

WEST MIDLANDS FIRE SERVICE

**WEST MIDLANDS FIRE
AND RESCUE AUTHORITY**



**Financial Statements
& Notes to the Accounts**

2015/2016

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**Independent Auditor's Report to the Members of the
West Midlands Fire and Rescue Authority**

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NARRATIVE REPORT BY THE TREASURER

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 2.8 million people living in a million dwellings. It covers the cities of Birmingham, Coventry and Wolverhampton and the Metropolitan Boroughs of Dudley, Sandwell, Solihull and Walsall.

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

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

WMFS works towards 'Making the West Midlands Safer, Stronger and Healthier'. The Brigade Managers together with the Authority work towards achieving three priorities:

- Prevention - Safer and healthier communities. We try to fight fires and stop road accidents before they even happen. Prevention work focuses on the most vulnerable residents. By encouraging safe and healthy lifestyles, we know that we can reduce the risks that people face.
- Protection - Stronger business communities. We are passionate about helping West Midlands businesses to stay in business, and helping the economy to thrive. The Fire Safety team work with employers to protect their people and premises.
- Response - Dealing effectively with emergencies. Firefighters aim to get to life or death emergencies in 5 minutes, and when they arrive, they call on their training and professionalism to deliver an assertive, safe and effective response.

We deliver our priorities with fewer and effective resources by these outcomes:

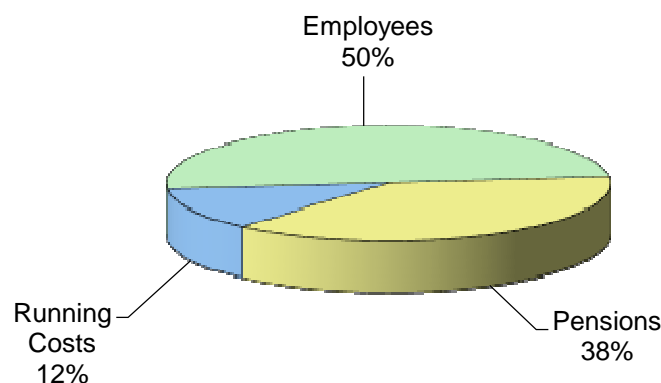
- Value for Money - Government funding reductions are met and the Service Delivery Model is maintained. Flexible and sustainable funding opportunities are identified and secured. Assets are used as effectively and efficiently as possible.
- People - Leadership and personal accountability at all levels will be empowered to effectively deliver change. Developing an environment of wellbeing through supporting the personal resilience of the workforce so that they are responsive to opportunities of change. The service will achieve diversity, inclusion, cohesion and equality outcomes for its diverse community and workforce.
- Information Communication Technology - Emergency 999 systems to mobilise and enable rapid response when and where it is needed. The right level of information is provided to the communities and mobile workforce at the right time. Secure and reliable data sharing with partner agencies enables cost effective joined up services to the most vulnerable within our communities.

