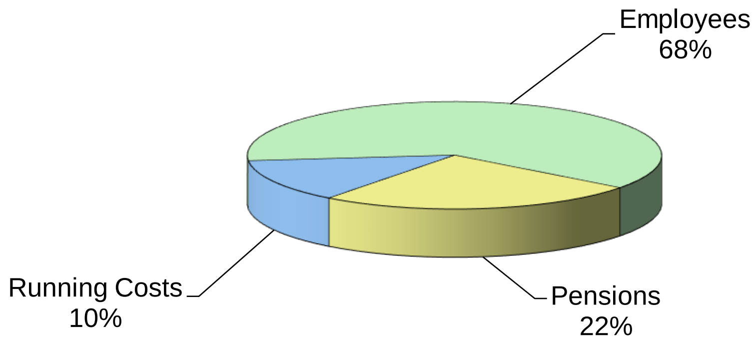
   - The Comprehensive Income and Expenditure Statement (CIES), the Authority's main revenue account, covering income and expenditure on all services.
   - The Movement in Reserves Statement (MIRS), which shows the movement in the year on the different reserves held by the Authority.
   - The Balance Sheet, which sets out the financial position of the Authority at 31st March 2021.
   - 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 (FPS).

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

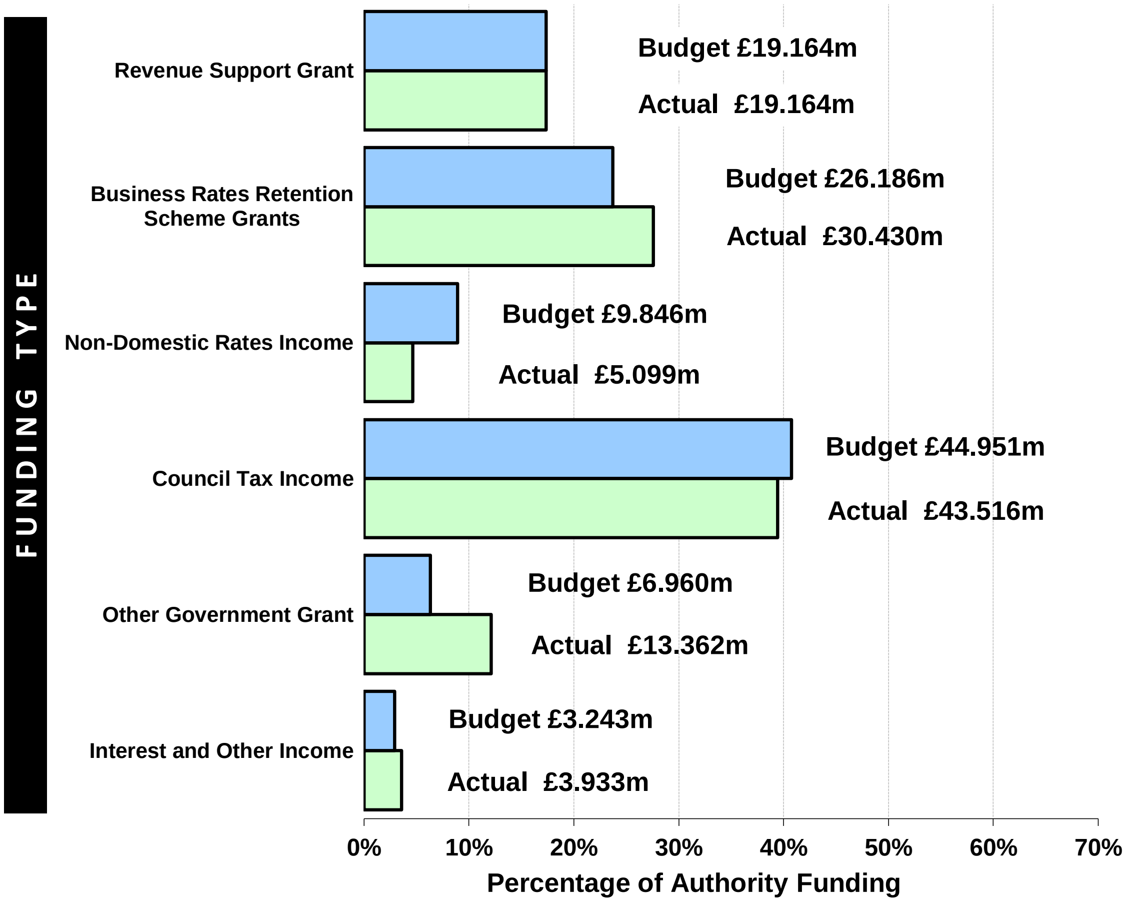
4. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in notes to the accounts.

5. 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 CIES for the Authority shows a deficit on provision of services of £55.211m and an overall deficit of £173.614m.

6. The total expenditure of the Authority in 2020/21 was £170.715m. The types of costs incurred were:



7. The total income of the Authority to fund expenditure in 2020/21 was £115.504m, which came from:



8. In 2020/21 the Authority spent £2.304m on capital projects, the largest of these being £0.661m on Vehicle Replacements, £0.537m on Coventry Fire House and £0.396m on Boiler Replacements. The total expenditure on capital schemes was financed by Direct Revenue Financing. Note 33 provides details of capital expenditure and capital financing.

9. In 2020/21 appropriations of £6.780m were made to earmarked general fund reserves and £0.015m to un-earmarked general fund reserves.

10. The Authority, at its February 2020 meeting authorised the limit for external debt at £39m and the statutory limit for external debt at £43m. As at 31st March 2021, the Authority's actual long-term principal borrowing was £31.535m and short-term principal borrowing was £2.141m as per Note 18.3.

11. The 2020/21 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. **Financial Outlook**

On 17 December 2020, the Secretary of State for Ministry of Housing, Communities and Local Government (MHCLG) announced the provisional settlement for 2021/22 at £53.002m, resulting in a core funding increase of £0.106m (0.2%). The Government also proposed a Council Tax referendum threshold of 2% for Fire and Rescue Authorities. On 4 February 2021, MHCLG confirmed the Authority's 2021/22 total core funding.

The Authority set its 2021/22 budget on 15 February 2021, setting a council tax requirement of £45.038m which resulted in a council tax increase of (1.99%), £1.23 at Band D.

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 Balances.

The funding settlement is a one year only arrangement. Whilst there have been indications that some public sector services may receive growth when the anticipated Comprehensive Spending Review process is clarified (circa October/November 2021), potentially for a three year funding settlement period, some Services, including the Fire Service, are anticipating reductions to core funding.

In addition, there are ongoing budget uncertainties, particularly Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding.

Therefore, whilst the Government funding allocation in 2021/22 is marginally higher in cash terms compared to 2020/21, a high level of caution still needs to be applied to future financial years as the funding position remains volatile for the Fire sector, not least because of anticipated reductions in Government funding allocations from 2022/23 onwards.

As part of the 2021/22 budget arrangements, the ongoing flexible appliance availability process will be required with a target saving of £3.8 million.

The Business Rates Retention Scheme was introduced in April 2013 and provides a direct link between business rates growth and the amount of money local authorities have to spend on local people and services. In September 2019, the Secretary of State for MHCLG announced that the implementation of changes to local government funding including business rates retention had been postponed. Authorities were notified that in order to provide certainty and stability for 2020/21, there would be a delay to the introduction of the scheme until 2021/22, a year later than planned. These plans have subsequently been deferred again, until at least 2022/23.

The Fair Funding Review will affect how funding is allocated and redistributed between local authorities and would set new funding baselines for every Fire and Rescue Authority. Further work is required to identify an appropriate approach to develop the new funding formula for the Fire Service. The Government has indicated it will sense-check the results of any analysis with experts in the sector, including the National Fire Chiefs Council. Subject to the outcome from consultations and additional analytical work, the Government will form a view on the best approach. It was originally proposed that the new arrangements would be introduced from 2021/22 but this has now been deferred until at least 2022/23. However, this review adds another complexity and volatility to long term financial planning.

13. COVID-19 Government Grants

The government has provided a range of financial support packages throughout the COVID-19 pandemic. These include additional funding to support the cost of services or offset other income losses and also grant packages to be paid out to support local businesses. A summary of the COVID-19 Government Grants for the Authority are shown below:

Type	Financial Year	Total (£)	Received
Emergency funding – 1st Tranche	2019/20	594,079	March 2020
Emergency funding – 2nd Tranche	2020/21	2,192,035	May 2020
Sales, fees and charges – 1st Tranche	2020/21	45,863	November 2020
Sales, fees and charges – 2nd Tranche	2020/21	81,000	March 2021
Emergency funding – Contingency fund (Round two)	2020/21	1,351,000	April 2021
Local tax income guarantee	2020/21	623,581 (Estimated)	By January 2022

Emergency funding – Contingency fund (Round two)	2020/21	493,876	April 2021
Sales, fees and charges – 3rd Tranche	2020/21	31,500 (Estimated)	TBC 2021
Local council tax support	2021/22	1,419,159	May 2021

At 31 March 2021 the Authority's earmarked reserves of £36.917m includes £4.2m to be used in 2021/22 to offset the collection fund deficit which has arisen due to business rates relief granted by the Government in 2020/21 and also includes £0.6m which has been provided to cover 75% of the 2020/21 irrecoverable council tax and business rates losses which are to be spread over the 2021/22, 2022/23 and 2023/24 financial years in the collection funds.

14. **Public Service Pensions – Changes to the transitional arrangements to the 2015 schemes**

On 16 July 2020 Her Majesty's Treasury (HMT) published their Public service pension schemes consultation: changes to the transitional arrangements to the 2015 schemes. The consultation closed on 11th October 2020 and the Governments response was published on 4th February 2021.

The response proposes that scheme members with benefits in the legacy schemes, those that existed before 1st April 2015, should have the opportunity to have their benefits calculated as if their membership of those schemes had continued until 31st March 2022. From 1st April 2022 all employees will be moved into the reformed pension scheme. In the case of firefighters this will be the 2015 FPS. As each individual member will be able to select from a choice of benefits, the exact impact on the scheme as a whole is difficult to accurately forecast, though previous estimates have considered a potential figure of £1.5 million per annum. The estimated pension obligations from this matter have been captured within the defined pension liability. The shortfall in employer contributions will be captured in future scheme valuations as an unfunded, past service deficit and reflected in the employer contribution rates going forward.

As a result, for the purpose of setting the 2021/22 and medium-term budget requirements, pension budgets have been calculated based on the current regulations.

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 2020/21 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 https://wmfs.cmis.uk.com/cmis5/.

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

Response

PI 1		**The Risk Based Attendance Standard** Target: under 5 minutes Actual: 4 minutes 35 seconds **Over performance against the tolerance levels**

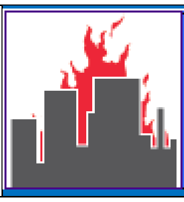
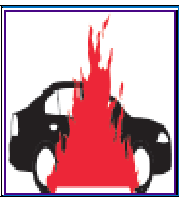
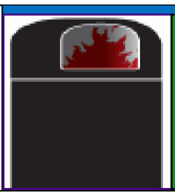
Category 2 – 5 minutes 18 seconds (target of 7 minutes)
Category 3 – 4 minutes 47 seconds (target of 10 minutes)
Category 4 – 6 minutes 36 seconds (target of 20 minutes)

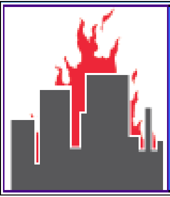
Prevention

PI 2		**The number of accidental dwelling fires** Target YTD: 1613 (1532 – 1645) Actual to date: 1607 **Performance is within the tolerance levels**

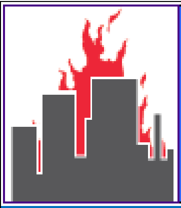
PI 3		**Injuries from accidental fires in dwellings (taken to hospital for treatment)** Target YTD: 51 (42 – 56) Actual to date: 51 **Performance is within the tolerance levels**

PI 4		**The number of deaths from accidental dwelling fires** Target YTD: N/A Actual to date: 9

PI 5		**The percentage of Safe and Well visits referred by our partners** Target YTD: 45% (45% - 47%) Actual to date: 45.1% **Performance is within the tolerance levels**
PI 6		**The number of Safe & Well points achieved by the Brigade** Target YTD: 259,690 Actual to date: 131,201 **Under performance against the tolerance levels**
PI 7		**The number of people killed or seriously injured (KSI) in road traffic collisions** Target YTD: Not applicable Actual to date: 593
PI 8		**The number of deliberate fires in dwellings** Target YTD: 208 (187 – 218) Actual to date: 184 **Over performance against the tolerance levels**
PI 9		**The number of deliberate fires in non-domestic premises** Target YTD: 131 (119 – 137) Actual to date: 104 **Over performance against the tolerance levels**
PI 10		**The number of deliberate vehicle fires** Target YTD: 735 (662 – 771) Actual to date: 593 **Over performance against the tolerance levels**
PI 11		**The number of deliberate rubbish fires** Target YTD: 1596 (1517 – 1627) Actual to date: 1228 **Over performance against the tolerance levels**

PI 12		**The number of deliberate fires in derelict buildings** Target YTD: 121 (109 – 126) Actual to date: 89 **Over performance against the tolerance levels**

Protection

PI 13		**The number of accidental fires in non-domestic premises** Target YTD: 431 (388 – 452) Actual to date: 326 **Over performance against the tolerance levels**

PI 14		**The number of false alarm calls due to fire alarm equipment in dwellings and non-domestic premises** Target YTD: 5733 (5447 – 5848) Actual to date: 5629 **Performance is within the tolerance levels**

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

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 WMFRA for the year ending 31 March 2021.

Mike Griffiths, C.P.F.A
Treasurer

Date: 27 September 2021

STATEMENT OF APPROVAL FOR THE STATEMENT OF ACCOUNTS

The statement of accounts for the year 1st April 2020 to 31st March 2021 was approved by the West Midlands Fire & Rescue Authority's Audit and Risk Committee on 27 September 2021.

Cllr Catherine Miks
Chair of the Audit and Risk Committee

Date: 27 September 2021

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).

