

# **West Midlands Fire and Rescue Authority**

## **Audit and Risk Committee**

**You are summoned to attend the meeting of Audit and Risk Committee to be held on Monday, 27 September 2021 at 10:30**

**to be held 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**

This is a revised agenda, published 24 September 21, containing the Audit Findings Report 2020-21 in full (having previously been listed as 'verbal update - report to follow').

1	To receive apologies for absence (if any)	
2	Declarations of interests	
3	Minutes of the Audit and Risk Committee held on 19 July 2021	<b>1 - 6</b>
4	Audit and Risk Committee Terms of Reference 2021-2022	<b>7 - 14</b>
5	Immediate Detriment - Contribution Holidays	<b>15 - 18</b>
6	Internal Audit - Progress Report	<b>19 - 26</b>
7	Annual Report from Sandwell Audit in Respect of Information Governance	<b>27 - 40</b>
8	Audit Findings Report 2020-21	<b>41 - 68</b>
9	Statement of Accounts 2020-2021	<b>69 - 178</b>
10	Annual Report of the Pension Board 2020-21	<b>179 - 192</b>
11	Audit and Risk Committee Work Plan 2021-2022	<b>193 - 200</b>
12	Exclusion of the public and press Chair to move:- <i>"That the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 for the reasons stated below."</i>	

## **Agenda – Private Session**

- 13 CIPFA Audit Committee Update No 35
- This document contains some information which cannot be made readily available. However, to comply with the spirit of the Freedom of Information Act, should you require details of this report it may be possible to give you access to certain information. If you wish to do that, please apply to the Data Manager, details below. Freedom of Information Act request, Martina Doolan, Data Manager, West Midlands Fire Service Headquarters, 99 Vauxhall Road, Birmingham, B7 4HW.

**Distribution:**

David Barrie - Member, Catherine Miks - Chair, Peter Miller - Member, Charn Padda - Vice Chair, Sybil Spence - Member

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
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**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](#)**

**Minutes of the Audit and Risk Committee**

Item 3

**19<sup>th</sup> 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 **Treasury Management 2020-2021**

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 **Minutes of the Pension Board 30 March 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. 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 0121 380 6717 philip.fellows@wmfs.net
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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**27 SEPTEMBER 2021**

1. **AUDIT AND RISK COMMITTEE TERMS OF REFERENCE  
2021-2022**

Report of the Clerk.

THAT the Terms of Reference for the Audit and Risk Committee be noted.

2. **PURPOSE OF REPORT**

This report is submitted for Member comment and noting.

3. **BACKGROUND**

3.1 The terms of reference for the Audit and Risk Committee reflect CIPFA's position statement "Audit Committees in Local Authorities". This statement emphasises the importance of audit committees being in place in all principal local authorities and recognises that audit committees are a key component of good governance.

3.2 The terms of reference were reviewed in March 2018. Slight amendments to clarify the roles of the Audit and Risk Committee and Pension Board in respect of the Firefighters' Pension Scheme were made and approved by the Committee in July 2019.

3.3 No further amendments have been made to the terms of reference. The terms of reference are presented here (in Appendix 1) in line with the Service's continued commitment to good governance arrangements.

4. **EQUALITY IMPACT ASSESSMENT**

Ref. AU/A&R/2021/Sept/91409211

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 and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

The Fire Authority is not obliged by law to appoint an Audit and Risk Committee, but this course of action has been taken in line with guidance from CIPFA.

6. **FINANCIAL IMPLICATIONS**

There are no financial implications arising as a result of the content of this report.

**BACKGROUND PAPERS**

The Constitution of the West Midlands Fire and Rescue Authority.

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

Karen Gowreesunker  
Clerk to the Authority

**APPENDIX 1****AUDIT AND RISK COMMITTEE – TERMS OF REFERENCE****Statement of purpose**

Our Audit and Risk Committee is a key component of the Authority's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit and Risk Committee is to provide independent assurance to the Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

**Governance, Risk and Control**

To review the Authority's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.

To monitor the effective development and operation of risk management in the Authority.

To monitor progress in addressing risk-related issues reported to the Committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

To review the governance and assurance arrangements for significant partnerships or collaborations.

### **Internal Audit**

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- The opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### **External Audit (Grant Thornton)**

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.



## **Financial Reporting**

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Accountability arrangements**

To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full Authority on a regular basis on the Committee's performance in relation to the terms of reference, and the effectiveness of the Committee in meeting its purpose.

To have delegated responsibility as Scheme Manager for making decisions in the management and administration of the firefighters' pension schemes.

To publish an annual report on the work of the Committee.

## **Pension Board**

The Pensions Board assists the Audit and Risk Committee in the role as Scheme Manager to secure compliance with regulations relating to Governance and Administration.

To submit its minutes and Annual Report to the Authority.



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**27 SEPTEMBER 2021**

**1. IMMEDIATE DETRIMENT/CONTRIBUTION HOLIDAYS**

Report of the Chief Fire Officer.

**RECOMMENDED**

- 1.1 THAT in consideration of the Court of Appeal interim order entitling claimants to be treated as members of the FPS 1992 and the unresolved pensions issues, the scheme administrator does not apply the updated Home Office guidance issued on 10<sup>th</sup> June 2021 in its entirety to all future retirement case.
- 1.2 THAT the scheme administrator revises the treatment to any cases affected since the last Audit and Risk Committee on 19<sup>th</sup> July 2021.
- 1.3 THAT the 10<sup>th</sup> June 2021 Home Office guidance is not followed for cases where a member is eligible for a “contribution holiday” under the rules of the 1992 Scheme and relevant cases are to be treated in the same way as they were prior to the updated guidance issued on 10<sup>th</sup> June 2021

**2. PURPOSE OF REPORT**

- 2.1 This report is submitted to the Audit and Risk Committee in their role as Scheme Manager, to request a review of the recommendation and decision made at the 19<sup>th</sup> July 2021 Audit and Risk Committee meeting, in respect of immediate detriment/holiday contribution cases under the McCloud/ Sargeant ruling.

**3. BACKGROUND**

- 3.1 On 7 December 2020 the Audit and Risk Committee, in its role as Scheme Manager for the Firefighter Pension

Schemes, took the decision to instruct the Scheme Administrator to act upon guidance issued by the Home Office in August 2020.

- 3.2 This guidance was updated on 10 June 2021 and included within the further information, was a paragraph advising Fire Authorities not to use the August 2020 guidance in cases where a member would have been eligible for a “contribution holiday” under the rules of the 1992 Scheme.
- 3.3 The August 2020 and June 2021 guidance is described as non-statutory and informal guidance from the Home Office. The Fire Authority is obliged to follow this informal guidance in most circumstances. However, in law, non-statutory guidance does not need to be followed if there is a good or rationale reason not to do so.
- 3.4 In the matter of “contribution holiday” by implementing the updated guidance, the administrator is providing different options to employees in different positions. Whilst this is not an instance of new discrimination it is deemed to be a continuation of the ongoing discrimination which the government seeks to cure within the remedy.
- 3.5 If we do not process these members who have had a contributions holiday in the same way as others that fall within the Immediate Detriment category, this will mean they are being treated differently and this may be viewed as continuing less favourable treatment.
- 3.6 In seeking further sector wide information other Fire Authorities/Pension Boards are processing contribution holiday scheme members as immediate detriment cases and not further delaying the outcome of remedy.
- 3.7 From a local employee perspective, it has been identified that employees who are pension scheme members are affected and are postponing their retirement which is incurring a financial pension detrimental impact also.
- 3.8 The review and further consideration of the evidence these circumstances present, as well as the statement of the Pensions Board on the 1 July, require a reconsideration of the recommendation made to the Audit and Risk Committee on the 19 July 2021.

- 3.9 Further reports will be presented to the Audit and Risk Committee relating to the pension's arrangements associated with Immediate Detriment cases under the McCloud/Sargeant Ruling as Government Guidance and/or other relevant information becomes available.

### **Decision required**

- 3.10 The Committee are asked following due consideration of this report, to approve the Chief Fire Officer's recommendation of the continued application of the August 2020 guidance in relation to Immediate Detriment in respect of 'contributions holidays'.

## **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 and/or do not relate to a policy change.

## **5. LEGAL IMPLICATIONS**

- 5.1 The Employers' Side within the Employment Tribunal process relating to the Transitional Protections Claim made a decision, after being unsuccessful in the Employment tribunal claim, not to further appeal the outcome. This was for several reasons: one reason for this is the impact on the ongoing employee relations at a local and national level. The FBU has made clear that in their view the Employment Appeal Tribunal (EAT) decision means there should be no further delay to affected individuals and the remedy should not affect individuals, any delays may therefore attract further union backed claims. This will then form an additional unknown financial cost.
- 5.2 The EAT decision confirms that section 61 of the Equality Act 2010 prohibits FRAs from acting in a manner which discriminates on the grounds of age, this in effect means that the FRAs can override any discriminatory pension scheme rules. Section 62 of the Equality Act 2010 also confirms that FRAs have vested in them the power to make non-discrimination alterations to the Scheme.
- 5.3 In law, non-statutory guidance is to be followed unless there is

a good reason not to do so. For context, any decision not to follow the June Home Office guidance is capable of Judicial Review and this applies to any non-statutory guidance issued in England & Wales

- 5.4 If the decision recommended within this report is taken by the Committee, the Service will need to ensure that this decision is applied consistently to all relevant and eligible scheme members to ensure the risk of Judicial Review remains low.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are unknown financial implications at this point. The cost of remedy for the Fire Fighter Pension Scheme (England) (Transitional and Consequential Provisions) Regulations 2015 is not yet known in full at this point. However, delay in processing immediate detriment cases may increase the likelihood of a further claim for ongoing discrimination.