Further information can be found on our website www.wmfs.net

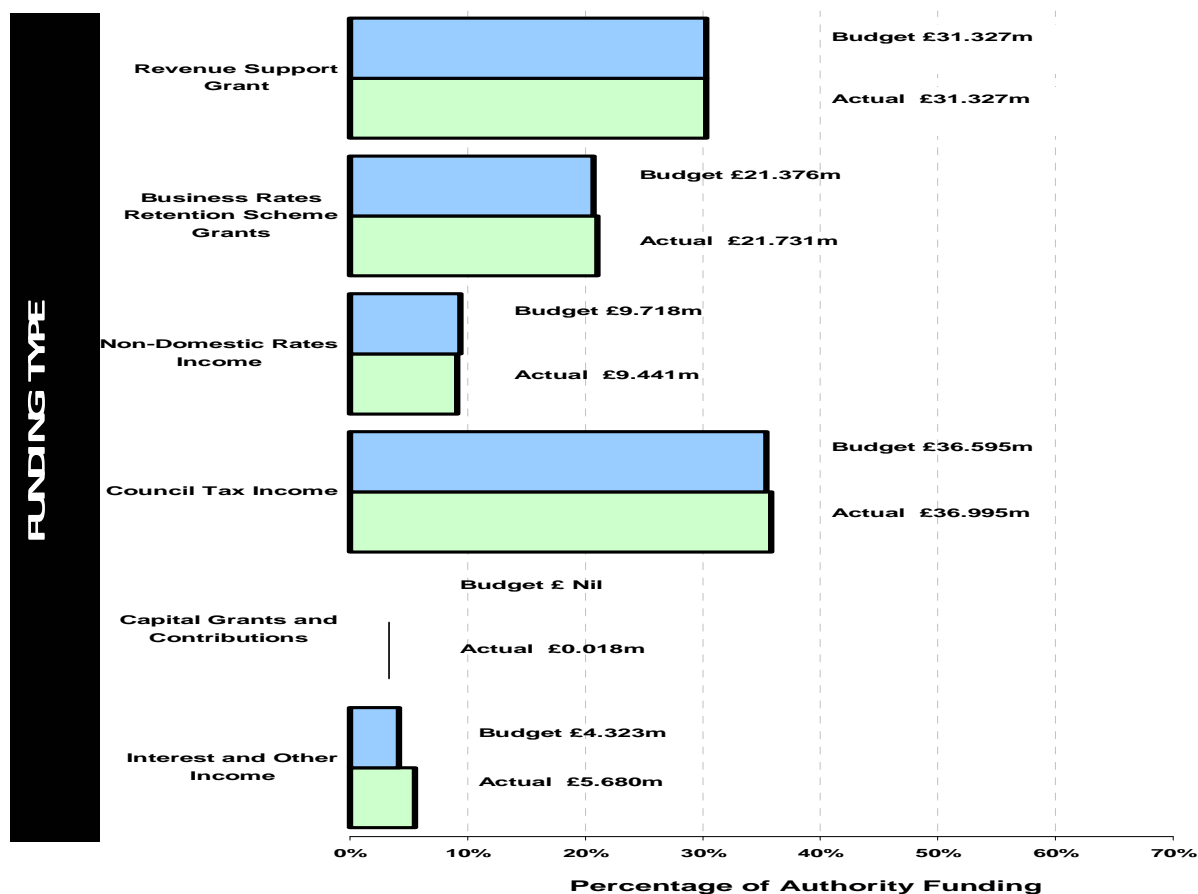
- 1 The Authority's accounts for the financial year 2015/2016 are set out on the following pages and consist of:
- The Movement in Reserves Statement (MIRS), which shows the movement in the year on the different reserves held by the Authority.
 - The Comprehensive Income and Expenditure Statement (CIES), the Authority's main revenue account, covering income and expenditure on all services.
 - The Balance Sheet, which sets out the financial position of the Authority at 31st March 2016.
 - The Cash Flow Statement, showing movements in cash and cash equivalents during the year and the cash position at the year-end.

The accounts are supported by the Statement of Accounting Policies and notes to the core financial statements.

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. There have been no significant changes in Accounting Policies.
4. The CIES shows a deficit on provision of services of £60.617m. After statutory adjustments, such as the removal of depreciation and impairments and applying International Accounting Standard Nineteen (IAS19) entries in relation to pension costs, the Authority shows an overall deficit of £186.512m.
5. The total provision of services in 2015/16 shows a deficit of £60.617m. Within this deficit is £103.004m on the provision of Fire Services, £62.684m on Pensions and £0.121m on Fire Service Emergency Planning and Civil Defence. The types of costs incurred were:



6. The total income of the Authority to fund expenditure in 2015/16 was £105.192m, which came from:



7. In 2015/16 the Authority spent £3.075m on capital projects, the largest of these being £1.852m on Vehicle Replacements, £0.340 on Station Modifications (Dignity at Work) and £0.306m on Window/Door Replacements. The total expenditure on capital schemes was financed directly by the application of capital grants. Note 24 provides details of capital expenditure and capital financing.
8. In 2015/16 appropriations of £3.899m were made to earmarked reserves and £0.002m to general reserves.
9. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in the notes to the accounts.
10. The Authority, at its February 2015 meeting authorised the limit for external debt at £44m and the statutory limit for external debt at £48m. As at 31st March 2016, the Authority's actual long-term principal borrowing was £38.627m and short-term principal borrowing was £1.073m as per Note 9.3.
11. The 2015/16 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.

12. Financial Outlook

On 9th February 2016, the Secretary of State for the Department for Communities and Local Government (DCLG) announced the Finance Settlement for 2016/17 at £58.665m, resulting in a core funding reduction of £3.278m. The Government also proposed a referendum threshold of 2% for any Fire and Rescue Authority increasing its Council Tax.

In addition to the settlement for 2016/17, an offer was made for a multi-year funding settlement. Any Authority wishing to take up the four year funding settlement to 2019/20 would be required to set out their proposals in an efficiency plan to qualify for the four year settlement from April 2016. The four year settlement offer (provisional for 2017/18 – 2019/20) would result in a total reduction in core funding of £9.644m.

The Authority set its 2016/17 budget on 15th February 2016, setting a Council Tax requirement of £37.874m which resulted in a Council Tax increase of (1.99%), £1.09 at Band D.

13. 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 2015/16 the Scrutiny Committee received quarterly updates of the organisation's performance.