2019/2020 * Restated				2020/2021		
Gross Exp. £000	Gross Income £000	Net Exp. £000		Gross Exp. £000	Gross Income £000	Net Exp. £000
1,565	-	1,565	Democratic Representation & Brigade Managers	1,659	-	1,659
5,338	(5,734)	(396)	Corporate Charges	1,439	(5,734)	(4,295)
1,785	(86)	1,699	Strategy & Organisational Intelligence	4,957	(145)	4,812
927	(53)	874	Communications	963	(69)	894
9,333	(1,117)	8,216	Finance & Resources	9,263	(1,204)	8,059
6,378	(298)	6,080	Digital & Data	6,747	(599)	6,148
1,123	(254)	869	People Services	1,116	(181)	935
* 6,955	* (340)	* 6,615	Training, Health & Wellbeing	6,962	(255)	6,707
* 4,554	* (684)	* 3,870	Prevention, Preparedness & Response	4,295	(592)	3,703
* 7,722	* (561)	* 7,161	Protection & Organisational Assurance	8,380	(1,262)	7,118
* 86,512	* (2,247)	* 84,265	Command Delivery, Fire Control & Workforce Planning	84,766	(2,229)	82,537
132,192	(11,374)	120,818	Cost of Services	130,547	(12,270)	118,277
329	(54)	275	Other Operating Expenditure (Note 13)	350	(88)	262
46,060	(426)	45,634	Financing and investment income & expenditure (Note 14)	39,818	(118)	39,700
		(98,359)	Taxation and non-specific grant income (Note 15)			(103,028)
		68,368	(Surplus)/Deficit on Provision of Services			55,211
5,897	(9,380)	(3,483)	Surplus or deficit on revaluation of Property, Vehicles, Plant and Equipment assets (Note 12.1)	10,768	(8,391)	2,377
		(175,255)	Re-measurements of the net defined benefit liability/(asset)			116,026
		(178,738)	Other Comprehensive Income and Expenditure			118,403
		(110,370)	Total Comprehensive Income and Expenditure			173,614

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 2019	(6,914)	(33,380)	(40,294)	(2,249)	(157)	(42,700)	1,704,910	1,662,210
Movement in Reserves During 2019/20								
Total Comprehensive Income and Expenditure *	68,368	-	68,368	-	-	68,368	(178,738)	(110,370)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(64,034)	-	(64,034)	-	83	(63,951)	63,951	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	4,334	-	4,334	-	83	4,417	(114,787)	(110,370)
Transfers to/from Earmarked Reserves (Note 11)	(3,243)	3,243	-	-	-	-	-	-
(Increase)/Decrease in 2019/20	1,091	3,243	4,334	-	83	4,417	(114,787)	(110,370)
Balance at 31 March 2020	(5,823)	(30,137)	(35,960)	(2,249)	(74)	(38,283)	1,590,123	1,551,840
Movement in Reserves During 2020/21								
Total Comprehensive Income and Expenditure *	55,211	-	55,211	-	-	55,211	118,403	173,614
Adjustments between accounting basis and funding basis under regulations (Note 10)	(62,006)	-	(62,006)	-	-	(62,006)	62,006	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(6,795)	-	(6,795)	-	-	(6,795)	180,409	173,614
Transfers to/from Earmarked Reserves (Note 11)	6,780	(6,780)	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	(15)	(6,780)	(6,795)	-	-	(6,795)	180,409	173,614
Balance at 31 March 2021	(5,838)	(36,917)	(42,755)	(2,249)	(74)	(45,078)	1,770,532	1,725,454

* 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 2020 £000		Note	31 March 2021 £000
135,389	Property, Vehicles, Plant & Equipment	16	135,064
66	Heritage Assets		66
112	Intangible Assets	17	81
135,567	Long Term Assets		135,211
689	Inventories	19	983
14,660	Short Term Debtors	20	20,892
45,097	Cash and Cash Equivalents	21	36,614
60,446	Current Assets		58,489
(2,172)	Short Term Borrowing	18	(2,256)
(11,798)	Short Term Creditors	22	(18,497)
(2,311)	Grant Receipts in Advance – Revenue	32	-
(16,281)	Current Liabilities		(20,753)
(664)	Provisions	23	(664)
(33,675)	Long Term Borrowing	18	(31,535)
(1,697,233)	Other Long Term Liabilities	34	(1,866,202)
(1,731,572)	Long Term Liabilities		(1,898,401)
(1,551,840)	Net Assets		(1,725,454)
(38,283)	Usable Reserves		(45,078)
1,590,123	Unusable Reserves	12	1,770,532
1,551,840	Total Reserves		1,725,454

Mike Griffiths, C.P.F.A
Treasurer

Date: 27 September 2021

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.

2019/2020 £000		2020/2021 £000
68,368	Net (surplus) or deficit on the provision of services	55,211
(78,505)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24.2)	(51,108)
50	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24.3)	77
(10,087)	Net cash flows from Operating Activities	4,180
4,987	Investing Activities (Note 25)	2,281
305	Financing Activities (Note 26)	2,022
(4,795)	Net (increase)/decrease in cash and cash equivalents	8,483
40,302	Cash and cash equivalents at the beginning of the reporting period	45,097
45,097	Cash and cash equivalents at the end of the reporting period (Note 21)	36,614

1. ACCOUNTING POLICIES

1.1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position as at the year-end, 31st March 2021. 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 2020/21, 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. The Authority's Auditors, Grant Thornton UK LLP, have reported that they are satisfied with the Management's assessment that the going concern basis was appropriate for the 2020/21 financial statements and the Treasurer expectations is that this will continue for the foreseeable future. Using reserves the Authority has a balanced budget for the Medium Term Financial Plan period and robust and deliverable plans for a balanced budget going forward.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when or as the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- 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 because 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 2020/21 in the CIES is a deficit of £6.426m 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 31st March 2006 and the employer's contribution is higher than for the new FPS. 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 1st April 2006 a new FPS 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 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 1st April 2015 a new modified section was established for employees who were employed as retained firefighters between 1st April 2000 and 5th April 2006.

- Uniformed Firefighters – (2015) Scheme

  On 1st April 2015 a new FPS was established. This scheme is a career average revalued earnings scheme for members starting after the 1st 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 31st March 2021 had a net deficit value of £1,801m.

- The Local Government Pension Scheme (LGPS)

  Other employees, subject to certain qualifying criteria, are eligible to join the LGPS, administered by City of Wolverhampton Council. The pension costs that are charged to the Authority's accounts, £2.678m in 2020/21 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 (WMMAPF) and the liabilities of the FPS 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 2.00% for the FPS and for the LGPS.

- The assets of WMMAPF 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 because 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 because 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 based on cash flows rather than as benefits are earned by employees.

The top up grant is accounted for as a remeasurement of the net defined benefit liability.

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 because 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 LGPS.

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 except for 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 1st April 1986. Annual charges to the CIES for interest payable were charged on this debt in 2020/21 at a rate of 5.6%.

Creditors are carried on the balance sheet at amortised cost.

1.9.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss, and
- Fair value through other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Debtors are carried on the balance sheet at amortised cost.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

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 considers 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. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Software licences are depreciated on a straight line basis over a period of five years.

1.12. 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 £0.983m (2019/20 £0.689m) and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

1.13. 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.

1.14. 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.

1.14.1 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.

1.14.2 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.

1.14.3 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.

1.14.4 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.

Wilks Head & Eve (WH&E), of 55 New Oxford Street, London, WC1A 1BS 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 31st March 2021. 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 1st 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.

1.14.5 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 must 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.

1.15. 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.

1.16. Provisions and Contingent Liabilities

1.16.1 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.

1.16.2 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.

1.17. 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.

1.18. 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.

1.19. Restated Figures

For comparative purposes 2019/2020 figures are provided.

The CIES cost of services, notes 7 and 8 show 2019/2020 restated figures for service expenditure and income as some sections have moved service areas.

1.20. 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

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 2021/22 Code that are relevant to the above are:-

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Code requires implementation from 1 April 2021 and there is therefore no impact on the 2020/21 Statement of Accounts.

The Authority has concluded that there will be no material impact upon the 2021/22 Statement of Accounts.

IFRS 16 Leases – This will require lessees to recognise most leases on their balance sheet as right of use assets with corresponding lease liabilities (there is recognition for low value and short-term leases). The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 Leases to 1st April 2022.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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 31st March 2021. 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. The funding settlement for 2021/2022 is a one year only arrangement. Whilst there have been indications that some public sector services may continue to receive growth when the anticipated Comprehensive Spending Review process is clarified (circa October/November 2021), potentially for a three or four year funding settlement period, some Services, including the Fire Service, may still face ongoing core funding reductions. In addition, there are ongoing budget uncertainties, particularly Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding. 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 because 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

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 31st March 2021 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 several 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 34).

  On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to FPS and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and HMT published their response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations have been updated to be in line with the agreed final remedy.

  FPS
  The final remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. At retirement, these members will be given a choice in which scheme they wish to accrue benefits over the remedy period, 1 April 2015 to 31 March 2022. To make that choice all members will be automatically defaulted to the legacy scheme during the remedy period and the reformed scheme benefits kept as an underpin. From 1 April 2022, everyone is assumed to accrue benefits in the CARE scheme.

  LGPS
  The Scheme Advisory Board, with consent of the MHCLG, commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019. Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31 March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012). IAS19/FRS102 requires to place a best estimate value on liabilities and costs. Consistent with the approach adopted for the McCloud impact estimates made last year, estimates have been adjusted to include only members that were active on 31 March 2012. This is in line with that proposed in the Government's consultation.

Last year due to the impact of Covid-19 on the global financial markets, the valuation of the WMMAPF investment properties were reported on the basis of material valuation uncertainty. The Authority have not been advised that this is the case for this financial year.

- 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.

  Last financial year due to the uncertainty and unprecedented set of circumstances of the onset of the Covid-19 pandemic our valuers advised that their valuations were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. Having undertaken their valuations this year they have now removed their narrative with regard to 'material valuation uncertainty' as the country now begins its recovery from Covid-19 pandemic.

- 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.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

5.1 WMMAPF – Employer Pension Contributions 2020/21 to 2022/23

On 30 April 2020 the Authority made a payment of £7.9m to the WMMAPF in respect of pension contributions for the three years from 1st April 2020 to 31st March 2023. 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 2020/21 of £2.7m is recognised as a cost to the General Fund this year. Until 2022/23, 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 2022/23 accounts.

6. EVENTS AFTER THE REPORTING PERIOD

6.1 Taxation and Government Grants

The Authority received the 2021/22 Fire Pensions Grant of £5.7m on 28 May 2021. Funding for future years may be considered as part of the Comprehensive Spending Review therefore it is not possible to confirm any grant from 2022/23 onwards.

To help respond to Covid-19 pressures and to support funding, the Authority received from the Home Office, emergency contingency fund grants of £1.4m on 20 April 2021 and £0.5m on 27 April 2021.

To enable local authorities to continue to reducing council tax bills for those least able to pay, including households financially hard-hit by the Covid-19 pandemic the Authority received from MHCLG a Local Council Tax Support grant of £1.4m on 11 May 2021.

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.

2019/2020 * Restated				2020/2021		
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
1,275	290	1,565	Democratic Representation & Brigade Managers	1,317	342	1,659
(2,613)	2,217	(396)	Corporate Charges	(3,099)	(1,196)	(4,295)
1,463	236	1,699	Strategy & Organisational Intelligence	4,520	292	4,812
756	118	874	Communications	768	126	894
7,485	731	8,216	Finance & Resources	7,458	601	8,059
5,667	413	6,080	Digital & Data	5,777	371	6,148
716	153	869	People Services	803	132	935
* 5,379	* 1,236	* 6,615	Training, Health & Wellbeing	5,650	1,057	6,707
* 3,189	* 681	* 3,870	Prevention, Preparedness & Response	3,086	617	3,703
* 5,503	* 1,658	* 7,161	Protection & Organisational Assurance	5,608	1,510	7,118
* 66,599	* 17,666	* 84,265	Command Delivery, Fire Control & Workforce Planning	65,574	16,963	82,537
95,419	25,399	120,818	Cost of Services	97,462	20,815	118,277
(91,085)	38,635	(52,450)	Other Income and Expenditure	(104,257)	41,191	(63,066)
4,334	64,034	68,368	(Surplus)/Deficit on Provision of Services	(6,795)	62,006	55,211
(40,294)			Opening General Fund Balance	(35,960)		
(35,960)			Closing General Fund Balance @ 31 March	(42,755)		

** As reported to the SET.

7.1 Adjustments between funding and accounting

2019/2020 * Restated	Adjustments for capital purposes (Note 7.2) £000	Net change for the pension adjustments (Note 7.3) £000	Other statutory differences (Note 7.4) £000	Total Adjustments £000
Democratic Representation & Brigade Managers		308	(18)	290
Corporate Charges	4,586	(2,369)	-	2,217
Strategy & Organisational Intelligence		232	4	236
Communications		122	(4)	118
Finance & Resources		732	(1)	731
Digital & Data		428	(15)	413
People Services		142	11	153
Training, Health & Wellbeing		* 1,155	* 81	* 1,236
Prevention, Preparedness & Response		* 650	* 31	* 681
Protection & Organisational Assurance		* 1,550	* 108	* 1,658
Command Delivery, Fire Control & Workforce Planning		* 17,711	* (45)	* 17,666
Cost of Services	4,586	20,661	152	25,399
Other Income and Expenditure	(6,067)	44,138	564	38,635
Total	(1,481)	64,799	716	64,034

2020/2021	Adjustments for capital purposes (Note 7.2) £000	Net change for the pension adjustments (Note 7.3) £000	Other statutory differences (Note 7.4) £000	Total Adjustments £000
Democratic Representation & Brigade Managers	-	318	24	342
Corporate Charges	265	(1,461)	-	(1,196)
Strategy & Organisational Intelligence	-	262	30	292
Communications	-	86	40	126
Finance & Resources	-	548	53	601
Digital & Data	-	332	39	371
People Services	-	119	13	132
Training, Health & Wellbeing	-	1,106	(49)	1,057
Prevention, Preparedness & Response	-	611	6	617
Protection & Organisational Assurance	-	1,538	(28)	1,510
Command Delivery, Fire Control & Workforce Planning	-	16,745	218	16,963
Cost of Services	265	20,204	346	20,815
Other Income and Expenditure	(3,223)	37,988	6,426	41,191
Total	(2,958)	58,192	6,772	62,006

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. PRIOR PERIOD RESTATEMENTS

Prior Period Restatement of Service Expenditure and Income

The Code requires that the Authority shows its expenditure and income on a service basis. During the year some sections have moved service areas. This note sets out how the net expenditure and income has been restated.