## **7. ENVIRONMENTAL IMPLICATIONS**

- 7.1 There are no environmental implications arising from this report.

## **BACKGROUND PAPERS**

Audit and Risk, 'request for a Decision on Action to be taken in respect of Immediate Detriment cases under the McCloud/Sargeant Ruling' Report, 7<sup>th</sup> December 2020.

Audit and Risk, Immediate Detriment report 19 July 2021  
Home Office Guidance August 2020

Revised Home Office Guidance June 2021  
Fire Fighter Pension Scheme (England) (Transitional and Consequential Provisions) Regulations 2015

The contact name for this report is Mike Griffiths, Treasurer, Strategic Enabler of Finance and Resources, telephone number 0121 380 6919.

Phil Loach  
Chief Fire Officer

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**27 SEPTEMBER 2021**

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED THAT

The Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT**

To ask the Committee to note the issues raised from the work undertaken by Internal Audit so far in the current financial year.

3. **BACKGROUND**

The Internal Audit Progress Report contains details of the matters arising from internal audit work undertaken so far in the current year. The purpose of the report is to bring the Committee up to date with the progress made against the delivery of the 2021/22 Internal Audit Plan. The information included in the progress report will feed into, and inform, the overall opinion in the Internal Audit Annual Report issued at the year end.

It summarises the audit work undertaken in a tabular format, and includes:

- the areas subject to review (Auditable Area);
- the level of risk to the Authority assigned to each auditable area (high, medium or low);
- the number and type of recommendations made as a result of each audit review;
- the number of recommendations accepted by management;
- the level of assurance given to each system under review;
- details of any key issues arising from the above.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

The Accounts and Audit Regulations Act states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

**BACKGROUND PAPERS**

None.

Peter Farrow  
Audit Services Manager, Sandwell MBC



## **Internal Audit Progress Report as at 1 September 2021 Audit and Risk Committee – 27 September 2021**



1. Introduction
2. Summary of work completed and in progress
3. Issues arising
4. Other activities
5. Service quality questionnaire feedback

# 1. Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2021/22 Internal Audit plan.

The information included in this progress report will feed into and inform our overall opinion in our Internal Audit annual report issued at the year end.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

No Assurance	Limited	Reasonable	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

Priority rating for issues identified		
<b>Fundamental</b> action is imperative to ensure that the objectives for the area under review are met.	<b>Significant</b> requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	<b>Merits attention</b> action is advised to enhance risk mitigation, or control and operational efficiency.

## 2. Summary of work in progress as at 1 September 2021

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Complete and reported for first time:</b>							
Data Protection	High	0	1	1	2	2	Substantial
Management of Fuel	Medium	0	3	1	4	Draft	Reasonable
<b>In progress:</b>							
Environmental Protection Targets	Medium						
<b>To be started:</b>							
Risk Management	High						
Governance	High						
Workforce Planning	Medium						
IT	High						
Payroll	KFS						
Accounts Receivable	KFS						
Accounts Payable	KFS						

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Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Fixed Asset Accounting/Asset Planning	KFS						
Budgetary Control	KFS						

**Key:** KFS = Key Financial System

ANA = Audit Needs Assessment

Draft = Draft report issued to client and awaiting formal response

NA = Not Applicable

### 3. Issues Arising

#### Data Protection

A review was undertaken to provide assurance that the necessary safeguards were in place to ensure the appropriate use of personal and corporate information. Our review of five subject access requests (SARs) in order to ensure they had been processed within the designated timescales, highlighted that in three cases, there was no documentary to enable the timescales to be confirmed.

The Authority is currently assessing an automated tool which has the capability to provide a case management functionality and audit trail. As such, the implementation of such a tool should address this issue.

#### Management of Fuel

A review was undertaken to provide assurance on compliance with established controls over ordering, receipt and dispensing of fuel at a sample of five stations. The review identified issues of significance which related to:

- Examples were found of fuel orders being placed when the storage tanks were below the specified re-order level.
- Written records relating to fuel deliveries and issues were not always maintained in accordance with the relevant standing order and therefore, not all information was recorded and there were arithmetical errors in the fuel balance figures.
- The issues identified above do increase the risk that fuel levels are not accurately monitored.

This report is at draft stage and we are awaiting a management response to the issues raised.

## 4. Other Activities

### **Advice and Guidance**

We provide on-going advice and guidance to the authority to assist with the continuous improvement of the overall control environment.

### **CIPFA – Audit Committee Updates**

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Committee.

### **Internal Audit Plan 2021/22**

We submitted the Internal Audit annual plan for 2021/22 to the committee for approval at the March 2021 meeting.

### **Internal Audit Annual Report 2020/21**

We presented the Internal Audit annual report for 2020/21 to the committee for comment and approval at the June 2021 meeting.

### **Counter Fraud**

We continue to lead on the Cabinet Office's National Fraud Initiative and their other associated fraud related activity (such as the Annual Fraud Survey), on behalf of the authority and to provide the main point of contact for any investigations into potential fraudulent activity.

## 5. Service Quality Questionnaire (SQQ) Feedback

Feedback to be provided when completed SQQs are received.

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**27 SEPTEMBER 2021**

1. **ANNUAL REPORT FROM SANDWELL AUDIT IN RESPECT OF INFORMATION GOVERNANCE**

Report of the Chief Fire Officer

1.1 RECOMMENDED

THAT the Committee note the contents of the report.

2. **PURPOSE OF REPORT**

- 2.1 This report provides the assurance from internal audit at Sandwell MBC in relation to how the organisation discharges its duties and responsibilities in relation to information governance.

3. **BACKGROUND**

- 3.1 Annually, Sandwell Audit Team conduct a themed audit that examines an aspect of how information is managed within the organisation.
- 3.2 The theme for financial year 2020-2021 was the handling of subject access requests under the Data Protection Act 2018.
- 3.3 The audit was delayed slightly because of the Coronavirus pandemic and the availability of staff at Sandwell MBC and West Midlands Fire Service.
- 3.4 The overall assurance assessment was 'Substantial assurance'.
- 3.5 There were two areas identified for improvement:

- 3.5.1 Response times for some subject access requests were outside the 30-calendar day statutory limit.
- 3.5.2 Some requests were missing from the monthly reports to the Strategic Enabling Team (SET).
- 3.5.3 Remediation and improvements are in progress.
- 3.5.4 One area has already been addressed with the introduction of a PowerBi dashboard for SET members to see requests in real time instead of monthly reports.
- 3.5.5 The second area will be remediated using automated searching, retention and archiving tools.

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

- 4.1 This is not required as this report does not impact any positive characteristics.

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

- 5.1 It is considered best practice for organisations to provide assurance in relation to its performance in relation to information governance legislation.

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

- 6.1 None.

#### 7. **ENVIRONMENTAL IMPLICATIONS**

- 7.1 None.

#### **BACKGROUND PAPERS**

None.

The contact name for this report is Assistant Chief Fire Officer Gary Taylor SIRO, telephone number 0121 380 6006.

PHIL LOACH  
CHIEF FIRE OFFICER

Ref: AU/AC/2021/Sep/215609211



# Internal Audit Report

## Data Protection

**Report distribution:**

Martina Doolan – Data Manager  
Kash Singh – Strategic Enabler Digital and Data  
Gary Taylor – Assistant Chief Fire Officer & SIRO

Report no: FS306  
Date issued: July 2021

**Contents:**

1. Executive summary
2. Issues arising

## 1 Executive summary

### Introduction

An audit Data Protection was undertaken as part of the approved Internal Audit Plan for 2020/21.

### Scope and objectives of audit work

Our audit considered the objectives and the potential risk to the achievement of those objectives.

Objectives Reviewed	Potential Risks
To provide assurance that the necessary safeguards are in place to ensure the appropriate use of personal and corporate information.	<ul style="list-style-type: none"> <li>Data breaches are not managed appropriately.</li> <li>Risks are not identified, or controls and actions put in place to mitigate them.</li> </ul>
Limitations to scope of audit	Limited to recent subject access requests and data breaches.

### Overall conclusion

Our audit provides	Limited	Satisfactory	Substantial
<b>Substantial Assurance</b> over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.	There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

### Key issues identified

We have identified one significant issue where improvement could be made, arising from the following:

- Assurance cannot be provided that subject access requests are responded to within specified deadlines.

Suggested actions for identified issues are shown in the main body of the report. The key issues arising from this report may be included in summary form to the Audit and Risk Committee.