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

A summary of the performance indicators for prevention, protection and response is provided below and further details of Authority's performance monitoring through the Scrutiny Committee can be found at <http://94.236.33.181/cmis5/>.


Key:
Blue
Green
Red

Over performance against the tolerance levels


Performance is within the tolerance levels


Under performance against the tolerance levels


RESPONSE

PI 1		The Risk Based Attendance Standard Target: under 5 minutes Actual: 4 minutes 47 seconds
<p>Attendance times for Category 2, 3 & 4 incidents also remain well within target:</p> <ul style="list-style-type: none"> • Category 2: 5 minutes 25 seconds (target is under 7 minutes) • Category 3: 5 minutes 35 seconds (target is under 10 minutes) • Category 4: 6 minutes 27 seconds (target is under 20 minutes) 		


PREVENTION


PI 2		The number of accidental dwelling fires Annual Forecast : 1704 (1619 – 1738 tolerance) Actual to date: 1702
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PI 3		Injuries from accidental fires in dwellings (taken to hospital for treatment) Annual Forecast: 61 (49 – 67 tolerance) Actual to date: 63
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PI 4		The number of deaths from accidental dwelling fires Annual Forecast: N/A Actual to date: 9
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PI 5		The percentage of Home Safety Checks referred by our partners Annual Forecast: 40% Actual to date: 28.8%
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PI 6		The number of Home Safety Check / Safe & Well Visit points achieved by the Brigade Annual Forecast: 130000 Actual to date: 204445
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PI 7		<p>The number of people killed or seriously injured in road traffic collisions Annual Forecast: Not applicable Actual to date: 469</p>
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PI 8		<p>The number of arson fires in dwellings Annual Forecast: 185 (215 – 251 tolerance) Actual to date: 198</p>
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PI 9		<p>The number of arson fires in non-domestic premises Annual Forecast: 159 (143 – 167 tolerance) Actual to date: 151</p>
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PI 10		<p>The number of arson vehicle fires Annual Forecast: 610 (549 – 641 tolerance) Actual to date: 725</p>
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PI 11		<p>The number of arson rubbish fires Annual Forecast: 2304 (2189 – 2350 tolerance) Actual to date: 2133</p>
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PI 12		<p>The number of arson fires in derelict buildings Annual Forecast: 133 (120 – 140 tolerance) Actual to date: 144</p>
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PROTECTION

PI 13		The number of accidental fires in non-domestic premises Annual Forecast: 507 (456 – 532 tolerance) Actual to date: 461
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PI 14		The number of false alarm calls due to fire alarm equipment Annual Forecast: 6334 (6018 – 6461 tolerance) Actual to date: 5735
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14. 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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that this statement of accounts gives a true and fair view of the financial position and expenditure and income of the West Midlands Fire and Rescue Authority for the year ending 31st March 2016.

Mike Griffiths, C.P.F.A
Treasurer

Date: 25th July 2016

STATEMENT OF APPROVAL FOR THE STATEMENT OF ACCOUNTS

The statement of accounts for the year 1st April 2015 to 31st March 2016 was approved by the West Midlands Fire and Rescue Authority's Audit Committee on 25th July 2016.

Tersaim Singh
Chairman of the Audit Committee

Date: 25th July 2016

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position as at the year-end, 31st March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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.

2. Accruals of Income and Expenditure

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

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

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.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Details of restated figures for 2014/15 are provided in Note 18 of the Accounting Policies.

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.

6. Employee Benefits

6.1 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.

6.2 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 or, where applicable, to the Non Distributed Costs line in the CIES 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.

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

- Uniformed Firefighters – (2006) Scheme

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

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

- Uniformed Firefighters – (2015) Scheme

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

The combined pension fund for uniformed firefighters as at 31st March 2016 had a net deficit value of £1,328.750m.

- The Local Government Pensions Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, administered by Wolverhampton City Council. The pension costs that are charged to the Authority's accounts, £2.596m in 2015/16 in respect of these employees, are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The scheme is, however, funded.

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

These schemes are accounted for as defined benefits schemes:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund and the liabilities of the Firefighters Pension Schemes attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.55% for the Firefighters' Pension Schemes and a discount rate of 3.7% for the Local Government Pension Scheme.
- The assets of West Midlands Metropolitan Authorities Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities — current bid price
 - unquoted securities — professional estimate
 - unitised securities — current bid price
 - property — market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - Current service cost - the increase in liabilities as a result of years of service earned this year — allocated in the CIES to the services for which the employees worked.
 - Past service cost — the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.

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

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

6.4 Discretionary Benefits

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

7. 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.

8. Financial Instruments

8.1 Financial Liabilities

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

Debt inherited from the former WMCC is managed by Dudley MBC and redeemed over a period of 40 years from 1st April 1986. Annual charges to the CIES for interest payable were charged on this debt in 2015/16 at a rate of 6.33%.