Service	As reported CIES 2019/20 £000	Adjustments £000	2019/20 Restated £000
Training, Health & Wellbeing	6,756	199	6,955
Prevention, Preparedness & Response	3,777	777	4,554
Protection & Organisational Assurance	7,965	(243)	7,722
Command Delivery, Fire Control & Workforce Planning	87,245	(733)	86,512
Gross Expenditure	105,743	-	105,743
Training, Health & Wellbeing	(205)	(135)	(340)
Prevention, Preparedness & Response	(511)	(173)	(684)
Protection & Organisational Assurance	(740)	179	(561)
Command Delivery, Fire Control & Workforce Planning	(2,376)	129	(2,247)
Gross Income	(3,832)	-	(3,832)
Training, Health & Wellbeing	6,551	64	6,615
Prevention, Preparedness & Response	3,266	604	3,870
Protection & Organisational Assurance	7,225	(64)	7,161
Command Delivery, Fire Control & Workforce Planning	84,869	(604)	84,265
Net Expenditure	101,911	-	101,911

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2019/2020 £000		2020/2021 £000
	Expenditure	
111,485	Employee expenses	115,087
16,121	Other services expenses	15,196
4,586	Depreciation, amortisation and impairment	264
44,138	Pensions interest cost and expected return on pension assets	37,988
1,922	Interest payments	1,830
329	Other operating expenditure	350
178,581	**Total Expenditure**	**170,715**
	Income	
(4,224)	Fees, charges and other service income	(3,727)
(426)	Interest and investment income	(118)
(43,318)	Council tax income	(43,516)
(9,932)	Non-domestic rates income from West Midlands Local Authorities	(5,099)
(52,259)	Government grants and contributions	(62,956)
(54)	Disposal of non-current assets	(88)
(110,213)	**Total Income**	**(115,504)**
68,368	**(Surplus)/Deficit on the provision of services**	**55,211**

9.2 Revenue from contracts with service recipients

The Authority recognises revenue from contracts with service recipients in accordance with the provisions of IFRS 15 Revenue from Contracts with Customers as reflected in the Code of Practice. Revenue is recognised in the financial year that services are provided in accordance with the performance obligations of the contract.

Amounts included in the CIES for contracts with service recipients:

	2019/2020 £000	2020/2021 £000
Revenue from contracts with service recipients:		
Service Delivery – provision of Fire Control	**996**	**1,042**
Total included in CIES	**996**	**1,042**

Amounts included in the Balance Sheet for contracts with service recipients:

	2019/2020 £000	2020/2021 £000
Receivables included in short term debtors	**-**	**(26)**
Payables included in short term creditors	**-**	**-**
Total Included in Net Assets	**-**	**(26)**

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied at the end of the year is:

	2019/2020 £000	2020/2021 £000
Not Later than one year	**1,016**	**1,036**
Later than one year	**1,036**	**1,059**
Amounts of transaction price fully unsatisfied	**2,052**	**2,095**

Revenue relates to the recovery of 30% of the total running costs of the Fire Control function. The performance obligations of the contract are met when the services are rendered. An invoice is raised for a fixed amount each month for the service in the month that the service is provided and adjusted at year end for variations.

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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.

2019/2020	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to Revenue Resources	**£000**	**£000**	**£000**
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	**(64,799)**	**-**	**-**
Council tax and NDR transfers to/(from) Collection Fund Adjustment Account	**(564)**	**-**	**-**
Holiday pay transferred to the Accumulated Absences Reserve	**(152)**	**-**	**-**
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)	**(4,603)**	**-**	**-**
Total Adjustments to Revenue Resources	**(70,118)**	**-**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	**-**	**-**	**-**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	**884**	**-**	**-**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	**5,200**	**-**	**-**
Total Adjustments between Revenue and Capital Resources	**6,084**	**-**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	**-**	**-**	**-**
Application of capital grants to finance capital expenditure	**-**	**-**	**83**
Total Adjustments to Capital Resources	**-**	**-**	**83**
Total Adjustments	**(64,034)**	**-**	**83**

2020/2021	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to Revenue Resources	£000	£000	£000
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	(58,192)	-	-
Council tax and NDR transfers to/(from) Collection Fund Adjustment Account	(6,426)	-	-
Holiday pay transferred to the Accumulated Absences Reserve	(346)	-	-
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)	(283)	-	-
Total Adjustments to Revenue Resources	(65,247)	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	937	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,304	-	-
Total Adjustments between Revenue and Capital Resources	3,241	-	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	-
Total Adjustments to Capital Resources	-	-	-
Total Adjustments	(62,006)	-	-

11. 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 2019/20 and 2020/21.

General Fund:	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000
Capital							
Capital Program Shortfall	12,129	1,034	2,784	13,879	2,253	675	12,301
Fire Station Investment	4,018	3,253	-	765	727	-	38
Occupational Health Relocation	200	124	-	76	132	56	-
Insurance							
Insurance Reserve	7,188	245	-	6,943	238	100	6,805
NDR & Local Tax Income Guarantee							
S31 Business Rates Relief	-	-	-	-	-	4,234	4,234
Local Tax Income Guarantee	-	-	-	-	-	623	623
Strategy & Organisational Intel.							
Project Management/Support	175	165	97	107	236	238	109
New Risks	60	19	-	41	-	-	41
Organisational Intel.	63	63	73	73	76	40	37
Communications							
Communications/Media Events	31	43	19	7	-	198	205
Community Engagement	37	63	173	147	142	38	43
Finance & Resources							
Property Maintenance	1,056	188	12	880	207	-	673
Agile Working	-	-	-	-	-	300	300
Vehicle Chargers	-	-	-	-	-	180	180
Pension Admin Grant	-	-	-	-	-	124	124
Loss of Use Recovery	77	68	57	66	69	13	10
Project Management/Support	-	25	39	14	114	100	-
Procurement of Operational Equip.	97	97	66	66	66	-	-
Other	706	708	2	-	-	-	-
Digital & Data							
Enterprise Resource Planning (ERP)	2,026	184	61	1,903	456	33	1,480
ESMCP-Local Transition	1,650	660	331	1,321	186	207	1,342
Other IT Equip. & System Upgrades	365	357	346	354	186	353	521
Staffing	152	145	145	152	102	468	518
Incident Reporting System (IRS)	200	-	-	200	56	250	394
Office 365 Development	180	40	-	140	110	-	30
Enabling Future Technology	302	178	-	124	124	-	-
Management of Information	30	30	-	-	-	-	-
Vision 4 Data Cleansing	14	14	-	-	-	-	-
Firelink Grant	341	341	-	-	-	-	-
People Services							
Safeguarding Arrangements	-	-	56	56	7	-	49
Project Management/Support	-	-	-	-	-	30	30
Training, Health & Wellbeing							
Staff Training & Development	157	345	313	125	129	116	112
Training Equipment/Facilities	122	107	-	15	3	85	97
Health & Wellbeing	211	124	14	101	78	-	23

General Fund: (Continued)	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000
Prevention, Preparedness & Response							
Procurement of Operational Equip	-	-	-	-	-	2,305	2,305
COVID 19 Funding	-	-	459	459	3,455	4,331	1,335
Project Management/Support	-	135	643	508	215	189	482
Community Partnerships	351	235	99	215	202	130	143
Community Safety	88	101	113	100	143	170	127
Education Materials/Facilities	56	33	2	25	0	15	40
Youth Services	-	94	104	10	102	92	-
Protection & Organisational Assurance							
SSRI/RIDGE	-	-	400	400	455	1,287	1,232
Project Management/Support	12	100	185	97	165	231	163
Fire Safety	43	79	59	23	84	136	75
Legal Services	145	55	-	90	90	-	-
Trauma Care Training	10	10	-	-	-	-	-
Command Delivery, Fire Control & WP							
Tech Rescue	774	624	260	410	93	150	467
Command Delivery	314	626	557	245	425	409	229
TOTAL	33,380	10,712	7,469	30,137	11,126	17,906	36,917

12. UNUSABLE RESERVES

31 March 2020 £000		31 March 2021 £000
(45,321)	Revaluation Reserve	(42,072)
(62,693)	Capital Adjustment Account	(66,523)
1,697,233	Pensions Reserve	1,871,451
(237)	Collection Fund Adjustment Account	6,189
1,141	Accumulated Absences Account	1,487
1,590,123	Total Unusable Reserves	1,770,532

12.1 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.

2019/2020 £000		2020/2021 £000
(42,683)	Balance 1 April	(45,321)
(9,380)	Upward revaluation of assets	(8,391)
5,897	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	10,768
(46,166)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(42,944)
845	Amount written off to the Capital Adjustment Account	872
(45,321)	Balance 31 March	(42,072)

12.2 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.

2019/2020 £000		2020/2021 £000
(60,284)	Balance 1 April	(62,693)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
4,152	Charges for depreciation and impairment of non-current assets	3,876
403	Revaluation losses on Property, Vehicles, Plant and current assets	(3,642)
31	Amortisation of intangible assets	31
17	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	18
(55,681)		(62,410)
(845)	Adjusting amounts written out of the Revaluation Reserve	(872)
(56,526)	Net written out amount of the cost of non-current assets consumed in the year	(63,282)
	Capital financing applied in the year:	
-	Use of the Capital Receipts Reserve to finance new capital expenditure	-
-	Capital grants and contributions credited to the CIES that have been applied to capital financing	-
(83)	Application of grants to capital financing from the Capital Grants Unapplied Account	-
(884)	Statutory provision for the financing of capital investment charged against the General Fund	(937)
(5,200)	Capital expenditure charged against the General Fund	(2,304)
(62,693)	Balance 31 March	(66,523)

12.3 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.

2019/2020 £000		2020/2021 £000
1,807,689	Balance 1 April	1,697,233
(175,255)	Re-measurements of the net defined benefit liability/(asset)	116,026
82,051	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	75,583
(17,252)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,391)
1,697,233	Balance 31 March	1,871,451

12.4 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.

2019/2020 £000		2020/2021 £000
(801)	Balance 1 April	(237)
388	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,435
176	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	4,991
(237)	Balance 31 March	6,189

12.5 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.

2019/2020			2020/2021	
£000	£000		£000	£000
	989	Balance 1 April		1,141
(989)		Settlement or cancellation of accrual made at the end of the preceding year	(1,141)	
1,141		Amounts accrued at the end of the current year	1,487	
	152	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		346
	1,141	Balance 31 March		1,487

13. OTHER OPERATING EXPENDITURE

2019/2020 £000		2020/2021 £000
(37)	(Gains)/losses on the disposal of non-current assets	(70)
312	Levies	332
275	Total	262

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/2020 £000		2020/2021 £000
1,922	Interest payable and similar charges	1,830
44,138	Net interest on the net defined benefit liability/(asset)	37,988
(426)	Interest receivable and similar income	(118)
45,634	Total	39,700

15. TAXATION AND NON SPECIFIC GRANT INCOMES

2019/2020 £000		2020/2021 £000
(43,318)	Council tax income	(43,516)
(9,932)	NDR income from West Midland Local Authorities	(5,099)
(18,857)	Revenue support grant	(19,164)
(25,658)	Business rates retention scheme grants	(30,430)
(594)	Covid-19 Emergency funding grant	(4,037)
-	Covid-19 Local tax income guarantee grant	(624)
	Covid-19 Sales, fees and charges grant	(158)
-	Capital grants and contributions	-
(98,359)	Total	(103,028)

16. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

16.1 Comparative Movements in 2019/2020

2019/2020	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 2019	120,675	30,378	2,152	1,875	155,080
Additions	2,916	482	-	1,885	5,283
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,031	-	31	-	1,062
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(403)	-	-	-	(403)
De-recognition – Disposals	-	(1,482)	(46)	-	(1,528)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	-	1,420	985	(2,405)	-
At 31 March 2020	124,219	30,798	3,122	1,355	159,494
Accumulated Depreciation and Impairment					
At 1 April 2019	-	23,502	383	-	23,885
Depreciation charge	2,394	1,731	27	-	4,152
Depreciation written out to the Revaluation Reserve	(2,394)	-	(27)	-	(2,421)
De-recognition – Disposals	-	(1,465)	(46)	-	(1,511)
De-recognition – Other	-	(984)	984	-	-
At 31 March 2020	-	22,784	1,321	-	24,105
Net Book Value					
At 31 March 2019	120,675	6,876	1,769	1,875	131,195
At 31 March 2020	124,219	8,014	1,801	1,355	135,389

16.2 Movements on Balances 2020/2021

2020/21	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 2020	124,219	30,798	3,122	1,355	159,494
Additions	1,613	300	-	391	2,304
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(5,166)	-	338	-	(4,828)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	3,640	-	2	-	3,642
De-recognition – Disposals	-	(565)	(495)	-	(1,060)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	-	(175)	210	(35)	-
At 31 March 2021	124,306	30,358	3,177	1,711	159,552
Accumulated Depreciation and Impairment					
At 1 April 2020	-	22,784	1,321	-	24,105
Depreciation charge	2,423	1,425	28	-	3,876
Depreciation written out to the Revaluation Reserve	(2,423)	-	(28)	-	(2,451)
De-recognition – Disposals	-	(547)	(495)	-	(1,042)
De-recognition – Other	-	(210)	210	-	-
At 31 March 2021	-	23,452	1,036	-	24,488
Net Book Value					
At 31 March 2020	124,219	8,014	1,801	1,355	135,389
At 31 March 2021	124,306	6,906	2,141	1,711	135,064

16.3 Depreciation

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

16.4 Capital Commitments

As at the 31st March 2021, the Authority approved capital expenditure in future years of £16.096m of which £1.353m has been contractually committed leaving £14.743m as the uncommitted sum which relates to expenditure on property, plant and equipment.

The largest of these contractual commitments represents:

	£000
• Vehicle Replacements	439
• Training Facility Improvements	386

16.5 Revaluations

The Authority had all its property assets valued as at 31st March 2021 based on current value. The work was completed by qualified external valuers, WH&E. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Professional Standards manual (The Red Book) 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.