2 *Issues arising*

Action is required to avoid exposure to significant risks in achieving objectives  
**Significant**

No	Issue arising	Agreed action including responsibility and target date
2.1	<p>A sample of five Subject Access Requests (SARs) was selected to be examined to ensure compliance with required deadlines. However, for three of the sample (SARS20002, SARS20003 and SARS20004), no documentary evidence was provided during this review to enable timescales to be confirmed.</p> <p><b>Implication:</b></p> <p>Assurance cannot be provided that SARs are responded to within required deadlines.</p>	<p>Documentary evidence should be retained for all SAR requests to demonstrate compliance with required deadlines.</p> <p>Management response: Automated techniques using Office 365 E-Discovery tools being assessed which will provide case management functionality and audit trail.</p> <p>Deadline and Responsible Officer: 31 October 2021 – Data and Governance Manager</p>

Action is advised to enhance risk control or operational efficiency  
**Merits Attention**

No	Issue arising	Agreed action including responsibility and target date
2.2	<p>Monthly reports are produced and presented to the Strategic Enabling Team (SET) which detail the number of Subject Access Requests (SARs) and Freedom of Information Requests (FOIs) received by the Authority, and how many have been responded to within a specified time frame. The reports presented to SET contained errors. For example, the March report for 2020 illustrated that one SAR had been received by the Authority when in fact three had been received.</p> <p><b>Implication:</b></p> <p>Incorrect position is being presented to SET with regards to SARs received and responded to.</p>	<p>Reports presented to SET should be checked to ensure that they contain the correct information. A reconciliation should be undertaken between the monthly report produced to SET compared to the recording spreadsheet for before reports are submitted to the SET meeting.</p> <p>Management response: This issue of time lag and missing entries has been remediated. The Strategic Enabling Team (SET) have access to a Power Bi dashboard showing Data Protection Subject Access Requests (SAR) and Freedom of Information (FOI) requests as soon as they are logged within the Data and Governance Team.</p> <p>Deadline and Responsible Officer: Complete circa January 2021 – Data and Governance Manager</p>

*Limitations inherent to the internal auditor's work*

This report has been prepared solely for the authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

**Internal control**

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

**Responsibilities of management and auditors**

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

# Sandwell Audit Themed Review – Data Protection

Audit and Risk Committee



# Timeline

Audit Start  
Date

- 22<sup>nd</sup> April 2020

Audit End  
Date

- 22<sup>nd</sup> November 2020

Query  
Resolution

- 23<sup>rd</sup> December 2020



# Evidence Base

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Sample of Subject Access Requests (5)

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Monthly Reports to the Strategic Enabling Team

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Guidance from the Information Commissioner

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Individual data protection breach notifications to Information Asset Owners



# Executive Summary

## Introduction

An audit Data Protection was undertaken as part of the approved Internal Audit Plan for 2020/21.

## Scope and objectives of audit work

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Objectives Reviewed	Potential Risks
To provide assurance that the necessary safeguards are in place to ensure the appropriate use of personal and corporate information.	<ul style="list-style-type: none"><li>• Data breaches are not managed appropriately.</li><li>• Risks are not identified, or controls and actions put in place to mitigate them.</li></ul>
Limitations to scope of audit	Limited to recent subject access requests and data breaches.

## Overall conclusion

Our audit provides <b>Substantial Assurance</b> over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.	Limited	Satisfactory	Substantial
	There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.



# Issues Arising - Significant

Action is required to avoid exposure to significant risks in achieving objectives <b>Significant</b>		
No	Issue arising	Agreed action including responsibility and target date
2.1	<p>A sample of five Subject Access Requests (SARs) was selected to be examined to ensure compliance with required deadlines. However, for three of the sample (SARS20002, SARS20003 and SAR20004), no documentary evidence was provided during this review to enable timescales to be confirmed.</p> <p><b>Implication:</b></p> <p>Assurance cannot be provided that SARs are responded to within required deadlines.</p>	<p>Documentary evidence should be retained for all SAR requests to demonstrate compliance with required deadlines.</p> <p>Management response: Automated techniques using Office 365 E-Discovery tools being assessed which will provide case management functionality and audit trail.</p> <p>Deadline and Responsible Officer: 31 October 2021 – Data and Governance Manager</p>

# Issues Arising – Merits Attention

Action is advised to enhance risk control or operational efficiency <b>Merits Attention</b>		
No	Issue arising	Agreed action including responsibility and target date
2.2	<p>Monthly reports are produced and presented to the Strategic Enabling Team (SET) which detail the number of Subject Access Requests (SARs) and Freedom of Information Requests (FOIs) received by the Authority, and how many have been responded to within a specified time frame. The reports presented to SET contained errors. For example, the March report for 2020 illustrated that one SAR had been received by the Authority when in fact three had been received.</p> <p><b>Implication:</b></p> <p>Incorrect position is being presented to SET with regards to SARs received and responded to.</p>	<p>Reports presented to SET should be checked to ensure that they contain the correct information. A reconciliation should be undertaken between the monthly report produced to SET compared to the recording spreadsheet for before reports are submitted to the SET meeting.</p> <p>Management response: This issue of time lag and missing entries has been remediated. The Strategic Enabling Team (SET) have access to a Power Bi dashboard showing Data Protection Subject Access Requests (SAR) and Freedom of Information (FOI) requests as soon as they are logged within the Data and Governance Team.</p> <p>Deadline and Responsible Officer: Complete circa January 2021 – Data and Governance Manager</p>

# Conclusion

## Opinion of Substantial Assurance

### 2 Issues Identified

- 1 - Significant
  - Plan to remediate by 31<sup>st</sup> October 2021
  - Assessing use of technology to expedite search and retrieval of information
  - More rigorous retention and archiving
- 1 - Merits Attention
  - Complete



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**27 SEPTEMBER 2021**

1. **AUDIT FINDINGS REPORT 2020/2021**

Report of the Treasurer.

RECOMMENDED

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

2. **PURPOSE OF REPORT**

This report is submitted to advise Members of the Audit and Risk Committee 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

# The Audit Findings

**Year ended 31 March 2021**

West Midlands Fire and Rescue  
September 2021





# Contents



**Your key Grant Thornton team members are:**

**Avtar Sohal**

Key Audit Partner

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Audit Manager

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Associate

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## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and Ethics

## Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit letter in respect of delayed VFM work

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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

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# 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.

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# 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 out 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 Auditor'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

### 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 senior 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.



### 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



## 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 due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

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	<p>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).</p> <p>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.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>- evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>- discussed with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met;</li> <li>- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.</li> </ul> <p>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.</p>	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	<p>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.</p> <p>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.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have</p> <ul style="list-style-type: none"><li>Undertaken an assessment of management's expert;</li><li>Reviewed and assessed the actuary's roll forward approach taken;</li><li>Used an auditor's expert (PWC) to assess the actuary and assumptions made by the actuary for both schemes; and reviewed</li><li>Completeness and accuracy of the underlying information used to determine the estimate</li><li>The impact of any changes to valuation method</li><li>Reasonableness of the Authority's share of LPS pension assets.</li><li>Reasonableness of increase/decrease in estimate</li><li>Adequacy of disclosure of estimate in the financial statements.</li></ul> <p>* 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.</p> <table><tr><th>Assumption</th><th>Actuary Value 2020</th><th>Actuary Value 2021</th><th>PwC range</th><th>Impact of year on year change in assumption</th><th></th></tr><tr><td>Discount rate</td><td>2.25%</td><td>2.00%</td><td>1.95% to 2.05%.</td><td>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</td><td>●</td></tr><tr><td>Rate of CPI inflation</td><td>2.0%</td><td>2.40%</td><td>2.85% to 2.80%</td><td>Increases the liability.</td><td>tbc</td></tr><tr><td>Salary growth: GAD have set the assumption at 1.75% p.a. above CPI</td><td>4.0%</td><td>4.15%</td><td>1.00% above RPI-CPI (Pension Increase Rate</td><td>Increases the liability.</td><td>tbc</td></tr><tr><td>Life expectancy –males- longevity at 60 for future pensioners</td><td>23.0 years</td><td>23.1 years</td><td>20.4 – 22.7 years/ 21/8 – 24.3 years</td><td></td><td>●</td></tr><tr><td>Life expectancy – Females longevity at 60 for future pensioners</td><td>23.0 years</td><td>23.1 years</td><td>23.2 – 24.9 years/ 25.2 – 26.7 years</td><td></td><td>●</td></tr></table>	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		●	TBC
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## 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
- Light Blue 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 nor pessimistic

# 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

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.

TBC

## 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	<p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"><li>• 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</li><li>• 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.</li></ul> <p>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:</p> <ul style="list-style-type: none"><li>• the nature of the Authority and the environment in which it operates</li><li>• the Authority's financial reporting framework</li><li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li><li>• management's going concern assessment.</li></ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified</li><li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>We plan to issue an unmodified opinion in this respect – refer to agenda papers.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><li>• 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,</li><li>• if we have applied any of our statutory powers or duties.</li><li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li></ul> <p>We have nothing to report on these matters.</p>





## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>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.</p>
<b>Certification of the closure of the audit</b>	<p>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.</p>

# 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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

### 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

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# 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





**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**27 SEPTEMBER 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 approved.

1.2 THAT the Statement of Accounts summary for 2020/2021 set out in Appendix B be noted.

**2. PURPOSE OF REPORT**

2.1 This report is submitted for Members of the Audit and Risk Committee to approve 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.

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 SERVICE**

# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**



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

# **2020/2021**

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









## NARRATIVE REPORT BY THE TREASURER

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### 1. Introduction

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

WMFS is accountable to the public via the West Midlands Fire and Rescue Authority (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 through 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.