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

Creditors are carried on the balance sheet at contract amount.

8.2 Financial Assets

Debtors are carried on the balance sheet at contract amount.

8.3 Fair Value Measurement

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

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

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

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

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

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

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

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

9. 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.

10. 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 £582k (2014/15 £877k) and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

11. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA SeRCOP. The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core — costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the CIES, as part of Net Expenditure on Continuing Services.

The basis for charging support services to service revenue accounts for work undertaken is as agreed by respective Section Heads.

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.

12. 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.

12.1 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.

12.2 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 sufficiently regularly 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 relevant service line(s) 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.

12.3 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 relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

12.4 Depreciation

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

The following depreciation policies have been adopted:

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

Wilkes Head & Eve (WHE), of 78 New Oxford Street, London, WC1A 1HB is a RICS (Royal Institution of Chartered Surveyors) Regulated Firm, are the Authority's valuers and were instructed to provide valuations for all land and property assets and recommend the appropriate life expectancies. A full valuation of all land and property assets was completed as at 31st March 2016. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value.

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

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

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

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

13. 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.

For 2015/16 onwards the proposed MRP policy has been amended to an Annuity base.

The Treasurer has the discretion to make an additional provision.

14. Provisions and Contingent Liabilities

14.1 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.

14.2 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.

15. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the 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 appropriated back into the 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, retirement and employee benefits and do not represent usable resources for the Authority — these reserves are explained in the relevant policies.

16. Accounting for Council Tax and Non-domestic Rates Income

For billing authorities and major preceptors, the Council Tax and Non-domestic Rates income included in the CIES for the year is the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be adjusted shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The effect on the surplus on provision of services for the year 2015/16 in the CIES is a surplus of £0.201m which is also reflected in the MIRS.

17. Value Added Tax (VAT)

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

18. Restated Figures 2014/2015

For comparative purposes, 2014/2015 figures are provided. If these have been restated since the 2014/2015 audited Statement of Account, an "R" is shown next to the figure. In Note 18 the 2014/2015 figures have been restated as management responsibilities have changed during 2015/2016. In Note 25.6 the 31 March 2015 Local Government Pension scheme assets have been restated as the previous values were estimated.

19. Roundings

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

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

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

The standards introduced in the 2016/17 Code that are relevant to the above are:-

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 - 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 - 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

The Authority has concluded that there will be no material impact upon the net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 CIES and the MIRS must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements. The format of the CIES and the MIRS will change and introduce a new Expenditure and Funding Analysis.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- Insurance – The Authority continues to operate a self insure scheme for all of its property and vehicle assets.
- No Residual Value of Assets – The Authority assumes that the residual value of plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.
- Property valued at Current Value – The Authority has had all its land and property assets valued on the basis of current value as at 31st March 2016. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value. In 2011 the Authority introduced component accounting to its land and property assets as part of its valuations.
- Government Funding - There remains a degree of uncertainty about future levels of core funding for local government although the offer of a provisional four year settlement by DCLG is considered to be a reasonable basis to formulate medium term financial planning. The Authority has however determined that the level of uncertainty is not yet sufficient to indicate that the assets of the Authority may be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31st March 2016 for which there is a risk of a material adjustment in the following financial year are:

- Pensions Liability – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement age, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) and Barnett Waddingham provide the Authority with expert advice about the assumptions to be applied (Note 25).
- Provisions – The Authority has made an insurance provision for employee and public liability claims. The provision is based on the advice of the Authority's Risk Management advisor. However, the figure could increase or decrease based on the final settlement.
- Property, Plant and Equipment – The Authority's assets are depreciated over the useful life assigned by the external valuer. Assumptions are made about the level of repairs and maintenance which could affect the useful lives assigned to assets.

MOVEMENT IN RESERVES STATEMENT

This statement 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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance.

The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £000	Earmarked General Fund Reserves £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 2014	(9,215)	(30,650)	(883)	(2,910)	(43,658)	1,320,895	1,277,237
Movement in Reserves During 2014/15							
(Surplus) or deficit on the provision of services	67,217	-	-	-	67,217	-	67,217
Other Comprehensive Income and Expenditure	-	-	-	-	-	36,981	36,981
Total Comprehensive Income and Expenditure	67,217	-	-	-	67,217	36,981	104,198
Adjustments between accounting basis and funding basis under regulations (Note 3)	(72,849)	-	(19)	(2,740)	(75,608)	75,608	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(5,632)	-	(19)	(2,740)	(8,391)	112,589	104,198
Transfers to/from Earmarked Reserves (Note 4)	5,616	(5,616)	-	-	-	-	-
(Increase)/Decrease in 2014/15	(16)	(5,616)	(19)	(2,740)	(8,391)	112,589	104,198
Balance at 31 March 2015	(9,231)	(36,266)	(902)	(5,650)	(52,049)	1,433,484	1,381,435