17. INTANGIBLE ASSETS

The movement on Intangible Asset balances during 2019/20 and 2020/21 is as follows:

	2019/20 Other Assets £000	2020/21 Other Assets £000
Balance at start of year:		
Gross carrying amounts	**797**	**797**
Accumulated amortisation	**(654)**	**(685)**
Net carrying amount at end of year	**143**	**112**
Additions:		
Purchases	**-**	**-**
Amortisation for the period	**(31)**	**(31)**
Net carrying amount at end of year	**112**	**81**
Comprising of:		
Gross carrying amounts	**797**	**797**
Accumulated amortisation	**(685)**	**(716)**
Net carrying amount at end of year	**112**	**81**

18. FINANCIAL INSTRUMENTS

18.1 Balance Sheet

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

Financial Assets	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000
Amortised Cost	-	-	-	-	45,097	36,614	1,375	1,176	46,472	37,790
Total financial assets	-	-	-	-	45,097	36,614	1,375	1,176	46,472	37,790
Assets not defined as financial instruments	-	-	-	-	-	-	13,285	19,716	13,285	19,716
Total	-	-	-	-	45,097	36,614	14,660	20,892	59,757	57,506

Financial Liabilities	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000	31-Mar 2020 £000	31-Mar 2021 £000
Amortised Cost	(33,675)	(31,535)	-	-	(2,172)	(2,256)	(4,337)	(4,494)	(40,184)	(38,285)
Total financial liabilities	(33,675)	(31,535)	-	-	(2,172)	(2,256)	(4,337)	(4,494)	(40,184)	(38,285)
Liabilities not defined as financial instruments	-	-	-	-	-	-	(7,461)	(14,003)	(7,461)	(14,003)
Total	(33,675)	(31,535)	-	-	(2,172)	(2,256)	(11,798)	(18,497)	(47,645)	(52,288)

18.2 Income, Expense, Gains and Losses

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Amortised Cost:				
(Gains)/Losses on de-recognition	**(37)**	**-**	**(70)**	**-**
Interest revenue	**(426)**	**-**	**(118)**	**-**
Interest expense	**1,922**	**-**	**1,830**	**-**
Total	**1,459**	**-**	**1,642**	**-**

18.3 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:

	2019/2020		2020/2021	
	Long-Term £000	Short-Term £000	Long-Term £000	Short-Term £000
PWLB	**(31,425)**	**(1,687)**	**(29,653)**	**(1,772)**
Dudley MBC	**(2,250)**	**(335)**	**(1,882)**	**(369)**
Total Principal Amount	**(33,675)**	**(2,022)**	**(31,535)**	**(2,141)**
Plus Accrued Interest	**-**	**(150)**	**-**	**(115)**
Total Amortised Cost	**(33,675)**	**(2,172)**	**(31,535)**	**(2,256)**

18.4 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.

18.4.1 Fair Value of Assets and Liabilities at Amortised Costs

Except for the financial liabilities and financial assets carried at fair value, all other financial liabilities and financial assets held by the authority are carried in 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 31st March 2021 of 8.625% 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.

18.4.2 Financial Liabilities

The fair values are as follows:

	2019/2020		2020/2021	
	Carry Amount £000	Fair Value £000	Carry Amount £000	Fair Value £000
PWLB Short & Long Term Loans	**(33,112)**	**(66,870)**	**(31,425)**	**(57,239)**
Dudley MBC (WMCC)	**(2,585)**	**(2,585)**	**(2,251)**	**(2,251)**
Total	**(35,697)**	**(69,455)**	**(33,676)**	**(59,490)**

Overall, the fair value for 2020/2021 is greater than the carrying amount because the Authority's portfolio of loans includes several 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 for loans from the PWLB, Link Asset Services provide fair value estimates using both redemption and new borrowing (certainty rate) discount rates. The fair value of WMCC debt is taken to be the same as the amount of principal outstanding.

18.4.3 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.

18.4.4 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)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL 31 March 2020
	£000	£000	£000	£000
FINANCIAL LIABILITIES				
Loans	-	(69,455)	-	(69,455)
Plus Accrued Interest	-	(150)	-	(150)
Total Borrowing	-	(69,605)	-	(69,605)
Creditors	-	(4,337)	-	(4,337)
Total Financial Liabilities	-	(73,942)	-	(73,942)
FINANCIAL ASSETS				
Cash & Cash Equivalents	-	45,097	-	45,097
Total Investments	-	45,097	-	45,097
Debtors	-	1,375	-	1,375
Total Financial Assets	-	46,472	-	46,472

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL 31 March 2021
	£000	£000	£000	£000
FINANCIAL LIABILITIES				
Loans	-	(59,490)	-	(59,490)
Plus Accrued Interest	-	(115)	-	(115)
Total Borrowing	-	(59,605)	-	(59,605)
Creditors	-	(4,494)	-	(4,494)
Total Financial Liabilities	-	(64,099)	-	(64,099)
FINANCIAL ASSETS				
Cash & Cash Equivalents	-	36,614	-	36,614
Total Investments	-	36,614	-	36,614
Debtors	-	1,176	-	1,176
Total Financial Assets	-	37,790	-	37,790

18.5 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 because of changes in such measurements as interest rates.

18.5.1 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 £0.614m of the £20.892m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2020 £000	31 March 2021 £000
Less than three months	554	571
Three to six months	20	6
Six months to one year	13	19
More than one year	6	18
Total	593	614

18.5.2 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.

18.5.3 Market risk

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

During 2020/21, 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 £0.119m (2019/2020 £0.122m). The impact of a 0.25% increase in interest rates would be the same but reversed, interest would increase by £0.119m (2019/2020 £0.122m).

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

19. INVENTORIES

	General Stores		Mechanical Stocks		Heating Oil Petrol/ Diesel		Total	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Balance outstanding at start of year	425	441	163	162	100	86	688	689
Purchases	578	824	320	293	576	326	1,474	1,443
Recognised as an expense in the year	(562)	(544)	(321)	(295)	(590)	(311)	(1,473)	(1,150)
Written off balances	-	1	-	-	-	-	-	1
Balance outstanding at year-end	441	722	162	160	86	101	689	983

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

20. SHORT TERM DEBTORS

31 March 2020 £000		31 March 2021 £000
	Financial Instruments	
587	Trade receivables	567
738	Accrued income	527
50	Other receivable amounts	82
1,375	Total Financial Instruments	1,176
	Other Debtors	
6,267	Home Office - Pension Fund top up grant	6,304
-	Home Office – Covid-19 emergency funding grants	1,845
-	Home Office - Other grants	155
-	MHCLG - Section 31 business rates relief grant	4,234
-	MHCLG - Covid-19 Local tax income guarantee grant	624
5,703	Collection Fund	5,489
838	Prepayments	910
477	Sandwell MBC - VAT	155
13,285	Total Other Debtors	19,716
14,660	Total Debtors	20,892

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31 March 2020 £000	31 March 2021 £000
Less than one year	2,190	2,677
One to two years	851	1,227
Two to six years	1,443	1,421
More than six years	444	138
Total	4,928	5,463

21. CASH AND CASH EQUIVALENTS

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

31 March 2020 £000		31 March 2021 £000
10	Cash held by the Authority	10
(496)	Bank current account	(138)
45,583	Bank call account	36,742
45,097	Total Cash and Cash Equivalents	36,614

22. CREDITORS

31 March 2020 £000		31 March 2021 £000
	Creditors – Revenue	
	Financial Instruments	
(3,304)	Other entities and individuals	(3,455)
(205)	Central government bodies	(227)
(208)	Other local authorities	(247)
(3,717)	Total Financial Instruments	(3,929)
	Other Creditors	
(5,467)	Collection fund	(11,678)
(1,942)	Her Majesty's Revenue and Customs	(2,217)
(52)	Deferred income	(108)
(7,461)	Total Other Creditors	(14,003)
(11,178)	Total Creditors - Revenue	(17,932)
	Creditors – Capital	
	Financial Instruments	
(620)	Other entities and individuals	(565)
(620)	Total Creditors – Capital	(565)
(11,798)	Total Creditors	(18,497)

23. PROVISIONS

An insurance provision of (£0.664m) 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.

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2019/2020 £000		2020/2021 £000
(436)	Interest received	(426)
1,922	Interest paid	1,865

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

2019/2020 £000		2020/2021 £000
(4,152)	Depreciation	(3,876)
(403)	Impairment and downward valuations	3,642
(31)	Amortisation	(31)
-	(Increase)/decrease in impairment for doubtful debts	(11)
(4,124)	(Increase)/decrease in Creditors	(4,408)
(2,200)	Increase/(decrease) in Debtors	6,243
-	Increase/(decrease) in Inventories	294
(67,340)	Movement in pension liability	(52,943)
(238)	Contributions to Provisions	-
(17)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(18)
(78,505)	Net cash (inflows)/outflows from adjustments to net surplus or deficit on the provision of services for non-cash movements	(51,108)

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

2019/2020 £000		2020/2021 £000
50	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	77
-	Capital Grants credited to Surplus or Deficit on the provision of services	-
50	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	77

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2019/2020 £000		2020/2021 £000
5,037	Purchase of property, vehicles, plant and equipment, investment property and intangible assets	2,358
(50)	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	(77)
-	Capital Grants Received	-
4,987	Net cash (inflows)/outflows from investing activities	2,281

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2019/2020 £000		2020/2021 £000
305	Repayments of short and long term borrowing	2,022

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31 March 2019 £000	Financing cash flows £000	Non-cash changes £000	31 March 2020 £000
Long term borrowings	(35,697)	-	2,022	(33,675)
Short term borrowings	(455)	305	(2,022)	(2,172)
Total liabilities from financing activities	(36,152)	305	-	(35,847)

	31 March 2020 £000	Financing cash flows £000	Non-cash changes £000	31 March 2021 £000
Long term borrowings	(33,675)	-	2,140	(31,535)
Short term borrowings	(2,172)	2,022	(2,106)	(2,256)
Total liabilities from financing activities	(35,847)	2,022	34	(33,791)

28. OFFICERS' REMUNERATION

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

Total (Including pension) 2019/2020 £		Salary £	Expenses Allowances £	Total (excluding pension) £	Pension £	Total (including pension) 2020/2021 £
	Senior Officer whose salary is £150,000 or more per year:					
241,821	**CFO – Phil Loach**	**178,654**	**1,338**	**179,992**	**66,638**	**246,630**
	Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:					
49,227	**Deputy CFO - Director Service Support (Note 1)**	**-**	**-**	**-**	**-**	**-**
78,437	**Deputy CFO – Community Risk Reduction Programme Executive**	**146,177**	**1,380**	**147,557**	**41,225**	**188,782**
185,118	**Assistant CFO – Enabling Services Programme Executive**	**137,111**	**1,580**	**138,691**	**48,022**	**186,713**
157,013	**Assistant CFO – People Programme Executive**	**134,264**	**1,339**	**135,603**	**38,668**	**174,271**
124,033	**Strategic Enabler of Finance and Resources**	**107,457**	**-**	**107,457**	**21,921**	**129,378**
114,549	**Strategic Enabler Culture (Temporary – Note 2)**	**-**	**-**	**-**	**-**	**-**
-	**Strategic Enabler Portfolio (Note 3)**	**79,238**	**1,339**	**80,577**	**20,561**	**101,138**
70,490	**Strategic Enabler Governance and Strategy**	**62,240**	**-**	**62,240**	**12,459**	**74,699**
1,020,688		**845,141**	**6,976**	**852,117**	**249,494**	**1,101,611**

Note 1 – Former Deputy CFO retired on 30 June 2019.

Note 2 – Temporary promotion to Assistant CFO (22 July 2019 to 2 January 2020). Left the Authority on 2 February 2020.

Note 3 – Comparatives not shown for 2019/2020 as this is a new position from 7 October 2020.

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	2019/20 Number of employees	2020/21 Number of employees
£ 50,000 to £ 54,999	27	42
£ 55,000 to £ 59,999	29	37
£ 60,000 to £ 64,999	14	10
£ 65,000 to £ 69,999	5	16
£ 70,000 to £ 74,999	3	2
£ 75,000 to £ 79,999	3	1
£ 80,000 to £ 84,999	1	3
£ 85,000 to £ 89,999	-	1
Total	82	112

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 £	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	-	-	14	-	14	-	15,574	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	1	-	-	-	1	-	50,002
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
Total	-	1	14	-	14	1	15,574	50,002

The Authority agreed to terminate the contract of 1 employee in 2020/21, incurring costs of £50k (£16k in 2019/20).

29. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Authority as allowances and expenses incurred during the year:

2019/2020 £000		2020/2021 £000
168	Allowances	168
13	Expenses	-
181	Total	168

30. EXTERNAL AUDIT COSTS

Fees payable to the external auditor:

2019/2020 £000			2020/2021 £000
36	Grant Thornton UK LLP	Fees payable for the external planned audit work	45
4	Grant Thornton UK LLP	Additional audit fees	10
40		Total	55

31. RELATED PARTIES

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:

2019/2020 £000	Related Party	Nature of Transaction	2020/2021 £000
25,658	Central Government	Business Rates Retention Scheme Grants	30,430
18,857		Revenue Support Grant	19,164
5,713		Pensions Grant	5,713
594		Covid-19 Grants	4,819
43,318	West Midland Local Authorities	Council Tax Income	43,516
9,932		NDR Income	5,099

Grants received are set out in Note 32.

32. GRANT INCOME

32.1 The Authority credited the following grants, contributions and donations to the CIES in 2020/2021:

	2019/2020 £000	2020/2021 £000
Credited to Taxation and Non Specific Grant Income:		
Revenue support grant	**18,857**	**19,164**
Business rates retention scheme grants	**25,658**	**30,430**
Covid-19 Emergency funding grant	**594**	**4,037**
Covid-19 Local tax income guarantee grant	**-**	**624**
Covid-19 Sales, fees and charges grant	**-**	**158**
Total	**45,109**	**54,413**
Credited to Services:		
Pensions grant	**5,713**	**5,713**
New dimension training crewing and accommodation	**877**	**877**
Fire protection board BRR and protection uplift funding	**-**	**573**
Home Office Grenfell infrastructure	**-**	**328**
Fire revenue firelink (Airwave new burden)	**-**	**323**
Fire reduction partnership	**150**	**139**
Home Office pension administration	**-**	**124**
Apprenticeship levy	**185**	**122**
ESMCP contingency	**-**	**87**
National resilience	**78**	**78**
Home Office protection board officers accreditation	**-**	**70**
ESMCP regional team expenses	**-**	**68**
New risks Section 29	**49**	**29**
New burdens	**8**	**8**
DWP access to work	**-**	**4**
ESMCP WMFS project management	**89**	**-**
Birmingham City Council heritage	**1**	**-**
Total	**7,150**	**8,543**

32.2 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 2020 £000	31 March 2021 £000
Grants - Receipts in Advance (Revenue Grants):		
Section 31 Business Rates Relief 2020/21	2,311	-

33. 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.