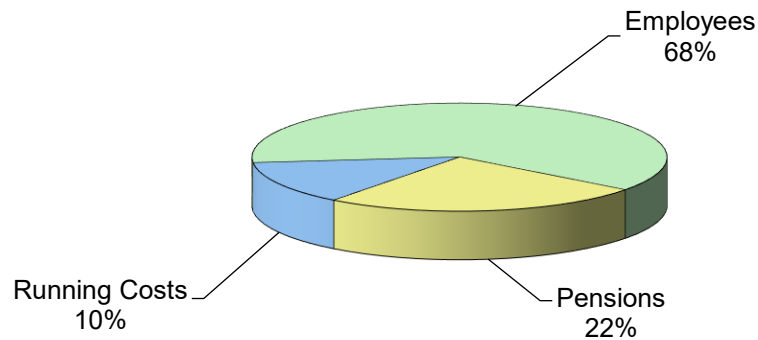
- We aim to get to incidents within our attendance standards across all categories; with five minutes in high-risk areas, to save life, reduce harm and protect homes and businesses.
- We will, through our highly trained firefighters, deliver an assertive, effective and safe response to all incidents 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](http://www.wmfs.net)

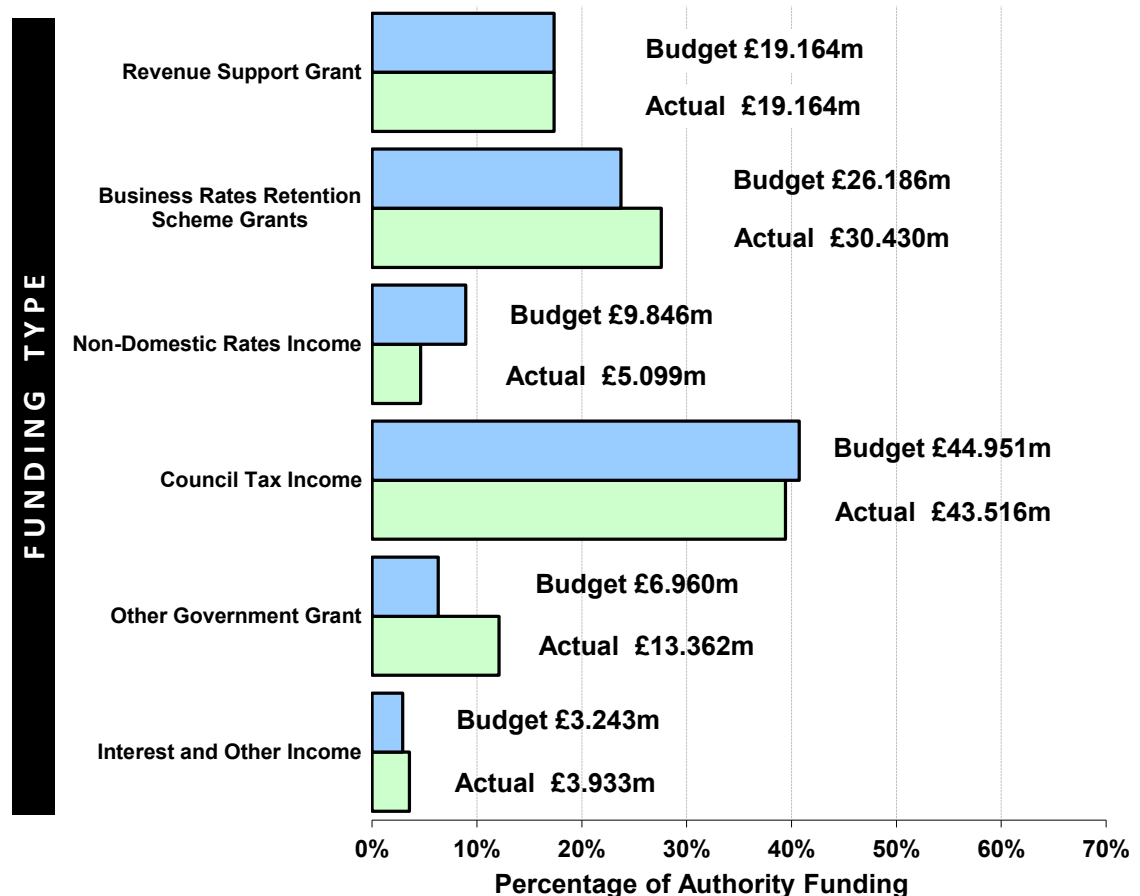
2. This narrative report provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.
3. The Authority's accounts for the financial year 2020/2021 are set out on the following pages and consist 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 31<sup>st</sup> 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 31<sup>st</sup> 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 – 1 <sup>st</sup> Tranche	2019/20	594,079	March 2020
Emergency funding – 2 <sup>nd</sup> Tranche	2020/21	2,192,035	May 2020
Sales, fees and charges – 1 <sup>st</sup> Tranche	2020/21	45,863	November 2020
Sales, fees and charges – 2 <sup>nd</sup> 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 – 3 <sup>rd</sup> 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 Government's 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
Green
Red

**Over performance against the tolerance levels**




**Performance is within the tolerance levels**

**Under performance against the tolerance levels**








## Response


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


<b>PI 2</b>		<b>The number of accidental dwelling fires</b> Target YTD: 1613 (1532 – 1645) Actual to date: 1607 <b>Performance is within the tolerance levels</b>
<b>PI 3</b>		<b>Injuries from accidental fires in dwellings (taken to hospital for treatment)</b> Target YTD: 51 (42 – 56) Actual to date: 51 <b>Performance is within the tolerance levels</b>
<b>PI 4</b>		<b>The number of deaths from accidental dwelling fires</b> Target YTD: N/A Actual to date: 9




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

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

<b>PI 13</b>		<b>The number of accidental fires in non-domestic premises</b> Target YTD: 431 (388 – 452) Actual to date: 326 <b>Over performance against the tolerance levels</b>
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<b>PI 14</b>	 <b>Fire alarm</b>	<b>The number of false alarm calls due to fire alarm equipment in dwellings and non-domestic premises</b> Target YTD: 5733 (5447 – 5848) Actual to date: 5629 <b>Performance is within the tolerance levels</b>
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16. Further information about the accounts is available from:

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

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

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

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

The Authority is required to:

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

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

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that this statement of accounts gives a true and fair view of the financial position and expenditure and income of the 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**

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The statement of accounts for the year 1<sup>st</sup> April 2020 to 31<sup>st</sup> 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'.

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

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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1. ACCOUNTING POLICIES

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

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position as at the year-end, 31<sup>st</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> April 2015 a new modified section was established for employees who were employed as retained firefighters between 1<sup>st</sup> April 2000 and 5<sup>th</sup> April 2006.

- Uniformed Firefighters – (2015) Scheme

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

The combined pension fund for uniformed firefighters as at 31<sup>st</sup> March 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 1<sup>st</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> April 2011.

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

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

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

#### **1.14.5 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**

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

The standards introduced in the 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**

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

- Insurance – The Authority continues to operate a self-insure scheme for all of its property and vehicle assets.
- No Residual Value of Assets – The Authority assumes that the residual value of plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.
- Property valued at Current Value – The Authority has had all its land and property assets valued on the basis of current value as at 31<sup>st</sup> March 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**

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 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**

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### **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 1<sup>st</sup> April 2020 to 31<sup>st</sup> 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**

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### **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

<b>2019/2020 * Restated</b>	Adjustments for capital purposes (Note 7.2)	Net change for the pension adjustments (Note 7.3)	Other statutory differences (Note 7.4)	Total Adjustments
	£000	£000	£000	£000
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
<b>Cost of Services</b>	<b>4,586</b>	<b>20,661</b>	<b>152</b>	<b>25,399</b>
Other Income and Expenditure	(6,067)	44,138	564	38,635
<b>Total</b>	<b>(1,481)</b>	<b>64,799</b>	<b>716</b>	<b>64,034</b>

<b>2020/2021</b>	Adjustments for capital purposes (Note 7.2)	Net change for the pension adjustments (Note 7.3)	Other statutory differences (Note 7.4)	Total Adjustments
	£000	£000	£000	£000
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
<b>Cost of Services</b>	<b>265</b>	<b>20,204</b>	<b>346</b>	<b>20,815</b>
Other Income and Expenditure	(3,223)	37,988	6,426	41,191
<b>Total</b>	<b>(2,958)</b>	<b>58,192</b>	<b>6,772</b>	<b>62,006</b>

## **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
<b>Gross Expenditure</b>	<b>105,743</b>	<b>-</b>	<b>105,743</b>
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)
<b>Gross Income</b>	<b>(3,832)</b>	<b>-</b>	<b>(3,832)</b>
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
<b>Net Expenditure</b>	<b>101,911</b>	<b>-</b>	<b>101,911</b>

## 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
	<b>Expenditure</b>	
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	<b>Total Expenditure</b>	<b>170,715</b>
	<b>Income</b>	
(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)	<b>Total Income</b>	<b>(115,504)</b>
68,368	<b>(Surplus)/Deficit on the provision of services</b>	<b>55,211</b>

## 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
<b>Revenue from contracts with service recipients:</b>		
<b>Service Delivery – provision of Fire Control</b>	<b>996</b>	<b>1,042</b>
<b>Total included in CIES</b>	<b>996</b>	<b>1,042</b>

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

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

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
<b>Not Later than one year</b>	<b>1,016</b>	<b>1,036</b>
<b>Later than one year</b>	<b>1,036</b>	<b>1,059</b>
<b>Amounts of transaction price fully unsatisfied</b>	<b>2,052</b>	<b>2,095</b>

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**

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

2019/2020	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
<b>Adjustments to Revenue Resources</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</b>			
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)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(70,118)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-
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	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,084</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	83
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>83</b>
<b>Total Adjustments</b>	<b>(64,034)</b>	<b>-</b>	<b>83</b>



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)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(65,247)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-
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	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,241</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>(62,006)</b>	<b>-</b>	<b>-</b>

## 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
<b>Capital</b>							
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	-
<b>Insurance</b>							
Insurance Reserve	7,188	245	-	6,943	238	100	6,805
<b>NDR &amp; Local Tax Income Guarantee</b>							
S31 Business Rates Relief	-	-	-	-	-	4,234	4,234
Local Tax Income Guarantee	-	-	-	-	-	623	623
<b>Strategy &amp; Organisational Intel.</b>							
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
<b>Communications</b>							
Communications/Media Events	31	43	19	7	-	198	205
Community Engagement	37	63	173	147	142	38	43
<b>Finance &amp; Resources</b>							
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	-	-	-	-
<b>Digital &amp; Data</b>							
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	-	-	-	-	-
<b>People Services</b>							
Safeguarding Arrangements	-	-	56	56	7	-	49
Project Management/Support	-	-	-	-	-	30	30
<b>Training, Health &amp; Wellbeing</b>							
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