	General Fund Balance £000	Earmarked General Fund Reserves £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 2015	(9,231)	(36,266)	(902)	(5,650)	(52,049)	1,433,484	1,381,435
Movement in Reserves During 2015/16							
(Surplus) or deficit on the provision of services	60,617	-	-	-	60,617	-	60,617
Other Comprehensive Income and Expenditure	-	-	-	-	-	(247,129)	(247,129)
Total Comprehensive Income and Expenditure	60,617	-	-	-	60,617	(247,129)	(186,512)
Adjustments between accounting basis and funding basis under regulations (Note 3)	(64,518)	-	(220)	3,057	(61,681)	61,681	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(3,901)	-	(220)	3,057	(1,064)	(185,448)	(186,512)
Transfers to/from Earmarked Reserves (Note 4)	3,899	(3,899)	-	-	-	-	-
(Increase)/Decrease in 2015/16	(2)	(3,899)	(220)	3,057	(1,064)	(185,448)	(186,512)
Balance at 31 March 2016	(9,233)	(40,165)	(1,122)	(2,593)	(53,113)	1,248,036	1,194,923

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement 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 regulations; this may be different from the accounting cost. The taxation position is shown in the MIRS.

2014/2015				2015/2016		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
101,340	(4,444)	96,896	Firefighting & Rescue Operations	95,766	(3,865)	91,901
14,912	(1,187)	13,725	Community Safety	14,862	(1,152)	13,710
119	(26)	93	Fire Service Emergency Planning & Civil Defence	121	(26)	95
1,594	(39)	1,555	Corporate & Democratic Core	1,647	(43)	1,604
443	(1)	442	Non distributed costs	501	(17)	484
118,408	(5,697)	112,711	Cost of Services	112,897	(5,103)	107,794
52	(84)	(32)	Other Operating Expenditure - (Gains)/losses on the disposal of non current assets	201	(274)	(73)
64,581	(249)	64,332	Financing and investment income & expenditure (Note 6)	52,711	(303)	52,408
		(109,794)	Taxation and non-specific grant income (Note 7)			(99,512)
		67,217	(Surplus)/Deficit on Provision of Services			60,617
749	(5,923)	(5,174)	Surplus or deficit on revaluation of Property, Vehicles, Plant and Equipment assets (Note 5.1)	496	(15,593)	(15,097)
		42,155	Remeasurements of the net defined benefit liability (asset)			(232,032)
		36,981	Other Comprehensive Income and Expenditure			(247,129)
		104,198	Total Comprehensive Income and Expenditure			(186,512)

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.

31 March 2015 £000		Note	31 March 2016 £000
138,930	Property, Vehicles, Plant & Equipment	8	154,227
66	Heritage Assets		66
6	Intangible Assets		27
5,000	Long Term Debtors	11.1	-
144,002	Long Term Assets		154,320
200	Assets Held for Sale		-
877	Inventories	10	582
11,580	Short Term Debtors	11.2	15,065
58,672	Cash and Cash Equivalents	12	56,069
71,329	Current Assets		71,716
(1,305)	Short Term Borrowing	9	(1,302)
(11,443)	Short Term Creditors	13	(10,865)
(764)	Grant Receipts in Advance – Revenue	23	(756)
(13,512)	Current Liabilities		(12,923)
(5,474)	Provisions	14	(677)
(39,700)	Long Term Borrowing	9	(38,627)
(1,538,080)	Other Long Term Liabilities	25	(1,368,732)
(1,583,254)	Long Term Liabilities		(1,408,036)
(1,381,435)	Net Assets		(1,194,923)
(52,049)	Usable Reserves		(53,113)
1,433,484	Unusable Reserves	5	1,248,036
1,381,435	Total Reserves		1,194,923

Mike Griffiths C.P.F.A (Treasurer)
25th July 2016

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.

2014/2015 £000		2015/2016 £000
67,217	Net (surplus) /deficit on the provision of services	60,617
(77,235)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 15.2)	(62,426)
5,875	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 15.3)	239
(4,143)	Net cash flows from Operating Activities	(1,570)
(2,387)	Investing Activities (Note 16)	3,121
1,033	Financing Activities (Note 17)	1,052
(5,497)	Net (increase)/decrease in cash and cash equivalents	2,603
53,175	Cash and cash equivalents at the beginning of the reporting period	58,672
58,672	Cash and cash equivalents at the end of the reporting period (Note 12)	56,069

NOTES TO THE CORE FINANCIAL STATEMENTS

1. MATERIAL ITEMS OF INCOME AND EXPENDITURE

All material items of Income and expenditure have been disclosed within the CIES.