	2019/2020 £000	2020/2021 £000
Opening CFR	37,143	36,259
Capital investment:		
Property, Vehicles, Plant and Equipment	5,283	2,304
Sources of finance:		
Capital Receipts	-	-
Government grants and other contributions	(83)	-
Sums set aside from revenue:		
Direct Revenue Contributions	(5,200)	(2,304)
MRP/the Statutory Repayment of Loans Fund Advances	(884)	(937)
Closing CFR	36,259	35,322

Movements in year	2019/2020 £000	2020/2021 £000
MRP/the Statutory Repayment of Loans Fund Advances	(884)	(937)
Increase/(decrease) in CFR	(884)	(937)

34. DEFINED BENEFIT PENSION SCHEMES

34.1 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 31st March 2021 the Authority participated in four post-employment schemes:

- The WMMAPF for civilian and fire control employees, administered locally by City of Wolverhampton 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 FPS 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.

34.2 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:

2019/2020	LGPS	Firefighters				Total
		Pension Scheme 1992	Pension Scheme 2006	Pension Scheme 2015	Compensation Scheme	
	£000	£000	£000	£000	£000	£000
CIES						
Cost of services:						
Current service cost	**4,769**	**4,430**	**100**	**28,240**	**590**	**38,129**
Past service costs, including curtailments	**-**	**6,360**	**(6,720)**	**80**	**-**	**(280)**
Administration Expenses	**64**	**-**	**-**	**-**	**-**	**64**
Financing and Investment Income and Expenditure:						
Net interest expense	**1,118**	**37,730**	**2,050**	**2,230**	**1,010**	**44,138**
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**5,951**	**48,520**	**(4,570)**	**30,550**	**1,600**	**82,051**
Other post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
Changes in demographic assumptions	**4,087**	**(46,720)**	**(2,800)**	**(3,380)**	**(1,510)**	**(50,323)**
Changes in financial assumptions	**(17,974)**	**(58,700)**	**(6,250)**	**(4,210)**	**(830)**	**(87,964)**
Experience (gains) and losses	**2,956**	**(12,160)**	**320**	**1,500**	**(100)**	**(7,484)**
Return on fund assets in excess of interest	**6,410**	**-**	**-**	**-**	**-**	**6,410**
Other	**(5,781)**	**(45,168)**	**88**	**14,967**	**-**	**(35,894)**
Total post-employment benefits charged to the CIES	**(4,351)**	**(114,228)**	**(13,212)**	**39,427**	**(840)**	**(93,204)**
MIRS						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post- employment benefits in accordance with the Code	**(5,951)**	**(48,520)**	**4,570**	**(30,550)**	**(1,600)**	**(82,051)**
Actual amount charged against the General Fund Balance for Pensions in the year:						
Employers' contributions payable to the scheme	**2,542**	**2,482**	**88**	**10,437**	**-**	**15,549**
Retirement benefits payable to pensioners	**53**	**-**	**-**	**-**	**1,650**	**1,703**

2020/2021	LGPS £000	Firefighters Pension Scheme 1992 £000	Firefighters Pension Scheme 2006 £000	Firefighters Pension Scheme 2015 £000	Firefighters Compensation Scheme £000	Total £000
CIES						
Cost of services:						
Current service cost	4,675	2,470	100	29,280	740	37,265
Past service costs, including curtailments	-	-	120	140	-	260
Administration Expenses	70	-	-	-	-	70
Financing and Investment Income and Expenditure:						
Net interest expense	898	31,920	1,580	2,720	870	37,988
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	5,643	34,390	1,800	32,140	1,610	75,583
Other post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
Changes in demographic assumptions	(1,862)	-	-	-	-	(1,862)
Changes in financial assumptions	46,155	137,770	13,610	16,860	2,610	217,005
Experience (gains) and losses	(1,547)	(17,070)	770	(32,370)	(440)	(50,657)
Return on fund assets in excess of interest	(17,191)	-	-	-	-	(17,191)
Other	-	(47,502)	98	16,135	-	(31,269)
Total post-employment benefits charged to the CIES	31,198	107,588	16,278	32,765	3,780	191,609
MIRS						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post- employment benefits in accordance with the Code	(5,643)	(34,390)	(1,800)	(32,140)	(1,610)	(75,583)
Actual amount charged against the General Fund Balance for Pensions in the year:						
Employers' contributions payable to the scheme	2,678	1,638	88	11,305	-	15,709
Retirement benefits payable to pensioners	62	-	-	-	1,620	1,682

34.3 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:

2019/2020	Funded liabilities: LGPS £000	Unfunded liabilities: LGPS £000	Unfunded liabilities: FPS 1992 £000	Unfunded liabilities: FPS 2006 £000	Unfunded liabilities: FPS 2015 £000	Unfunded liabilities: Firefighters Compensation Scheme £000	Total £000
Present value of the defined benefit obligation	(140,350)	(632)	(1,441,800)	(70,330)	(103,810)	(39,100)	(1,796,022)
Fair value of plan assets	98,789	-	-	-	-	-	98,789
Net liability arising from defined benefit obligation	(41,561)	(632)	(1,441,800)	(70,330)	(103,810)	(39,100)	(1,697,233)

2020/2021	Funded liabilities: LGPS £000	Unfunded liabilities: LGPS £000	Unfunded liabilities: FPS 1992 £000	Unfunded liabilities: FPS 2006 £000	Unfunded liabilities: FPS 2015 £000	Unfunded liabilities: Firefighters Compensation Scheme £000	Total £000
Present value of the defined benefit obligation	(189,027)	(626)	(1,547,750)	(86,520)	(125,270)	(41,260)	(1,990,453)
Fair value of plan assets	124,251	-	-	-	-	-	124,251
Net liability arising from defined benefit obligation	(64,776)	(626)	(1,547,750)	(86,520)	(125,270)	(41,260)	(1,866,202)

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

2019/2020	Funded assets: LGPS £000	Unfunded assets: LGPS £000	Unfunded assets: FPS 1992 £000	Unfunded assets: FPS 2006 £000	Unfunded assets: FPS 2015 £000	Unfunded assets: Firefighters Compensation Scheme £000	Total £000
Opening fair value of scheme assets	99,548	-	-	-	-	-	99,548
Interest income	2,360	-	-	-	-	-	2,360
Remeasurement gain/(loss):							
Return on assets less interest	(6,410)	-	-	-	-	-	(6,410)
Other	5,781	-	45,168	(88)	(14,967)	-	35,894
Contributions from Employer	1	53	2,482	88	10,437	1,650	14,711
Contributions from employees into the scheme	834	-	930	40	4,640	-	6,444
Benefits paid	(3,261)	(53)	(48,580)	(40)	(110)	(1,650)	(53,694)
Administration expenses	(64)	-	-	-	-	-	(64)
Closing fair value of scheme assets	98,789	-	-	-	-	-	98,789

2020/2021	Funded assets: LGPS £000	Unfunded assets: LGPS £000	Unfunded assets: FPS 1992 £000	Unfunded assets: FPS 2006 £000	Unfunded assets: FPS 2015 £000	Unfunded assets: Firefighters Compensation Scheme £000	Total £000
Opening fair value of scheme assets	98,789	-	-	-	-	-	98,789
Interest income	2,391	-	-	-	-	-	2,391
Remeasurement gain/(loss):							
Return on assets less interest	17,191	-	-	-	-	-	17,191
Other	-	-	47,502	(98)	(16,135)	-	31,269
Contributions from Employer	7,927	62	1,638	88	11,305	1,620	22,640
Contributions from employees into the scheme	898	-	700	40	4,960	-	6,598
Benefits paid	(2,875)	(62)	(49,840)	(30)	(130)	(1,620)	(54,557)
Administration expenses	(70)	-	-	-	-	-	(70)
Closing fair value of scheme assets	124,251	-	-	-	-	-	124,251

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

2019/2020	Funded liabilities: LGPS £000	Unfunded liabilities: LGPS £000	Unfunded liabilities: FPS 1992 £000	Unfunded liabilities: FPS 2006 £000	Unfunded liabilities: FPS 2015 £000	Unfunded liabilities: Firefighters Compensation Scheme £000	Total £000
Opening balance at 1 April	(145,513)	(633)	(1,558,510)	(83,630)	(74,820)	(41,590)	(1,904,696)
Current service cost	(4,769)	-	(4,430)	(100)	(28,240)	(590)	(38,129)
Interest cost	(3,463)	(15)	(37,730)	(2,050)	(2,230)	(1,010)	(46,498)
Contributions from scheme participants	(834)	-	(930)	(40)	(4,640)	-	(6,444)
Remeasurement gains and (losses):							
Changes in demographic assumptions	(4,056)	(31)	46,720	2,800	3,380	1,510	50,323
Changes in financial assumptions	17,948	26	58,700	6,250	4,210	830	87,964
Experience gains/(losses)	(2,924)	(32)	12,160	(320)	(1,500)	100	7,484
Past service costs, including curtailments	-	-	(6,360)	6,720	(80)	-	280
Benefits paid	3,261	53	48,580	40	110	1,650	53,694
Closing balance at 31 March	(140,350)	(632)	(1,441,800)	(70,330)	(103,810)	(39,100)	(1,796,022)

2020/2021	Funded liabilities: LGPS £000	Unfunded liabilities: LGPS £000	Unfunded liabilities: FPS 1992 £000	Unfunded liabilities: FPS 2006 £000	Unfunded liabilities: FPS 2015 £000	Unfunded liabilities: Firefighters Compensation Scheme £000	Total £000
Opening balance at 1 April	(140,350)	(632)	(1,441,800)	(70,330)	(103,810)	(39,100)	(1,796,022)
Current service cost	(4,675)	-	(2,470)	(100)	(29,280)	(740)	(37,265)
Interest cost	(3,275)	(14)	(31,920)	(1,580)	(2,720)	(870)	(40,379)
Contributions from scheme participants	(898)	-	(700)	(40)	(4,960)	-	(6,598)
Remeasurement gains and (losses):							
Changes in demographic assumptions	1,853	9	-	-	-	-	1,862
Changes in financial assumptions	(46,096)	(59)	(137,770)	(13,610)	(16,860)	(2,610)	(217,005)
Experience gains/(losses)	1,539	8	17,070	(770)	32,370	440	50,657
Past service costs, including curtailments	-	-	-	(120)	(140)	-	(260)
Benefits paid	2,875	62	49,840	30	130	1,620	54,557
Closing balance at 31 March	(189,027)	(626)	(1,547,750)	(86,520)	(125,270)	(41,260)	(1,990,453)

34.6 LGPS assets comprised:

Asset category	31 March 2020 £000	%	31 March 2021 £000	%
Equities	56,236	57	74,836	60
Gilts	11,482	12	10,342	8
Other bonds	4,128	4	7,881	6
Property	8,787	9	9,324	8
Cash	3,545	3	6,075	5
Other	14,611	15	15,793	13
Total Assets	98,789	100	124,251	100

34.7 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 FPS have been assessed using an approach and model supplied by GAD and certified by them on 18 June 2021. The WMMAPF has been based on triennial actuarial valuations, the last review being 31 March 2019 and assessed by Barnett Waddingham. In calculating the IAS19 figures for the WMMAPF the actuary assumed an investment return of 19.27%.

The significant assumptions used by the actuary have been:

	LGPS		FPS	
	2019/2020	2020/2021	2019/2020	2020/2021
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	21.9	21.6	21.3	21.4
• Women	24.1	23.9	21.3	21.4
Longevity at 65 for future pensioners:				
• Men	23.8	23.4	23.0	23.1
• Women	26.0	25.8	23.0	23.1
Rate of inflation CPI	1.85%	2.85%	2.0%	2.4%
Rate of increase in salaries	2.85%	3.85%	4.0%	4.15%
Rate of increase in pensions	1.85%	2.85%	2.0%	2.4%
Rate for discounting scheme liabilities	2.35%	2.0%	2.25%	2.0%

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 WMMAPF as at 31 March 2021 is shown below:

Sensitivity analysis	£000	£000	£000
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	**(185,645)**	**(189,653)**	**(193,751)**
Projected service cost	**(6,863)**	**(7,092)**	**(7,327)**
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	**(190,171)**	**(189,653)**	**(189,139)**
Projected service cost	**(7,096)**	**(7,092)**	**(7,088)**
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	**(193,194)**	**(189,653)**	**(186,188)**
Projected service cost	**(7,325)**	**(7,092)**	**(6,866)**
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	**(198,416)**	**(189,653)**	**(181,293)**
Projected service cost	**(7,413)**	**(7,092)**	**(6,783)**

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 2021 for the FPS:

FPS 1992 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% increase in real discount rate	**-8.5%**	**128**
0.5% increase in long term salaries rate	**0.5%**	**(11)**
0.5% increase in the pensions increase rate	**8%**	**(121)**
1 year increase in member life expectancy	**3.5%**	**(56)**

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

FPS 2006 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% increase in real discount rate	**-16%**	**13**
0.5% increase in salaries rate	**7.5%**	**(6)**
0.5% increase in the pensions increase rate	**10%**	**(8)**
1 year increase in member life expectancy	**3%**	**(3)**

The weighted average duration of the defined benefit obligation for scheme members is approximately 36 years.

FPS 2015 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% increase in real discount rate	**-15.5%**	**20**
0.5% increase in salaries rate	**7%**	**(9)**
0.5% increase in the pensions increase rate	**10%**	**(12)**
1 year increase in member life expectancy	**3%**	**(4)**

The weighted average duration of the defined benefit obligation for scheme members is approximately 35 years.

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

34.8 Impact on the Authority's Cash Flows

The objective of the LGPS is to keep employers' contributions at as constant a rate as possible. The WMMAPF has agreed a strategy with the scheme's actuary to achieve a funding level of 100% by no more than 17 years with effect from the 2019 valuation.