<b>General Fund: (Continued)</b>	<b>Balance at 31 March 2019 £000</b>	<b>Transfers out 2019/20 £000</b>	<b>Transfers in 2019/20 £000</b>	<b>Balance at 31 March 2020 £000</b>	<b>Transfers out 2020/21 £000</b>	<b>Transfers in 2020/21 £000</b>	<b>Balance at 31 March 2021 £000</b>
<b>Prevention, Preparedness &amp; Response</b>							
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	-
<b>Protection &amp; Organisational Assurance</b>							
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	-	-	-	-	-
<b>Command Delivery, Fire Control &amp; WP</b>							
Tech Rescue	774	624	260	410	93	150	467
Command Delivery	314	626	557	245	425	409	229
<b>TOTAL</b>	<b>33,380</b>	<b>10,712</b>	<b>7,469</b>	<b>30,137</b>	<b>11,126</b>	<b>17,906</b>	<b>36,917</b>

## 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)	<b>Balance 1 April</b>	(62,693)
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
4,152	<b>Charges for depreciation and impairment of non-current assets</b>	3,876
403	<b>Revaluation losses on Property, Vehicles, Plant and current assets</b>	(3,642)
31	<b>Amortisation of intangible assets</b>	31
17	<b>Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES</b>	18
(55,681)		(62,410)
(845)	<b>Adjusting amounts written out of the Revaluation Reserve</b>	(872)
(56,526)	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	(63,282)
	<b>Capital financing applied in the year:</b>	
-	<b>Use of the Capital Receipts Reserve to finance new capital expenditure</b>	-
-	<b>Capital grants and contributions credited to the CIES that have been applied to capital financing</b>	-
(83)	<b>Application of grants to capital financing from the Capital Grants Unapplied Account</b>	-
(884)	<b>Statutory provision for the financing of capital investment charged against the General Fund</b>	(937)
(5,200)	<b>Capital expenditure charged against the General Fund</b>	(2,304)
(62,693)	<b>Balance 31 March</b>	(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
<b>Net Book Value</b>					
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
<b>Net Book Value</b>					
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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>Balance at start of year:</b>		
Gross carrying amounts	797	797
Accumulated amortisation	(654)	(685)
<b>Net carrying amount at end of year</b>	<b>143</b>	<b>112</b>
<b>Additions:</b>		
Purchases	-	-
Amortisation for the period	(31)	(31)
<b>Net carrying amount at end of year</b>	<b>112</b>	<b>81</b>
<b>Comprising of:</b>		
Gross carrying amounts	797	797
Accumulated amortisation	(685)	(716)
<b>Net carrying amount at end of year</b>	<b>112</b>	<b>81</b>

## 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	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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
<b>Amortised Cost:</b>				
<b>(Gains)/Losses on de-recognition</b>	<b>(37)</b>	<b>-</b>	<b>(70)</b>	<b>-</b>
<b>Interest revenue</b>	<b>(426)</b>	<b>-</b>	<b>(118)</b>	<b>-</b>
<b>Interest expense</b>	<b>1,922</b>	<b>-</b>	<b>1,830</b>	<b>-</b>
<b>Total</b>	<b>1,459</b>	<b>-</b>	<b>1,642</b>	<b>-</b>

## 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
<b>PWLB</b>	<b>(31,425)</b>	<b>(1,687)</b>	<b>(29,653)</b>	<b>(1,772)</b>
<b>Dudley MBC</b>	<b>(2,250)</b>	<b>(335)</b>	<b>(1,882)</b>	<b>(369)</b>
<b>Total Principal Amount</b>	<b>(33,675)</b>	<b>(2,022)</b>	<b>(31,535)</b>	<b>(2,141)</b>
<b>Plus Accrued Interest</b>	<b>-</b>	<b>(150)</b>	<b>-</b>	<b>(115)</b>
<b>Total Amortised Cost</b>	<b>(33,675)</b>	<b>(2,172)</b>	<b>(31,535)</b>	<b>(2,256)</b>

## 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 31<sup>st</sup> 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
<b>PWLB Short &amp; Long Term Loans</b>	<b>(33,112)</b>	<b>(66,870)</b>	<b>(31,425)</b>	<b>(57,239)</b>
<b>Dudley MBC (WMCC)</b>	<b>(2,585)</b>	<b>(2,585)</b>	<b>(2,251)</b>	<b>(2,251)</b>
<b>Total</b>	<b>(35,697)</b>	<b>(69,455)</b>	<b>(33,676)</b>	<b>(59,490)</b>

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

	Quoted prices in active markets for identical assets  (Level 1) £000	Other significant observable inputs  (Level 2) £000	Significant unobservable inputs  (Level 3) £000	TOTAL 31 March 2021  £000
<b><u>FINANCIAL LIABILITIES</u></b>				
Loans	-	(59,490)	-	(59,490)
Plus Accrued Interest	-	(115)	-	(115)
<b>Total Borrowing</b>	-	(59,605)	-	(59,605)
Creditors	-	(4,494)	-	(4,494)
<b>Total Financial Liabilities</b>	-	(64,099)	-	(64,099)
<b><u>FINANCIAL ASSETS</u></b>				
Cash & Cash Equivalents	-	36,614	-	36,614
<b>Total Investments</b>	-	36,614	-	36,614
Debtors	-	1,176	-	1,176
<b>Total Financial Assets</b>	-	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
<b>Total</b>	<b>593</b>	<b>614</b>

### 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
	<b>Financial Instruments</b>	
587	Trade receivables	567
738	Accrued income	527
50	Other receivable amounts	82
1,375	<b>Total Financial Instruments</b>	<b>1,176</b>
	<b>Other Debtors</b>	
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	<b>Total Other Debtors</b>	<b>19,716</b>
14,660	<b>Total Debtors</b>	<b>20,892</b>

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
<b>Total</b>	<b>4,928</b>	<b>5,463</b>

## 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	<b>Total Cash and Cash Equivalents</b>	<b>36,614</b>

## 22. CREDITORS

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

## 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

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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

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

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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	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 £
	<b>Senior Officer whose salary is £150,000 or more per year:</b>					
241,821	CFO – Phil Loach	178,654	1,338	179,992	66,638	246,630
	<b>Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:</b>					
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
<b>Total</b>	<b>82</b>	<b>112</b>

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

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

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) +(c)]		Total cost of exit packages in each band £	
	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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>14</b>	<b>-</b>	<b>14</b>	<b>1</b>	<b>15,574</b>	<b>50,002</b>

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

## 29. MEMBERS' ALLOWANCES

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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

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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:

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

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
<i>Credited to Taxation and Non Specific Grant Income:</i>		
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
<b>Total</b>	<b>45,109</b>	<b>54,413</b>
<i>Credited to Services:</i>		
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	-
<b>Total</b>	<b>7,150</b>	<b>8,543</b>

### 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:

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

## 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.

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

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

## **34. DEFINED BENEFIT PENSION SCHEMES**

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### **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 31<sup>st</sup> 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 £000	Firefighters				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
<b>CIES</b>						
<i>Cost of services:</i>						
Current service cost	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)
<b>MIRS</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(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				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
<b>CIES</b>						
<i>Cost of services:</i>						
Current service cost	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
<b>MIRS</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(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:

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

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

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

<b>2019/2020</b>	<b>Funded assets: LGPS £000</b>	<b>Unfunded assets: LGPS £000</b>	<b>Unfunded assets: FPS 1992 £000</b>	<b>Unfunded assets: FPS 2006 £000</b>	<b>Unfunded assets: FPS 2015 £000</b>	<b>Unfunded assets: Firefighters Compensation Scheme £000</b>	<b>Total £000</b>
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

<b>2020/2021</b>	<b>Funded assets: LGPS £000</b>	<b>Unfunded assets: LGPS £000</b>	<b>Unfunded assets: FPS 1992 £000</b>	<b>Unfunded assets: FPS 2006 £000</b>	<b>Unfunded assets: FPS 2015 £000</b>	<b>Unfunded assets: Firefighters Compensation Scheme £000</b>	<b>Total £000</b>
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):**

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

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

**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
<b>Total Assets</b>	<b>98,789</b>	<b>100</b>	<b>124,251</b>	<b>100</b>

**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
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
• Men	21.9	21.6	21.3	21.4
• Women	24.1	23.9	21.3	21.4
<b>Longevity at 65 for future pensioners:</b>				
• Men	23.8	23.4	23.0	23.1
• Women	26.0	25.8	23.0	23.1
<b>Rate of inflation CPI</b>	1.85%	2.85%	2.0%	2.4%
<b>Rate of increase in salaries</b>	2.85%	3.85%	4.0%	4.15%
<b>Rate of increase in pensions</b>	1.85%	2.85%	2.0%	2.4%
<b>Rate for discounting scheme liabilities</b>	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.

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

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

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

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 31<sup>st</sup> March 2021 £2.66m, 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 £2.63m and 1<sup>st</sup> April 2022 to 31<sup>st</sup> 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**

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### **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 28<sup>th</sup> March 2012 which found against the Company, it is now highly likely that the scheme of arrangement will be triggered. Once the scheme is implemented, the Authority and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1<sup>st</sup> October 1993. The Contingent Liability is for approximately 50% (£2.060m). Payments of £0.402m (2013/14) & £0.268m (2016/17) have been made and an earmarked reserve is provided for £0.038m. 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.