2. EVENTS AFTER THE REPORTING PERIOD

There are no material events that have occurred since the balance sheet date which would affect the reasonableness of the figures provided.

3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2014/2015	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
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)	*(75,389)	-	-
Council tax and non-domestic rates income (transfers to/(from) Collection Fund)	266	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	8	-	-
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)	*588	-	(5,028)
Total Adjustments to Revenue Resources	(74,527)	-	(5,028)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	19	(19)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,659	-	-
Total Adjustments between Revenue and Capital Resources	1,678	(19)	-
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	-	-	2,288
Total Adjustments to Capital Resources	-	-	2,288
Total Adjustments	(72,849)	(19)	(2,740)

* These figures have been aggregated.

2015/2016	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
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)	(62,684)	-	-
Council tax and non-domestic rates income (transfers to/(from) Collection Fund)	201	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	78	-	-
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)	(3,036)	-	-
Total Adjustments to Revenue Resources	(65,441)	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	220	(220)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	703	-	-
Total Adjustments between Revenue and Capital Resources	923	(220)	-
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	-	-	3,057
Total Adjustments to Capital Resources	-	-	3,057
Total Adjustments	(64,518)	(220)	3,057

4. TRANSFERS TO/FROM EARMARKED RESERVE

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in both 2014/15 and 2015/16.

2014/2015	Balance at 1 st April 2014	Transfers out 2014/15	Transfers in 2014/15	Not utilised in 2014/15	Balance at 31 st March 2015
	£000	£000	£000	£000	£000
<i>General Fund:</i>					
Capital Projects	16,958	5	6,492	575	22,870
Insurance	6,807	107	459	-	7,159
Project Management/Support	2,174	517	112	414	1,355
Station Works	438	1	696	4	1,129
Training & Development	1,264	692	442	201	813
Partnership Working	604	757	1,398	473	772
New Dimensions	690	54	109	-	745
System Enhancements/Upgrades	330	43	296	100	483
Firefighting & Rescue Equipment	540	165	279	235	419
Fire Prevention & Education	114	150	739	310	393
Office Equipment/Furniture	101	80	120	13	128
Carbon Reduction/Environmental Issues	600	-	-	600	-
Legal Fees Contingency	30	-	-	30	-
Total	30,650	2,571	11,142	2,955	36,266

2015/2016	Balance at 1st April 2015	Transfers out 2015/16	Transfers in 2015/16	Not utilised in 2015/16	Balance at 31st March 2016
	£000	£000	£000	£000	£000
<i>General Fund:</i>					
Capital Projects	22,870	-	1,427	248	24,049
Insurance	7,159	175	459	-	7,443
Project Management/Support	1,355	313	1,771	226	2,587
System Enhancements/Upgrades	483	61	1,283	15	1,690
Station Works	1,129	-	259	35	1,353
New Dimensions	745	25	108	-	828
Partnership Working	772	821	810	17	744
Training & Development	813	392	355	135	641
Office Equipment/Furniture	128	114	386	12	388
Firefighting & Rescue Equipment	419	321	295	68	325
Fire Prevention & Education	393	309	65	32	117
Total	36,266	2,531	7,218	788	40,165

5. UNUSABLE RESERVES

31 March 2015 £000		31 March 2016 £000
(46,814)	Revaluation Reserve	(60,751)
(60,884)	Capital Adjustment Account	(62,768)
1,538,080	Pensions Reserve	1,368,732
65	Collection Fund Adjustment Account	(136)
3,037	Accumulated Absences Account	2,959
1,433,484	Total Unusable Reserves	1,248,036

5.1 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.

2014/2015 £000		2015/2016 £000
(42,701)	Balance 1 April	(46,814)
(5,922)	Upward revaluation of assets	(15,593)
749	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	496
(47,874)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(61,911)
1,060	Amount written off to the Capital Adjustment Account	1,160
(46,814)	Balance 31 March	(60,751)

5.2 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.

2014/2015 £000		2015/2016 £000
(60,317)	Balance 1 April	(60,884)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
4,759	Charges for depreciation and impairment of non-current assets	4,752
455	Revaluation losses on Property, Vehicles, Plant and current assets	(1,900)
4	Amortisation of intangible assets	2
50	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	200
(55,049)		(57,830)
(1,060)	Adjusting amounts written out of the Revaluation Reserve	(1,160)
(56,109)	Net written out amount of the cost of non-current assets consumed in the year	(58,990)
	Capital financing applied in the year:	
(2,288)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(18)
(828)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,057)
(1,659)	Statutory provision for the financing of capital investment charged against the General Fund	(703)
(60,884)	Balance 31 March	(62,768)

5.3 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 pension funds 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.