The LGPS will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS 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 WMMAPF in April 2020 for employer pension contributions for the LGPS, included payments for the 1st April 2020 to 31st March 2021 £2.66m, 1st April 2021 to 31st March 2022 £2.63m and 1st April 2022 to 31st March 2023 £2.61m.

Expected employers' contributions for the FPS in the year to 31 March 2022 are approximately £13m. On 28 February 2019, GAD published the final reports in relation to the 2016 valuation of the FPS. This included the scheme specific employer contribution rates for the period April 2019 to March 2023. Employer contribution rates increased significantly because of the valuation. To cover approximately 90% of the additional cost, a section 31 government grant of £5.7m was received in 2019/20. In a letter dated 6 February 2020, the Home Office confirmed that a section 31 government grant would be paid to the Authority at the same level in 2020/21 but gave no commitment for future years. The Authority has received in May 2022 the same level of government grant of £5.7m for 2021/2022.

35. CONTINGENT LIABILITIES

35.1 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 several 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 28th 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 1st 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 £0.038m. The balance is held in the insurance earmarked reserve (£1.352m).

35.2 Public Service Pensions – Changes to the transitional arrangements to the 2015 schemes

From 1st April 2022 all employees will be moved into the reformed pension scheme. In the case of firefighters this will be the 2015 FPS. As each individual member will be able to select from a choice of benefits, the exact impact on the scheme as a whole is difficult to accurately forecast, though previous estimates have considered a potential figure of £1.5 million per annum. The estimated pension obligations from this matter have been captured within the defined pension liability. The shortfall in employer contributions will be captured in future scheme valuations as an unfunded, past service deficit and reflected in the employer contribution rates going forward.

The Authority is aware of the lodging of the “injury to feelings” claim concerning the transitional arrangements that were put in place when the 2015 FPS came into effect on 1 April 2015. The claim seeks compensation for individual claimants in respect of non-financial damage. If the claim is successful it is possible that the Authority may be liable to make compensation payments. At this stage the value and quantum of any impact is unknown.

PENSION FUND ACCOUNT

2019/2020 £000					2020/2021 £000			
1992	2006	Modified	2015		1992	2006	Modified	2015
				Contributions Receivable				
				From Fire Authority				
(2,362)	(41)	(27)	(10,437)	Contributions in relation to pensionable pay	(1,559)	(40)	(28)	(11,305)
(120)	(20)	-	-	Ill health retirements	(79)	(20)	-	-
(928)	(17)	(20)	(4,643)	From firefighters contributions	(659)	(16)	(20)	(4,996)
				Transfers in				
(112)	-	-	(80)	Individual	-	(123)	-	(149)
				Benefits Payable				
40,967	24	8	1	Pensions	42,078	26	8	12
7,616	-	-	-	Commutations and lump sum retirement benefits	7,947	-	-	110
-	-	-	95	Lump sum death benefits	-	-	-	-
				Payments to and on account of leavers				
-	5	-	14	Individual transfers	-	-	-	28
45,061	(49)	(39)	(15,050)	Net amount payable for the year	47,728	(173)	(40)	(16,300)
(45,061)	49	39	15,050	Top up Grant payable by the Government	(47,728)	173	40	16,300
-	-	-	-		-	-	-	-

2019/2020 £000	NET ASSETS STATEMENT	2020/2021 £000
(100)	Commutations and lump sum retirement benefits	(468)
6,267	Top-up receivable from the Government	6,304
(6,167)	Amount owing to General Fund	(5,836)
-		-

NOTES TO THE PENSION FUND ACCOUNT

The fund was established at 1st April 2006 under the FPS (Amendment) England Order 2006 and covered both the 1992 and 2006 FPS. From 1st April 2015, a new FPS and a modified section in the 2006 scheme was established. The fund now includes the 1992, 2006 and 2015 schemes. Before 1st April 2006 the Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. The FPS 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 instalments, 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 2020/21 are shown in the tables below:

	1992 Scheme %	2006 Scheme %	Modified %
Employer's	**37.3**	**27.4**	**37.3**
Employees' Pensionable pay band			
Up to £15,609	**11.0**	**8.5**	**11.0**
> £15,609 to £21,852	**12.2**	**9.4**	**12.2**
> £21,852 to £31,218	**14.2**	**10.4**	**14.2**
> £31,218 to £41,624	**14.7**	**10.9**	**14.7**
> £41,624 to £52,030	**15.2**	**11.2**	**15.2**
> £52,030 to £62,436	**15.5**	**11.3**	**15.5**
> £62,436 to £104,060	**16.0**	**11.7**	**16.0**
> £104,060 to £124,872	**16.5**	**12.1**	**16.5**
> £124,872	**17.0**	**12.5**	**17.0**

	2015 Scheme %
Employer's	**28.8**
Employees' Pensionable pay band	
Up to £27,818	**11.0**
£27,819 to £51,515	**12.9**
£51,516 to £142,500	**13.5**
£142,501 or more	**14.5**

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 FPS.

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 31st March 2021. For further information on the liability to pay pensions see Note 34.

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

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 31st March 2021 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 (adjustments required due to the Covid-19 pandemic are reflected in paragraph 5.11):-

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 meetings. An Audit and Risk 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 and Risk Committee and risk management is a specific responsibility of both the Chair and Vice Chair.

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 an Appointment, Standards and Appeals 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 and Risk 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 2020/2021 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 and 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 Annual Plan 2020-23 which sets out the outcomes and priorities based on the Community Risk Management Plan and Medium-Term Financial Plan. 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 2019/2020 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 and Risk Committee on 7 June 2021, Audit work which was completed in 2020/2021 included:-

- Risk Management
- Governance
- Fire Stations – Management of Fuel
- Absence Management
- Data Protection
- Payroll
- Accounts Receivable
- Accounts Payable
- Fixed Asset Accounting
- Budgetary Control

5.5 As a result of these audits the following was identified as the main issue:-

Absence Management

A review was undertaken to provide assurance of compliance with the requirements of the absence management policy. The review identified issues relating to:

- Examples were found of managers not following guidance on the recording of Fit notes (a Fit note is an official written statement from a doctor giving their medical opinion on a person's fitness for work) within the Authority's Human Resources (HR) management systems, including long term absences. In some cases, there was insufficient evidence to cover the total periods of sickness for these employees.

- One instance was found where a manager had made a decision outside of normal absence management procedures without seeking the advice of HR. This creates a risk that the Authority may not be able to demonstrate that actions are applied consistently and equitably.

- There was a lack of record keeping evidencing that an absence for an employee reaching a staged trigger, had been managed in accordance with the Authority's attendance management policy. There were certain mitigating circumstances, as responsibility for monitoring the absence had passed between manager's, but the root cause was that the necessary information had not been properly recorded and correctly updated to the required HR systems, and as such there was no clear trail of information to enable an informed handover to take place.

- There were no additional management checks on a sample of absences that had hit sickness triggers for compliance checking and monitoring.

5.6 The 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 In February 2020, the Secretary of State for Ministry of Housing, Communities and Local Government (MHCLG) confirmed the Authority's funding settlement for 2020/21, which was a one-year settlement only.

5.8 In October 2020, the Treasury confirmed the decision of the Chancellor and Prime Minister that the Comprehensive Spending Review would only set departmental budgets for 2021/22 rather than the anticipated next three or four years, due to the economic disruption caused by Covid-19.

5.9 The funding settlement for 2021/22 was therefore also a one year only arrangement and in the Secretary of State for MHCLG settlement announcement there was no indication of further funding levels beyond 2021/22. In planning for the 2022/23 budget, for illustrative purposes a reduction of 5% was reflected in the overall core funding and a further 5% in 2023/24. It should be noted that this is a very provisional figure and there is the potential for the scale of reductions to be of a greater magnitude than this base assumption. Every 1% reduction in core funding represents a loss of circa £0.530m funding for the Authority.

5.10 With the anticipation of cuts to government funding continuing into future years, combined with pressures on Council Tax and business rate levels as a consequence of the Coronavirus pandemic, the Authority potentially 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.

5.11 <u>Covid-19 Governance Impact 2020/21</u>
Since March 2020, the Coronavirus pandemic resulted in two nationwide lockdowns and an emergency response, which had impacts on the Authority's "business as usual" during 2020/21.

During the initial period of lockdown, the Authority invoked Decisions under Matters of Urgency (Section 17.1 Authority Standing Orders) enabling the continuity of decision making by the Chief Fire Officer and Chair of the Authority on items of strategic importance. Items agreed and subsequently reported to the Authority, when it re-convened following legislation approving virtual decision-making meetings, included:

- approval of the appointment of a Deputy Monitoring Officer,
- approval of the WMFS key performance targets.

Several meetings were cancelled during the early weeks of the lockdown period and arrangements were made for Authority Members to be kept informed using weekly Authority Covid-19 briefings via video conferencing. During 2020/21 the Authority held Authority and Statutory Committee meetings virtually, in accordance with the Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) Regulations 2020 published by the Government allowing participation by remote attendance during the period that physical meetings were not permitted.

6. Certification

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.

Greg Brackenridge
Chair
West Midlands Fire & Rescue Authority

Phil Loach
Chief Fire Officer

GLOSSARY OF TERMS

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 1st 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 because 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 1st 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 2020-2021

WEST MIDLANDS FIRE SERVICE

Making the West Midlands Safer, Stronger and Healthier

www.wmfs.net
@WestMidsFire

1

INTRODUCTION

This document is a summary of the Authority's Statement of Accounts for 2020/21.

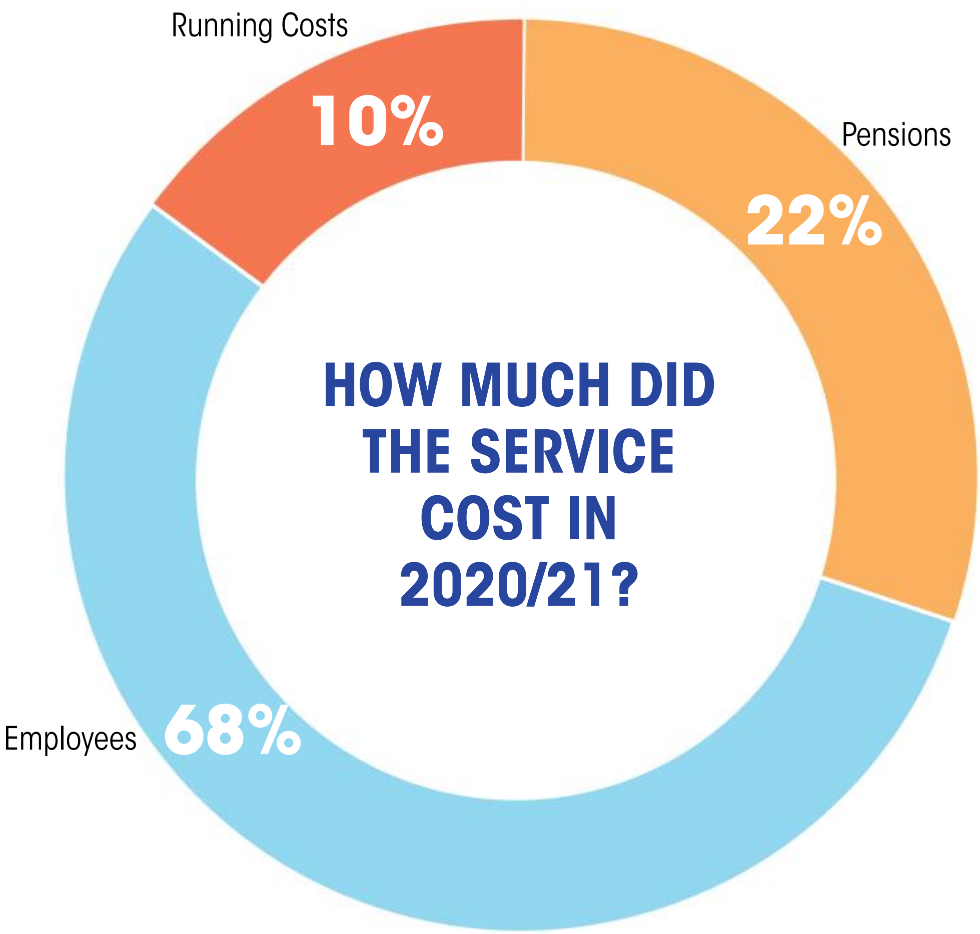
The Authority is responsible for the stewardship of public money and the production of summary accounts allows it to enhance its accountability to the residents of the West Midlands.

The Authority's 2020/21 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.

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 the cost of services (£118.277m).