OFFICIAL

## PENSION FUND ACCOUNT

2019/2020 £000					2020/2021 £000			
1992	2006	Modified	2015		1992	2006	Modified	2015
				<b>Contributions Receivable</b>				
				<b>From Fire Authority</b>				
(2,362)	(41)	(27)	(10,437)	<b>Contributions in relation to pensionable pay</b>	(1,559)	(40)	(28)	(11,305)
(120)	(20)	-	-	<b>Ill health retirements</b>	(79)	(20)	-	-
(928)	(17)	(20)	(4,643)	<b>From firefighters contributions</b>	(659)	(16)	(20)	(4,996)
				<b>Transfers in</b>				
(112)	-	-	(80)	<b>Individual</b>	-	(123)	-	(149)
				<b>Benefits Payable</b>				
40,967	24	8	1	<b>Pensions</b>	42,078	26	8	12
7,616	-	-	-	<b>Commutations and lump sum retirement benefits</b>	7,947	-	-	110
-	-	-	95	<b>Lump sum death benefits</b>	-	-	-	-
				<b>Payments to and on account of leavers</b>				
-	5	-	14	<b>Individual transfers</b>	-	-	-	28
45,061	(49)	(39)	(15,050)	<b>Net amount payable for the year</b>	47,728	(173)	(40)	(16,300)
(45,061)	49	39	15,050	<b>Top up Grant payable by the Government</b>	(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 1<sup>st</sup> April 2006 under the FPS (Amendment) England Order 2006 and covered both the 1992 and 2006 FPS. From 1<sup>st</sup> 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 1<sup>st</sup> April 2006 the Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. The 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 %
<b>Employer's</b>	<b>37.3</b>	<b>27.4</b>	<b>37.3</b>
<b>Employees' Pensionable pay band</b>			
<b>Up to £15,609</b>	<b>11.0</b>	<b>8.5</b>	<b>11.0</b>
<b>&gt; £15,609 to £21,852</b>	<b>12.2</b>	<b>9.4</b>	<b>12.2</b>
<b>&gt; £21,852 to £31,218</b>	<b>14.2</b>	<b>10.4</b>	<b>14.2</b>
<b>&gt; £31,218 to £41,624</b>	<b>14.7</b>	<b>10.9</b>	<b>14.7</b>
<b>&gt; £41,624 to £52,030</b>	<b>15.2</b>	<b>11.2</b>	<b>15.2</b>
<b>&gt; £52,030 to £62,436</b>	<b>15.5</b>	<b>11.3</b>	<b>15.5</b>
<b>&gt; £62,436 to £104,060</b>	<b>16.0</b>	<b>11.7</b>	<b>16.0</b>
<b>&gt; £104,060 to £124,872</b>	<b>16.5</b>	<b>12.1</b>	<b>16.5</b>
<b>&gt; £124,872</b>	<b>17.0</b>	<b>12.5</b>	<b>17.0</b>

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



The fund is administered by the Authority and managed by the Strategic Enabler of Finance and Resources. Benefits are paid to retired officers, their survivors and others who are eligible for benefits under both the 1992, 2006 and 2015 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 31<sup>st</sup> 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**

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### **1. Scope of Responsibility**

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

### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31<sup>st</sup> March 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 Covid-19 Governance Impact 2020/21  
 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.

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Greg Brackenridge  
Chair  
West Midlands Fire & Rescue Authority

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Phil Loach  
Chief Fire Officer

## GLOSSARY OF TERMS

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### ***Accruals***

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

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

The estimated cost of any untaken employee benefits.

### ***Balance Sheet***

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

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

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

### ***Capital Expenditure***

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

### ***Capital Receipt***

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

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

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

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

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

### ***Creditor***

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

### ***Current Assets***

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

### ***Current Liabilities***

Amounts falling due for payment in the next accounting period.

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

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

**Debtor**

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

**Deferred Liability**

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

**Defined Benefit Pension Scheme**

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

**Depreciation**

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

**Emoluments**

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

**Employee Benefits**

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

**Fixed Asset**

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

**General Fund**

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

**Government Grants**

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

**Heritage Assets**

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

**Impairment**

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

**Interest Cost (Pensions)**

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

**International Financial Reporting Standards (IFRS)**

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

***Inventories***

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

***Liabilities***

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

***Long term Borrowing***

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

***Long term Debtors***

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

***Materiality***

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

***Minimum Revenue Provision***

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

***NDR***

Rates which are levied on business properties.

***Net Book Value***

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

***Net Realisable Value***

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

***Non Operational Assets***

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

***Operational Assets***

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

***Past Service Cost (Pensions)***

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in the prior periods arising in the current period 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 1<sup>st</sup> April 2007) from holding non-current assets.

**Revenue Expenditure**

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

**Revenue Support Grant (RSG)**

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

**Temporary Loans**

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

**Useful Life**

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



# SUMMARY OF ACCOUNTS



Item 9

# 2020-2021



## INTRODUCTION

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

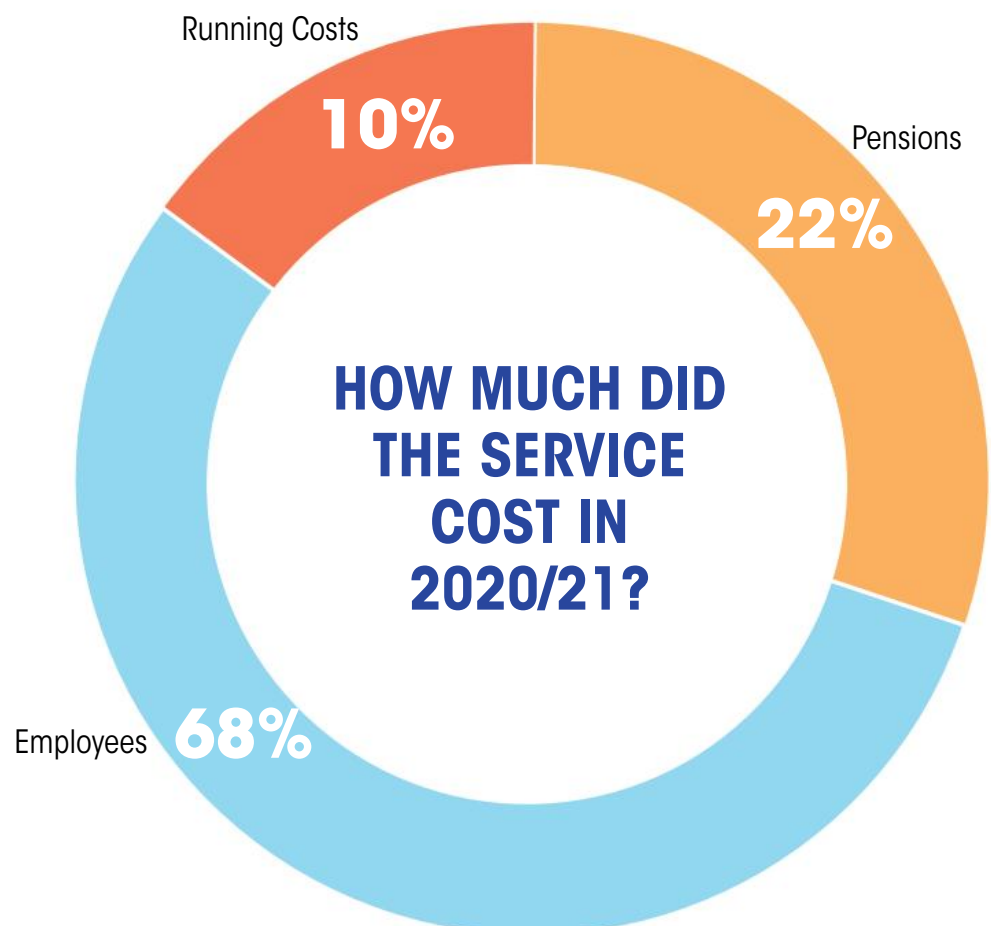
The Authority is responsible for the stewardship of public money and the production of summary accounts allows it to enhance its accountability to the residents of the West Midlands.

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:

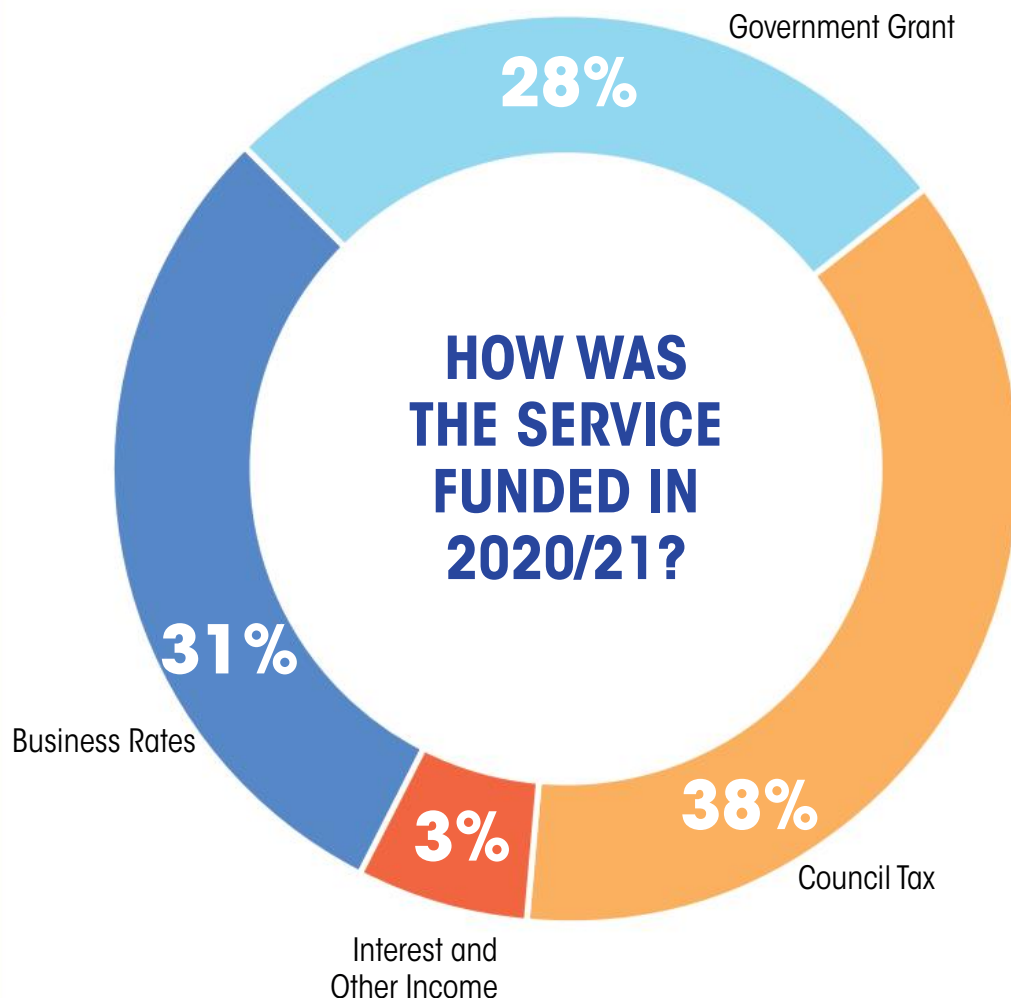




# 2

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.