2014/2015		2015/2016
£000		£000
1,420,536	Balance 1 April	1,538,080
42,155	Remeasurements of the net defined benefit liability/(asset)	(232,032)
89,354	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	75,459
(13,965)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,775)
1,538,080	Balance 31 March	1,368,732

5.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance at the 31 March 2016 is (£0.136m) and was £0.065m as at 31 March 2015.

5.5 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.

2014/2015			2015/2016	
£000	£000		£000	£000
	3,045	Balance 1 April		3,037
(3,045)		Settlement or cancellation of accrual made at the end of the preceding year	(3,037)	
3,037		Amounts accrued at the end of the current year	2,959	
	(8)	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		(78)
	3,037	Balance 31 March		2,959

6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/2015 £000		2015/2016 £000
2,392	Interest payable and similar charges	2,290
62,189	Net interest on the net defined benefit liability/(asset)	50,421
(249)	Interest receivable and similar income	(303)
64,332	Total	52,408

7. TAXATION AND NON SPECIFIC GRANT INCOMES

2014/2015 £000		2015/2016 £000
(35,292)	Council tax income	(36,995)
(9,311)	Non-domestic rates income from West Midland Local Authorities	(9,441)
(38,113)	Revenue support grant	(31,327)
(21,222)	Business rates retention scheme grants	(21,731)
(5,856)	Capital grants and contributions	(18)
(109,794)	Total	(99,512)

8. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

8.1 Comparative Movements in 2014/2015

2014/15	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 2014	122,331	32,394	1,765	2,835	159,325
Additions	332	719	-	1,985	3,036
Donations	-	80	-	-	80
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,304	-	41	-	2,345
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(459)	-	4	-	(455)
De-recognition – disposals	-	(1,600)	(48)	-	(1,648)
Assets reclassified (to) / from Held for Sale	(200)	-	-	-	(200)
Other movements in cost or valuation	4,205	440	-	(4,645)	-
At 31 March 2015	128,513	32,033	1,762	175	162,483
Accumulated Depreciation and Impairment					
At 1 April 2014	62	22,857	302	-	23,221
Depreciation charge	2,744	1,992	23	-	4,759
Depreciation written out to the Revaluation Reserve	(2,806)	-	(23)	-	(2,829)
De-recognition – disposals	-	(1,550)	(48)	-	(1,598)
At 31 March 2015	-	23,299	254	-	23,553
Net Book Value					
At 31 March 2014	122,269	9,537	1,463	2,835	136,104
At 31 March 2015	128,513	8,734	1,508	175	138,930

8.2 Movements on Balances 2015/2016

2015/16	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 2015	128,513	32,033	1,762	175	162,483
Additions	741	370	-	1,942	3,053
Donations	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,163	-	33	-	12,196
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,896	-	4	-	1,900
De-recognition – Disposals	-	(699)	(125)	-	(824)
De-recognition – Other	-	(262)	-	-	(262)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	193	74	-	(267)	-
At 31 March 2016	143,506	31,516	1,674	1,850	178,546
Accumulated Depreciation and Impairment					
At 1 April 2015	-	23,299	254	-	23,553
Depreciation charge	2,876	1,852	-	24	4,752
Depreciation written out to the Revaluation Reserve	(2,876)	-	-	(24)	(2,900)
De-recognition – Disposals	-	(699)	(125)	-	(824)
De-recognition – Other	-	(262)	-	-	(262)
At 31 March 2016	-	24,190	129	-	24,319
Net Book Value					
At 31 March 2015	128,513	8,734	1,508	175	138,930
At 31 March 2016	143,506	7,326	1,545	1,850	154,227

8.3 Depreciation

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

8.4 Capital Commitments

As at the 31st March 2016, the Authority approved capital expenditure in future years of £28.485m of which £1.085m has been contractually committed leaving £27.400m as the uncommitted sum which relates to expenditure on property, plant and equipment.

The largest of these contractual commitments represents:

	£000
• Vehicle Replacement Programme	664
• Coventry Fire Station Replacement	278

8.5 Revaluations

The Authority had all of its property assets valued as at 31st March 2016 on the basis of current value. The work was completed by qualified external valuers, WHE. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors valuation manual 2014 edition which was effective from 6th January 2014 and is International Valuation Standards compliant. The use of the manual means there is certainty with the valuation process.