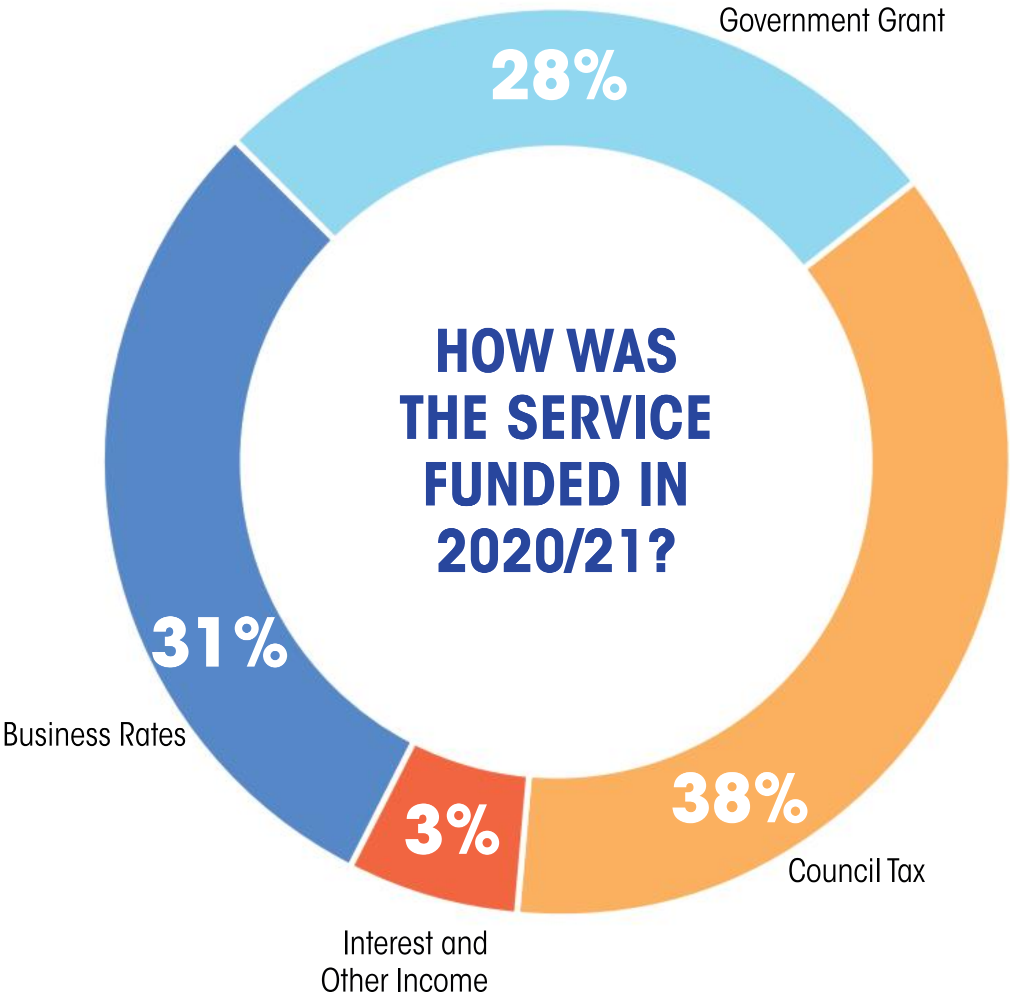
The total Provision of Services in 2020/21 shows a deficit of £55.211m. Within this deficit is the expenditure of the Authority which for 2020/21 was £170.715m. The type of costs can be broken down as shown opposite:



2

The total income of the Authority in 2020/21 was £115.504m. 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 2020/21 the Authority assumed no movement in general balances. The actual level of general balances increased in the year by £0.015m, leaving £5.838m 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 increased by £6.780m, this brought the total level of these reserves to £36.917m. Interest is earned on any balances until expenditure is committed against the demands identified.

3

CAPITAL EXPENDITURE AND FUNDING

In 2020/21, the Authority spent £2.304 million on capital projects.

The expenditure was incurred on the following:

	£m
Land and buildings	1.613
Vehicles	0.661
ICT & Equipment	0.030

The total expenditure was financed directly by the application of direct revenue contributions (£2.304m).

No borrowing was undertaken to assist with purchase of assets during 2020/21. Borrowing in earlier years meant that at the end of 2020/21 the Authority had total loans of £33.7m (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 2021 which the loans had helped fund was £135.2m, 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

The Authority's full 2020/21 audited Statement of Accounts can be found on our website www.wmfs.net/

Item 10

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

4 OCTOBER 2021

1. **MONITORING OF FINANCES**

Report of the Treasurer.

RECOMMENDED

1.1 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**

3.1.1 The Authority's 2020/2021 Council Tax requirement is £45.038 million and the revenue budget is £101.749 million.

3.1.2 Appendix A compares the revenue budgeted to the end of August 2021 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.

3.1.3 Actual spend to August 2021, including commitments, was £42.597 million compared to a projected budget of £42.825 million, an overall favourable variance of £0.228 million.

3.1.4 The most significant variances relate to an overall adverse variance within Organisational Learning & People Development due to additional posts. This is offset by an overall favourable variance within Community Safety and Children & Young People due to vacancies and on the Operational pay budget.

3.1.5 The monitoring statement includes the 1.5% pay award for Grey Book staff which was applicable from 1st July 2021. The pay award for Green Book staff remains outstanding and therefore the impact is not reflected in the monitoring statement.

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

3.2 **Capital Expenditure**

3.2.1 The Authority's approved capital programme for 2021/2022 is £8.100 million. A scheme analysis is shown on Appendix C. Expenditure to the end of August 2021 is shown as £2.258 million.

3.2.2 The main forecast variance within the capital programme relates to:

- Vehicle Replacement Programme – delayed purchase to 2022/23 of the:

    - Command Support Vehicle,
    - Water Units,
    - Toilet Trailers,
    - Demountable Lounge Fire Unit (Community Fire Safety demonstration unit),
    - Toolcat.

- Roof replacement at Transport Engineering Workshops has been delayed due to the need to retender.

4. EQUALITY IMPACT ASSESSMENT

4.1 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

5.1 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

6.1 These are contained in the body of the report and the attached Appendices.

BACKGROUND PAPERS

Authority's Budget and Precept Report – February 2021
Finance Office Budget Monitoring Files

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

MIKE GRIFFITHS
TREASURER

APPENDIX A

REVENUE MONITORING SUMMARY TO AUGUST 2021

	LATEST BUDGET 2021/2022 *£'000*	PROFILED BUDGET *£'000*	ACTUALS + COMMIT -MENTS *£'000*	VARIANCE TO PROFILED BUDGET *£'000*
DEVOLVED BUDGETS				
Corporate Management	1,135	482	459	-23
Strategic Hub	598	252	237	-15
Portfolio & Organisational Intelligence	1.035	469	459	-10
Ops North, Preparedness & Response	2,159	777	730	-47
Ops South & Fire Control	2,466	1,015	946	-69
Prevention	6,368	2,560	2,424	-136
Protection	478	211	235	24
Resourcing	5,738	2,402	2,439	37
Digital & Data	5,484	2,530	2,507	-23
Policy & Organisational Assurance	770	352	342	-10
Communications & Engagement	1,014	448	452	4
People Support Services	525	216	215	-1
Employee Relations	246	132	152	20
Organisational Development	58	24	25	1
Organisational Learning & People Development	4,200	1,784	1,903	119
Health, Safety & Wellbeing	2,518	1,231	1,196	-35
CORPORATE BUDGETS				
Ops North, Preparedness & Response	-116	20	29	9
Prevention	24	10	6	-4
Protection	28	-57	-59	-2
Resourcing	15,848	6,745	6,776	31
Digital & Data	132	82	83	1
People Support Services	2,230	988	1,007	19
Employee Relations	105	45	41	-4
Organisational Learning & People Development	106	48	46	-2
Health, Safety & Wellbeing	47,001	19,603	19.492	-111
Other Income & Expenditure	1,599	456	455	-1

Appropriation to Reserves	**-**	**-**	**-**	**-**
TOTAL (NET BUDGET REQUIREMENT)	**101,749**	**42,825**	**42,597**	**-228**
Core Funding	-56,711	-27,674	-27,674	-
TOTAL (COUNCIL TAX REQUIREMENT)	**45,038**	**15,151**	**14,923**	**-228**

APPENDIX B

FIREFIGHTERS' PENSION SCHEMES

NON-FINANCIAL INFORMATION	2021/22 PROJECTION				ACTUAL POSITION AS AT AUGUST 2021			
	1992 FPS	2006 FPS	2015 FPS	TOTAL	1992 FPS	2006 FPS	2015 FPS	TOTAL
Members of FPS at 1st April 2021	76	6	1,169	1,251	76	6	1,169	1,251
New Members	-	-	82	82	-	-	16	16
Opt-In (including net auto-enrolment)	-	-	10	10	-	-	2	2
Transitional Members during year	-32	-	32	-	-1	-1	2	-
Transfers from Other Pension Schemes	-	-	4	4	-	-	-	-
Transfers to Other Pension Schemes	-	-	-4	-4	-	-	-	-
Retirements	-44	-6	-26	-76	-17	-2	-9	-28
Opt-Out			-5	-5	-	-1	-1	-2
Leavers			-5	-5	-	-	-	-
Ill-Health Retirements			-2	-2	-	-	-	-
Members of the Fire Pension Schemes as at 31 August 2021					58	2	1,179	1,239

APPENDIX C

CAPITAL MONITORING STATEMENT 2021/22

Scheme	Year 2021/22	Latest Budget £'000	Actuals August 21 £'000	Forecast £'000	Variance £'000
LAND & BUILDINGS					
Boiler Replacement Programme	Ongoing	285	141	280	-5
Roof Replacements	Ongoing	892	0	392	-500
Windows/Door Replacement	Ongoing	677	0	681	4
Rewires	Ongoing	399	108	399	-
Drill Tower and Burn Facility	1 of 2	689	316	689	-
Other Building Modifications	2 of 2	59	18	59	-
Security Works	3 of 3	73	23	86	13
Occupational Health Relocation	3 of 3	36	21	36	-
Aston Fire Station	7 of 7	97	12	87	-10
Health & Safety Works (COVID)	2 of 2	320	286	320	-
VEHICLES					
Vehicle Replacement Programme	Ongoing	4,423	1,332	3,673	-750
ICT & EQUIPMENT					
C&C Upgrade-Vision 4/ESMCP	4 of 4	150	1	150	-
Grand Total		**8,100**	**2,258**	**6.852**	**-1,248**
Funded By					
Prudential Borrowing		0		0	-
Capital Grants / Contributions		74		74	-
Capital Receipts to be Applied		0		0	-
Revenue Financing / Earmarked Reserves		8,026		6,778	-1,248
TOTAL		**8,100**		**6,852**	**-1,248**
SURPLUS(-)/DEFICIT(+)					

Item 11

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

4 OCTOBER 2021

1. CONTRACT AWARDS SUMMARY FOR PERIOD TO 30 SEPTEMBER 2021

Report of the Chief Fire Officer

RECOMMENDED

1.1 THAT the Authority note the attached Appendix which summarises the contracts in excess of £250,000 that have been awarded since April 2021.

2. PURPOSE OF REPORT

2.1 This report provides a six-month summary of all contracts that have been awarded since April 2021.

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

4.1 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

5.1 The procurement processes that were followed for the procurement exercises detailed in the Appendix to this report were conducted in accordance with the Authority's Procurement Standing Orders and the Public Contract Regulations 2015.

6. **FINANCIAL IMPLICATIONS**

6.1 These are contained in the attached Appendices.

7. **ENVIRONMENTAL IMPLICATIONS**

7.1 There are no environmental implications arising from this report.

BACKGROUND PAPERS

Authority Meeting - 21 September 2015

Policy 1/8 – Procurement Procedures

The contact name for this report is DCFO Wayne Brown - 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 PA	Basis of award e.g. Lowest Price or MEAT*	Date and Minute Number of Planned Tender Report	Any Other Relevant Information
Firefighter Pension System	Heywood Limited	9 July 2021	10 years	£90,400 per annum plus one-off cost of £85,000	£910,000	£90,400	MEAT	22 February 2021	
Uniform (Workwear)	Ballyclare Limited	18 May 2021	4 years	£62,500	£250,000	Part of a £161,000 budget for all uniform requirements	Direct award from Framework Agreement	18 February 2019	
Leadership and Development Programme	Coventry University	6 September 2021	4 years	£220,000	£880,000	n/a	Direct award from Dynamic Purchasing Agreement	22 February 2021	Funded from the apprenticeship levy
Emergency Response Equipment and Associated Services National Framework Agreement	Angloco Limited Angus Fire Ltd Avon Protection Systems Clan Tools & Plant Ltd CMT Flexibles Cold Cut Systems Delta Fire Draeger Safety UK Ltd Excelerate Technologies Ltd Fire Hosetech Ltd Fire Ladders & Equipment	10 June 2021	4 years	Unknown	£45 million (National value)	N/A	Bidders had to meet mandatory criteria to pass and be awarded onto the framework.	18 February 2019	

	Godiva Pumps High Precision Motor Products Holmatro UK Ltd Max Fire MSA (Britain) Ltd Premier Hose Technologies Ltd Rosenbauer UK Ltd Scott Health & Safety Ltd Terberg DTS (UK) Ltd Venari Group Vimpex Ltd Weber Rescue UK								

* Most Economically Advantageous Tender (MEAT)

Item 12

Minutes of the Audit and Risk Committee

07 June 2021 at 14.00hrs

Conducted as a public meeting at Headquarters and digitally via Microsoft Teams

Present: Councillor Catherine Miks (Chair), Councillors Barrie, Miller, Spence, Mr Ager, Avtar Sohal and Siobhan Barnard (Grant Thornton) Peter Farrow (Sandwell MBC)

Apologies: Neil Chamberlain (West Midlands Police and Chair of WMFS Pension Board

Officers in attendance: Karen Gowreesunker, Mike Griffiths, Kal Shoker, Gary Taylor

11/21 **Declarations of Interest**

There were no declarations of interest registered.

12/21 **Minutes of the Audit and Risk Committee held on 22 March 2021**

Resolved that the minutes of the Audit and Risk Committee held on 22 March 2021 be approved as a correct record of proceedings.

13/21 **Corporate Risk Update – Quarter 3 & 4 2020-21**

Gary Taylor (West Midlands Fire Service (WMFS) Assistant Chief Fire Officer) presented the report, detailing a six-month period covering Quarters 3 and 4, 2020/21. In addition, the report informed upon the management of Corporate Risk during the Business Continuity arrangements for Covid-19 operable since March 2020. The importance of this was emphasised to ensure Members remain informed about all aspects relating to the management of the Fire Authority’s Corporate Risks.

It was reported that Corporate Risks continued to be effectively managed; they will continue to be submitted to the Strategic Enabling Team meetings on a quarterly basis and reported into the Audit and Risk Committee every six months whilst the Covid-19 pandemic continues.

Members attention was drawn to the two indicators that experienced an increase during the period reported. There were no decreases during the period.

During Quarter 3 in December 2020, Corporate Risk 7.2 increased its risk score to Likelihood 3, Impact 3, providing a risk score of 9 (an increase from 6). This has not changed the amber confidence opinion. It has remained at this level throughout Quarter 4. The increase in the risk score related to an ICT security breech by external source, ongoing forensic work is taking place.

During Quarter 4 in January 2021, Corporate Risk 4.1 increased to Likelihood 3, Impact 3, providing a risk score of 9 (an increase from 6). In March 2021 this reverted to an overall risk score of 6 with Likelihood 2 and Impact 3. Neither change altered the amber overall confidence opinion. The increase in the risk score in January 2021 was due to the limited level of activity being undertaken by Fire Safety Officers due to Covid-19 restrictions.

A Member sought clarification upon the anticipated timescale to rectify Corporate 6.1 from Red to Amber level of confidence. Gary Taylor confirmed that alternative capability was being evaluated, building upon a previous assessment within the past two years. He assured the Committee the Chief Fire Officer would present mitigation options for consideration by Members of the Fire Authority.