## 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](mailto:kal.shoker@wmfs.net)

The Authority's full 2020/21 audited Statement of Accounts can be found on our website [www.wmfs.net/](http://www.wmfs.net/)

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Item 10

**AUDIT AND RISK COMMITTEE**

**27 SEPTEMBER 2021**

1. **ANNUAL REPORT OF THE PENSION BOARD 2020/21**

Report of the Chair of the Pension Board.

RECOMMENDED

That the Committee approves the Annual Report of the Pension Board 2020/21.

2. **PURPOSE OF REPORT**

This report is submitted to Members to seek approval to the Annual Report of the Pension Board 2020/21.

3. **BACKGROUND**

- 3.1 Enabling the Audit and Risk Committee in its role as Scheme Manager, to be fully effective in comprehending and assessing compliance of regulation relating to the governance of the Pension Schemes; the Pension Board present an annual report of its activities.
- 3.2 The Pension Board maintained its functioning throughout the COVID-19 pandemic. It met virtually to ensure business continuity of its role and reporting to the Audit and Risk Committee as a Standing Committee of the Authority.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

The Authority 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.

6. **FINANCIAL IMPLICATIONS**

The Accounts and Audit Regulations Act states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

**BACKGROUND PAPERS**

Minutes of Pension Board submitted to the Audit and Risk Committee within the period covered by the Annual Report 2020/21

Chair of the Pension Board



Annual Report of the Pension Board  
2020/21

## 1. Background

The role of the local Pension Board as defined by section 5(1) and (2) of the Public Service Pensions Act 2013 is to:

- Assist the Scheme Manager:
  - to secure compliance with the Scheme regulations and any other legislation relating to the governance and administration of the Firefighters' Pension Scheme ("the Scheme").
  - to secure compliance with requirements imposed in relation to the Scheme by the Pensions Regulator.
  - in such other matters as the Scheme regulations may specify.
- Secure the effective and efficient governance and administration of the Scheme for the West Midlands Fire & Rescue Authority.
- Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure that the Scheme is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

The full Terms of Reference for the Board can be found at Appendix A of this report.

## 2. Meetings

During 2020/21 the Board met on the following dates:

- 14 May 2020
- 30 July 2020

- 11 September 2020
- 09 December 2020
- 30 March 2021
- 09 June 2021
- 01 July 2021

### 3. Attendance

Name	14/05/20	30/07/20	11/09/20	09/12/20	30/03/21	09/06/21	01/07/21
Neil Chamberlain	✓	x	✓	x	✓	✓	✓
Wendy Browning-Sampson	✓	✓	✓	✓	x	x	✓
Julie Felton	x	x	✓	✓	✓	x	✓
Adam Harper	✓	✓	✓	x	✓	✓	✓
Emmett Robinson	✓	x	x	x	✓	x	✓
Kal Shoker	✓	✓	✓	✓	✓	✓	✓
Alan Tranter	✓	✓	✓	✓	✓	✓	✓

\*Not applicable

### 4. The Pension Board's business

During the year the Pension Board conducted the following business:

Submission of The Pension Regulator Governance Survey 2020

Receipt and scrutiny of updates from the WMFS Pension Advisor  
 Compilation and regular evaluation of the Risk Register  
 Monitoring of Firefighter Pension Schemes Bulletins and progress actions arising

Completed annual training with LGA Pension Advisor

Monitored High Court rulings and changes to legislation

Utilised digital technology to ensure Business Continuity of meetings during Covid-19 pandemic

Embedded integrity of advisory role of Pension Board and decision making role of Scheme Manager

Established focus upon outcomes of McCloud/Sargeant consultation (Fire)(July 2020) and constancy of skills to respond to Pension Schemes Members and Scheme Manager

## 5. The Pension Board's main achievements

The Pension Board believes its key achievements during the year were:

- Continuing to build a good working relationship with the Audit and Risk Committee as the Scheme Manager
- Receiving and reviewing the regular sector updates from The Pension Regulator and progressing actions arising
- Ensuring implementation of remedial actions required to comply with Pension Regulation
- Oversight of pension administration process as assurance of integrity to the Scheme Manager
- Reviewing the Committee's Terms of Reference to ensure they remain fit for purpose.
- Maintaining functioning of Pension Board during the Covid19 pandemic via digital meetings to enable continuity of business
- Increasing the number of meetings held in the year from 4 to 7 to include extraordinary meetings to discuss assurance of Scheme administration during Covid-19 and Immediate Detriment cases under McCloud Sargeant
- Raising the profile of the Pensions Board ensuring regular communication with members of the Scheme
- Regular consideration and review of the Pension Board Risk Register and accompanying assurances.
- The continued presence of the WMFS Pension Advisor and Chair of the Audit & Risk Committee



## **Terms of Reference for the Pension Board of the West Midlands Fire & Rescue Authority**

### Terms of Reference and Delegated Authorities

#### **Introduction**

This document outlines the terms of reference for the local Pension Board of the West Midlands Fire & Rescue Authority.

#### **Role of the Pension Board**

The role of the local Pension Board as defined by section 5(1) and (2) of the Public Service Pensions Act 2013 is to:

- Assist the Scheme Manager:
  - to secure compliance with the Scheme regulations and any other legislation relating to the governance and administration of the Firefighters' Pension Scheme ("the Scheme").
  - to secure compliance with requirements imposed in relation to the Scheme by the Pensions Regulator.
  - in such other matters as the Scheme regulations may specify.
- Secure the effective and efficient governance and administration of the Scheme for the West Midlands Fire & Rescue Authority.
- Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also ensure that the Scheme is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

### **Appointment of Member of the Pension Board**

The process for selecting members of the Pension Board is set out below.

The Fire Service will consider matters such as who is eligible to stand, how the nomination process will work and what sort of information candidates will need to submit. The Service will appoint through election or selection with the rules of governing the process. The Fire Authority has an independent chair who will chair the Pension Board meetings, this role will be an independent role.

The Pension Board shall consist of 7 members and be constituted as follows:-

- i) 3 employer representatives, which have been identified, and appointed
- ii) 3 scheme member representatives, which have been identified, and elected and of which one should be a retired member
- iii) 1 independent chair selected.

Scheme member and employer representatives shall be appointed in equal number and shall together form the majority of the Board's membership.

The Chair of the Pension Board will be determined by the Scheme Manager. It will be the role of the Chair to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

The term of office for the Chair will be determined by the Scheme Manager.

Each employer representative and scheme member representative so appointed shall serve for a fixed period (of up to three years) which can be extended for further period(s) subject to re-nomination and/or election.

Each Board Member should endeavour to attend all Board meetings during the year and is required to attend at least 2 meetings each year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by:

- Scheme Member representatives
- recommendation by the other scheme member representatives and the unanimous agreement of all of the other members.
- Employer representatives by the decision of the Service or on leaving the employment of the Service.
- The removal of the independent member requires the consent of the Scheme Manager.

The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub committees, particularly where this would add skills and experience. Notwithstanding the appointment of co-opted members, the majority of the Board shall be comprised of employer and Scheme member representative, represented in equal number.

### **Quorum**

The Board shall have a formal quorum when at least one scheme member representative and one employer representative are in attendance.

In the absence of the Independent Chair, a Chair person will be selected on a rotational basis between the scheme member and employer representatives.

Advisors and co-opted persons do not count towards the quorum.

### **Conflicts of Interest**

The policy for identifying conflicts of interest is set out in a separate policy document. Any conflicts of interest that would prevent you from carrying out the role effectively will need to be highlighted to the Service.

### **Board Review Process**

The Board will undertake at the first meeting of the year, a formal review process to assess how well it and its committees and the members are performing with a view to seeking continuous improvement in the Board's performance.

### **Advisers to the Board**

The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and

legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including:-

- A Governance Adviser.
- The Fund's Actuary.
- The Fund's Administrator.
- The Scheme Manager.
- Other advisers, so approved by the Scheme Manager.

The Board shall ensure that the performance of the advisers so appointed are reviewed on a regular basis.

### **Knowledge and Skills**

The Code of Practice No. 14 Governance and Administration of public service pension schemes states “A member of the Pension Board must have a working knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the function of their role. Pension board members should be aware of the range and extent of the law relating to pensions which apply to their Scheme and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties”.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members should regularly review their skills, competencies and knowledge to identify gaps or weaknesses. Pension Board members will be expected to attend training to ensure that their knowledge and skills are maintained.