A Member enquired of Corporate Risk 4.1, specifically the actions to manage hydrant capacity. Gary Taylor confirmed the Service was working with Water Companies and Local Authority Planning/Building Development Teams to manage capacity and compatibility of resources and equipment.

The Chair sought reassurance that the issues referred in Corporate Risk 2.3 had been addressed. Gary Taylor confirmed improvement through the adaptation of practice and coordinated implementation to three domains of health surveillance, infection prevention control and safe systems of work. The integrity of these has been cascaded into the Service through briefings and auditing.

The Committee **approved** the Corporate Risk Summaries (Quarter 3 and 4, 2020/21) and **noted** the management of corporate risk through the Business Continuity arrangements.

14/21 **Internal Audit Annual Report 2020 -21**

Peter Farrow (Sandwell Council) presented the report, explained as the annual composite of all periodic updates provided to the Committee during the period of 2020-21. Members were re-appraised of the contextual basis of the agreed audit plan, the definition of 'reasonable assurance' and of the different levels of assurance and definitions therein. It was confirmed there were no fundamental recommendations required on any audit.

Members were advised the Data Protection Audit was at draft stage and would be completed imminently.

It was confirmed that customer satisfaction was good. A revised customer satisfaction survey will be developed for 2021-22 to ensure the feedback provided is maximised to advise audit processes and development of audit plans.

There were no questions from Members.

The Committee **approved** the Annual Internal Audit report for 2020/21.

15/21 **Governance Statement 2020-21**

Mike Griffiths (WMFS Section 151 Officer) presented the report, summarising context of the statutory duty under the Local Government Act 1999 to ensure the business of the Fire Authority is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, effectively and efficiently. The provision of a Governance Statement with audited Statement of Accounts is a requirement of this legislation.

Members were appraised in detail of each section of the Governance Statement. There were no questions or items for consideration from Members; the Chair acknowledged the quality of content within the Governance Statement.

The Committee **approved** the Governance Statement for 2020/21.

16/21 **Audit Plan 2020- 21**

Avtar Sohal (Grant Thornton) presented the report. The appended Audit Plan was summarised providing details of the work to be undertaken by Grant Thornton in respect of the Authority's financial statements and delivery of its value for money conclusion for 202/21.

It was explained that the significant risks identified within the scope of the audit are applicable to all Fire and Rescue Services. Members attention was drawn to the level of materiality being marginally higher than the previous audit year, which also applied to the overall audit logistics cost. The deliverable date for the Audit was confirmed as 30 September 2021, together with affirmation of compliance to the Financial Council's Ethical Standard (revised 2019).

The Chair enquired if the audit plan accounted for potential additional work arising from review of land holdings and remedy of pension legislation; both of which featured in 2019/20 and will be on-going. Avtar Sohal stated that both may require more detail and earlier in the audit process than the previous year.

The Committee **approved** Grant Thornton's Audit Plan to enable the delivery of the audit of financial statements and the value for money conclusion 2021/22.

17/21 **Informing the Audit Risk Assessment – WMFRA 2020-21**

Avtar Sohal (Grant Thornton) presented for information an update on Grant Thornton's progress in delivering their responsibilities. It was explained that under International Standards on Auditing (UK) auditors have specific responsibilities to communicate with the Audit and Risk Committee and specifically items can include:

- Matters in relation to fraud;
- Matters in relation to law and regulations;
- Matters in relation to related parties; and
- Matters in relation to accounting estimate.

The content of the appended report was contextualised to the Committee, as a series of questions and responses received from the Authority's management to address the matters detailed above.

A Member enquired if the Auditor was content with the responses provided by the Service. The reply was affirmative, evidence of practice sufficient to each of the areas for questioning. There are no unusual gaps or differences from submissions of previous years.

The Committee **noted** the content of the Informing the Audit Risk Assessment – West Midlands Fire & Rescue Authority 2020/21.

18/21 **Annual Report of the Audit and Risk Committee 2020-21**

The Chair presented the Annual Report of the Audit and Risk Committee for 2020-21. There were no matters arising from Members.

The Committee **approved** the content and format of its Annual Report 2020/21 and agreed its submission to the next meeting of the Authority.

19/21 **Audit and Risk Committee Work Plan 2020-2021 March 21**

The Committee **noted and approved** progress of its work programme for 2020-21.

20/21 **Update on Topical, Legal and Regulatory Issues**

Mike Griffiths (WMFS Section 151 Officer) informed the Committee of release of the Spring update report detailing progress to implement recommendations of the Redmond

Review. Members were advised to access the link referenced in the letter within the agenda pack. Avtar Sohal (Grant Thornton) confirmed the company were supportive of the Redmond Review.

The Committee **noted** the content of the verbal report.

The meeting closed at 15.30 hours.

Phil Fellows

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Minutes of the Audit and Risk Committee

Item 13

19th July 2021 at 10.30 hours

Conducted as a public meeting at Headquarters and digitally via Microsoft Teams

Present: Councillor Catherine Miks (Chair), Councillors Barrie, Chadda, Miller, Spence, Mr Ager, Avtar Sohal (Grant Thornton), Neil Chamberlain (West Midlands Police and Chair of WMFS Pension Board

Apologies: Nil received

Officers in attendance: Mike Griffiths, Paul Gwynn, Kal Shoker

21/21 **Declarations of Interest**

There were no declarations of interest registered.

22/21 **Minutes of the Audit and Risk Committee held on 07 June 2021**

Resolved that the minutes of the Audit and Risk Committee held on 07 June 2021 be approved as a correct record of proceedings.

23/21 **Statement of Accounts 2020-2021**

Mike Griffiths (West Midlands Fire Service (WMFS) Section 151 Officer) presented the report. The Statement of Accounts are draft for auditing, for which Grant Thornton as the Services' External Auditors had recently commenced a four-week duration of process for completion. The outcomes of the audit will be reported to the Committee.

It was acknowledged the Statement of Accounts is a substantial and detailed document, the core information being the Income and Expenditure Statement and Balance Sheet. Members attention was drawn to the following three areas:

1. The Un-earmarked General Fund Reserves (identified within the Movement of Reserves Statement) shows a modest adjustment upward of £15,000 at 31/03/21 from the balance identified for 31/03/20. When setting the budget, it was not anticipated there would be use of general balances.

2. The Earmarked General Fund Reserves (identified within the Movement of Reserves Statement) shows upward movement of £6.78 million. Two specific items that impacted this increase were identified as Section 31 Rate Relief Grant and the provision of COVID-19 funding, which the Government paid in advance of anticipated use during the financial year.

3. The Balance Sheet records a reduction in Long-Term Borrowing and the trend in debt reduction is anticipated to continue. The size of 'Other Long-Term Liabilities' is predominantly related to pensions with the figure exceeding £1billion.

The Chair enquired if the level of COVID-19 funding for this year 2021/22 would be sufficient. Mike Griffiths stated expenditure was reported quarterly to the Home Office and the end of quarter 2 will show if funding is potentially satisfactory to cover costs.

There were no other matters arising from Members.

The Chair concluded with compliment on the usual high standard of reporting and practical summary of a comprehensive document.

The Committee **approved** the draft Statement of Accounts for 2020/2021 (unaudited) and **noted** the draft Statement of Accounts summary for 2020/21.

24/21 **<u>Treasury Management 2020-2021</u>**

Kal Shoker (WMFS Finance Manager) presented the report, explaining the Fire and Rescue Authority is required to produce an annual Treasury Management report of activities and gain Member approval of actual prudential and treasury indicators.

It was re-affirmed that the Fire and Rescue Authority approved its Treasury Management Strategy at its meeting on 17 February 2020 as part of the Budget Setting report and the Audit and Risk Committee meeting on 26 October 2020 received a mid-year Treasury Management update.

The Committee were requested to note three specific areas of treasury management activity for the period of the report 2020/21:

1. Capital Expenditure

   The Authority's capital expenditure was £2.304m which was funded entirely by use of revenue contributions. The largest spend on capital was £0.661m on Vehicle Replacement Programme, £0.537m on Coventry Fire House and £0.396m on Boiler Replacements.

   No borrowing was undertaken to finance any capital expenditure in 2020/21.

2. The Authority's Debt

   As at 31st March 2021, the Authority's total external debt was £33.7m of which £31.4m was in respect of borrowing undertaken through the Public Works Loans Board (PWLB) and the balance £2.3m is in respect of the Authority's share of the ex-West Midlands County Council debt. The value of long-term assets held by the Authority as at 31st March 2021, which the loans have helped fund was £135.2m.

   The average rate of interest payable on this debt was 5.3%.

3. The Authority's Investment

   As at 31st March 2021, the Authority's investments totalled £36.7m which are invested with Sandwell MBC as part of the treasury management arrangement 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 2020/21 was 0.24%. It was stated this compares favourably to the benchmark, the average 3-month London Interbank Bid Rate (LIBID) rate of 0.02%.

A Member enquired of the protection the Authority has from interest rate fluctuations. Kal Shoker confirmed that loans are fixed rate, whilst investments reflect market conditions which are challenging in terms of gaining income.

Mike Griffiths and Avtar Sohal (Grant Thornton) supplemented that value for money and financial sustainability are features of the External Audit report.

The Committee **noted** the report and Appendix and **approved** the prudential and treasury indicators.

25/21 **Request for a Decision on Action to be taken in respect of Immediate Detriment Cases under the McCloud/Sargeant Ruling**

Mike Griffiths introduced the report and passed to Paul Gwynn (WMFS Payroll and Pensions Manager) for detailed presentation of contents.

The guidance issued by the Home Office in August 2020, the application of which was approved by the Committee at its meeting on 07 December 2020, was subject to revision on 10 June 2021. The updated guidance from the Home Office advised Fire and Rescue Authorities not to use the August 2020 guidance in cases where a pension scheme member would have been eligible for a 'contribution holiday' under the rules of the 1992 Scheme.

The Pension Administrator (WMFS Payroll and Pensions Manager) raised questions of clarification with the Authority Monitoring Officer that implementing the updated guidance will lead to the provision of different options to employees in different positions. The legal responses received to questions (included to the report) recommend the application of the updated guidance. The Pension Administrator also highlighted it is the responsibility of the Pension Section to ensure that benefits are paid to scheme members accurately in line with the scheme rules and any guidance in place at the date that benefits are due.

Members were in consensus that both guidance and legal opinion should be applied; agreeing there was not a realistic alternative. Concern was expressed that changing guidance would impact upon the resources available to consistently communicate with pension schemes members; the potential for challenge from individuals or representative bodies and; of increased costs of pension payments affecting long-term financial planning and sustainability of the Authority.

The Chair concluded debate with a statement that both Officers and Members were reliant upon a joint integrity when interpreting the guidance and its implications. The Chair stated assurance in this situation and referenced the Firefighters' Pension Scheme Internal Dispute Resolution Procedure, Pension Regulator and Supreme Court as processes of redress.

The Committee **approved** the recommendation that in line with the legal advice received, the Scheme Administrator continues to apply guidance issued by the Home Office in August 2020 and subsequently updated in June 2021.

26/21 **<u>Minutes of the Pension Board 30 March 2021</u>**

Neil Chamberlain (Chair of the Pension Board) presented the minutes for information to the Audit and Risk Committee in their role as Scheme Manager. It was confirmed the Board had conducted business via digital meetings during the COVID-19 pandemic; there had been an increase in the number of meetings to accommodate emerging national issues. Hence, it was expressed that the Scheme Manager could be reassured of the contribution of Board representatives in their advisory role to the Committee.

The Chair expressed thanks for the diligence of Members of the Pension Board in fulfilling their roles. There were no matters arising.

The Committee **noted** the content of the minutes.

27/21 **Minutes of the Pension Board 09 June 2021**

Neil Chamberlain (Chair of the Pension Board) presented the minutes for information to the Audit and Risk Committee in their role as Scheme Manager. The Terms of Reference were cited and the commitment expressed by both employee and employer representatives on the Pension Board to continue their roles until the publication of legislation to rectify Remedy in Autumn 2022. The skills and engagement of Board Members gained on this issue during the past eighteen months is beneficial to retain within the existing Board and subsequently assurance of advice to the Committee.

The Chair of the Audit and Risk Committee concurred with this approach and together with Members agreed the membership of the Pension Schemes be consulted upon the proposal and its approval by the Committee.

The Committee were also informed of the intention to present an Annual Report of the Pension Board 2020/21 to its next meeting.

The Committee **noted** the content of the minutes.

28/21 **Update on Topical, Legal and Regulatory Issues**

There were nil updates to report.

29/21 **Audit & Risk Committee Work Plan 2020-21 Draft July 21**

The Committee **noted and approved** its work programme for 2020-21.

The meeting closed at 11.50 hours.

Phil Fellows

Strategic Hub

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philip.fellows@wmfs.net

Item 14

Minutes of the Appointments, Standards and Appeals Committee

12 July 2021 at 1400 hours
held at Fire Service Headquarters and digitally
via Microsoft Teams

Present in person:	Councillor Brackenridge (acting Chair) Councillors Barlow and Padda
Present online:	Councillors Hogarth, Iqbal, Walsh
Apologies:	Councillor Young

1/21 Minutes of the Appointments, Standards and Appeals Committee held on 21 September 2020

Resolved that the minutes of the Appointments, Standards and Appeals Committee held on 21 September 2020 be noted.

2/20 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.

3/20 Submission of Internal Disputes Resolution Procedure (IDRP) for the Firefighters' Pension Scheme

In accordance with the Authority's procedures, the Committee considered an appeal received under stage two of the IDRP of the Firefighters' Pension Scheme.

The meeting was attended by the Strategic Enabler of Finance and Resources, and the Payroll and Pensions Manager.

Members reviewed the information submitted to the Committee and following deliberations, the Committee made the following decision at stage two of the IDRP:

- The Members of the Committee acknowledged the application and circumstances but the regulations did not provide for any such benefit to be paid. Additionally, the Authority had no discretion to make any payment under the rules of the Scheme.
- All six Members in attendance voted to not uphold the appeal:
    - The three Members attending in person voted in agreement to not uphold the appeal.
    - The three Members attending digitally voted in favour to not uphold the appeal.

Resolved that the appeal is not upheld.

(Proceedings ended at 14.33 hours)

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