### **Board Meetings – Notice and Minutes**

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal

record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board or Board Committee, they shall be circulated to all members of the Board and forwarded to the Scheme Manager.

There will be four Pension Board meetings a year to be held quarterly monthly. The minutes of the Pension Board will be approved by the Scheme Manager and shared with pension scheme members.

### **Remit of the Board**

The Pension Board must assist the Scheme Manager with such other matters as the Scheme regulations may specify. It is for Scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails.

### **Standards of Conduct**

The role of Pension Board members requires the highest standards of conduct and therefore the 'seven principles of public life will be applied to all Pension Board members and embodied in their code of conduct.

These are:-

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership.

### **Decision Making**

Each elected/appointed member of the Pension Board will have an individual voting right but it is expected the Pension Board will, as far as possible, reach a consensus. The Independent Chair of the Pension Board will not have voting rights.

## **Publication of Pension Board Information**

Scheme Members and other interested parties will want to know that the Scheme is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with Scheme regulations, the governance and administration of the Scheme and requirements of the Pension Regulator.

Up to date information will be posted on the West Midlands Fire & Rescue Authority website showing:-

- The names and information of the Pension Board members.
- How the Scheme members are represented on the Pension Board.
- The responsibilities of the Pension Board as a whole.
- The full terms of reference and policies of the Pension Board and how they operate.
- The Pension Board appointment process.
- Who each individual Pension Board member represents.
- Any specific roles and responsibilities of individual Pension Board members.

Pension Board papers, agendas and minutes of meetings will be published on the West Midlands Fire & Rescue Authority website (CMIS). These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they are deemed as being confidential for the purposes of the Data Protection Act 1998, and other relevant data protection legislation (such as General Data Protection Regulations).

The Scheme Manager will also consider requests for additional information to be published or made available to individual Scheme members to encourage Scheme member engagement and promote a culture of openness and transparency.

## **Accountability**

The Pension Board will be collectively and individually accountable to the Scheme Manager.

## **Expense Reimbursement [Remuneration and Allowances]**

There will be no specific remuneration for undertaking the role of representative on the Local Pension Board. However, travel expenses in line with public transport or car mileage may be claimed with a valid receipt.

## **Reporting Breaches**

Pension Board members are required to report breaches of the law to the regulator where they believe there is a legal duty that has not or is not being complied with or the failure to comply will be of material significance to the Pensions Regulator in the exercise of its functions. Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy document.

## **Definitions**

The undernoted terms shall have the following meaning when used in this document.

"Pension Board" or Means the local Pension Board for the Fire Authority "Board" as required under the Public Service Pensions Act 2013.

"Scheme Manager" Means the West Midlands Fire & Rescue Authority as administering authority of the Pension Fund.

"Chair" Reference to duties to be performed, or authorise exercised, by the Chair.

"Scheme" Means the Firefighters' Pension Schemes.

## **Interpretation**

Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.





# WEST MIDLANDS FIRE AND RESCUE AUTHORITY

## AUDIT AND RISK COMMITTEE

### WORK PROGRAMME 2021/22

Date of Meeting	Item	Responsible Officer	Completed
<b>2021</b>			
19 July 2021	Statement of Accounts 2020/21 (Draft Unaudited Approval)	Treasurer	19 <sup>th</sup> July 2021
	Treasury Management Annual Report 2020/21	Treasurer	19 <sup>th</sup> July 2021
	Monitoring Policies and RIPA (Annual Whistleblowing Report)	Monitoring Officer/ACFO Strategic Enabler (Enabling Services)	Note: deferred from 7 June meeting
	Minutes of the Audit and Risk Committee held on 7 June 2021	Democratic Services Officer	19 <sup>th</sup> July 2021
	Minutes of the Pension Board held on 30 March 2021	Democratic Services Officer	19 <sup>th</sup> July 2021
	Minutes of the Pension Board held on 9 June 2021	Democratic Services Officer	19 <sup>th</sup> July 2021

	<p>Training Requirements of Audit and Risk Members</p> <p>Audit and Risk Committee Draft Work Plan 2021/22</p> <p>Request for a decision on Action to be taken in respect of immediate detriment cases under the McCloud_Sargeant Ruling</p>	<p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>ACFO Strategic Enabler (Enabling Services) / Treasurer</p>	<p>Note: deferred from 19 July meeting</p> <p>19<sup>th</sup> July 2021</p> <p>19<sup>th</sup> July 2021</p>
27 Sept 2021	<p>Terms of Reference of Audit and Risk Committee</p> <p>Audit Findings Report 2020/21</p> <p>Statement of Accounts 2020/21 (for approval)</p> <p>Audit Progress &amp; Sector Update</p> <p>Internal Audit Progress Report</p> <p>Internal Audit Report - Data Governance</p> <p>Minutes of the Audit and Risk Committee held on 19 July 2021</p>	<p>Democratic Services Officer</p> <p>Grant Thornton</p> <p>Treasurer</p> <p>Grant Thornton</p> <p>Audit Manager</p> <p>ACFO Strategic Enabler (Enabling Services) / Data and Governance Manager</p> <p>Democratic Services Officer</p>	

	Audit and Risk Committee Work Plan 2021/22	Democratic Services Officer	
4 Oct 2021 [Authority]	Audit Findings Report 2020/21  Statement of Accounts 2020/21  Minutes of the Audit and Risk Committee held on 19 July	Grant Thornton  Treasurer  Democratic Services Officer	
25 Oct 2021	Minutes of the Audit and Risk Committee held on 27 September 2021  Audit Progress & Sector Update  Internal Audit Progress Report  Treasury Management Mid-Year Report 2021/22  Annual Audit Letter 2020/21  Corporate Risk Update Q1 & Q2 2021/22  Annual SIRO report	Democratic Services Officer  Grant Thornton  Audit Manager  Treasurer  Grant Thornton  ACFO Strategic Enabler (Enabling Services)  ACFO Strategic Enabler (Enabling Services)	

## OFFICIAL

	<p>Audit and Risk Committee Work Plan 2021/22</p> <p>Minutes of the Pension Board held on 08 September 2021</p> <p>Fraud Awareness Training (tbc)</p>	<p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>Phil Tromans John Matthews</p>	
13 December 2021 (Authority)	<p>Minutes of the Audit and Risk Committee held on 27 September</p> <p>Minutes of the Audit and Risk Committee held on 8 November</p> <p>Annual Audit Letter 2020/21</p>	<p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>Grant Thornton</p>	

<b>2022</b>			
14 February 2022 (Authority)	Tbc	Tbc	
21 March 2022	<p>Minutes of the Audit and Risk Committee held on 8 November 2021</p> <p>Internal Audit Progress Report</p>	<p>Democratic Services Officer</p> <p>Audit Manager</p>	

## OFFICIAL

	<p>Audit Progress &amp; Sector Update</p> <p>Internal Audit Plan 2022/23</p> <p>Audit Plan 2021/22 (possibly in June 2022 - tbc)</p> <p>Internal Audit Charter – Annual Review</p> <p>Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2021/22 (possibly in March 2022 but may need to be June 2022 - tbc)</p> <p>Minutes of the Pensions Board held on 10 December 2021</p> <p>Audit and Risk Committee Work Plan 2021/22</p> <p><i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i></p>	<p>Grant Thornton</p> <p>Audit Manager</p> <p>Grant Thornton</p> <p>Audit Manager</p> <p>Grant Thornton</p> <p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p><i>Audit Manager</i></p>	
6 June 2022	<p>Annual Internal Audit Report 2021/22</p> <p>Governance Statement 2021/22</p> <p>Monitoring Policies and RIPA (Annual Whistleblowing Report)</p>	<p>Audit Manager</p> <p>Treasurer</p> <p>Monitoring Officer/ACFO Strategic Enabler</p>	

		(Enabling Services)	
	Corporate Risk Update Q3 & Q4 2021/22	ACFO Strategic Enabler (Enabling Services)	
	Audit Plan 2021/22 (possibly in March 2022 - tbc)	Grant Thornton	
	Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2021/22 (possibly in March 2022 but may need to be June 2022 - tbc)	Grant Thornton	
	Annual Report of the Audit and Risk Committee 2021/22 for approval	Chair, Audit and Risk	
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Progress Report	Audit Manager	
	Minutes of the Audit and Risk Committee held on 21 March 2022	Democratic Services Officer	
	Minutes of the Pensions Board held on XXXX - tbc	Democratic Services Officer	
	Annual Report of the Pension Board 2021/22	Chair, Pensions Board	

	<p>Audit and Risk Committee Work Plan 2021/22</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts 2021/22</i></p>	<p>Democratic Services Officer</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	
27 June 2022 [Authority]	<p>Governance Statement 2021/22</p> <p>Minutes of the Audit and Risk Committee held on 21 March 2022</p> <p>Minutes of the Audit and Risk Committee held on 6 June 2022</p> <p>Annual Report of the Audit and Risk Committee 2021/22</p>	<p>Treasurer</p> <p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>Chair, Audit and Risk</p>	
XX July 2022 (Audit and Risk Committee 2022/23)	<p>Statement of Accounts 2021/22 (Draft Unaudited Approval)</p> <p>Treasury Management Annual Report 2021/22</p> <p>Audit and Risk Committee Draft Work Plan 2022/23</p>	<p>Treasurer</p> <p>Treasurer</p> <p>Democratic Services Officer</p>	

	Minutes of the Pension Board (tbc)  Note: Audit Findings Report 2021/22 (needs to be in Sept 2022)	Democratic Services Officer  Grant Thornton	
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