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

9. FINANCIAL INSTRUMENTS

9.1 Balance Sheet

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

	Long Term		Current	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Debtors				
Financial assets carried at contract amounts	5,000	-	10,213	14,445
Total included in Debtors	5,000	-	10,213	14,445
Investments				
Cash and Cash Equivalents	-	-	58,672	56,069
Total included in Investments	-	-	58,672	56,069
Borrowings				
Financial liabilities at amortised cost	(36,053)	(35,209)	(1,097)	(1,073)
Financial liabilities at historical cost	(3,647)	(3,418)	(208)	(229)
Total included in Borrowings	(39,700)	(38,627)	(1,305)	(1,302)
Creditors				
Financial liabilities carried at contract amount	-	-	(9,828)	(9,337)
Total included in Creditors	-	-	(9,828)	(9,337)

Debtors excludes payments in advance and Her Majesty's Revenue and Customs receipts of £0.620m (2014/2015 £1.367m).

Creditors excludes receipts in advance and Her Majesty's Revenue and Customs payments of £1.528m (2014/2015 £1.615m).

9.2 Income, Expense, Gains and Losses

	2014/15					2015/16				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	2,392	-	-	-	2,392	2,290	-	-	-	2,290
Total expense in Surplus or Deficit on the Provision of Services	2,392	-	-	-	2,392	2,290	-	-	-	2,290
Interest income	-	(249)	-	-	(249)	-	(303)	-	-	(303)
Gains on derecognition	(32)	-	-	-	(32)	(73)	-	-	-	(73)
Total income in surplus or Deficit on the Provision of Services	(32)	(249)	-	-	(281)	(73)	(303)	-	-	(376)
Net (gain)/loss for the year	2,360	(249)	-	-	2,111	2,217	(303)	-	-	1,914

9.3 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:

	2014/2015		2015/2016	
	Long-Term £000	Short-Term £000	Long-Term £000	Short-Term £000
PWLB	36,053	843	35,209	844
Dudley MBC	3,647	208	3,418	229
Total Principal Amount	39,700	1,051	38,627	1,073
Plus Accrued Interest	-	254	-	229
Total Amortised Cost	39,700	1,305	38,627	1,302

9.4 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 8.3 of the Authority's accounting policies.

9.4.1 Fair Value of Assets and Liabilities at Amortised Costs

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

- Actual ranges of interest rates at 31st March 2016 of 9.75% to 3.95% for loans from the PWLB;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than twelve months, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

9.4.2 Financial Liabilities

The fair values are as follows:

	2014/2015		2015/2016	
	Carry Amount £000	Fair Value £000	Carry Amount £000	Fair Value £000
PWLB Short & Long Term Loans	36,896	58,622	36,053	57,976
Dudley MBC (WMCC)	3,855	3,855	3,647	3,647
Total	40,751	62,477	39,700	61,623

Overall, the fair value for 2015/2016 is greater than the carrying amount because the Authority’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

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

9.4.3 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.

9.4.4 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	Other significant observable inputs	Significant unobservable inputs	TOTAL 31 March 2015
	(Level 1) £000	(Level 2) £000	(Level 3) £000	£000
<u>LIABILITIES</u>				
Financial Liabilities (Loans)		62,477		62,477
Plus Accrued Interest		254		254
Total Borrowing		62,731		62,731
Creditors		9,828		9,828
Total Liabilities		72,559		72,559
<u>ASSETS</u>				
Cash & Cash Equivalents		58,672		58,672
Total Investments		58,672		58,672
Debtors		15,213		15,213
Total Assets		73,885		73,885

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	TOTAL 31 March 2016
	(Level 1) £000	(Level 2) £000	(Level 3) £000	£000
<u>LIABILITIES</u>				
Financial Liabilities (Loans)		61,623		61,623
Plus Accrued Interest		229		229
Total Borrowing		61,852		61,852
Creditors		9,337		9,337
Total Liabilities		71,189		71,189
<u>ASSETS</u>				
Cash & Cash Equivalents		56,069		56,069
Total Investments		56,069		56,069
Debtors		14,445		14,445
Total Assets		70,514		70,514

9.5 Nature and extent of risks arising from Financial Instruments

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

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

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

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

9.5.1 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 £0.552m of the £15.065m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2015 £000	31 March 2016 £000
Less than three months	1,421	423
Three to six months	18	13
Six months to one year	86	30
More than one year	4	86
Total	1,529	552

9.5.2 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.

9.5.3 Market risk

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

During 2015/16, 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 £0.165m (2014/2015 £0.164m). The impact of a 0.25% increase in interest rates would be the same but reversed, interest would increase by £0.165m (2014/2015 £0.164m).

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

10. INVENTORIES

	General Stores		Mechanical Stocks		Heating Oil Petrol/ Diesel		Total	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance outstanding at start of year	379	611	167	170	116	96	662	877
Purchases	757	953	327	355	584	463	1,668	1,771
Recognised as an expense in the year	(525)	(1,200)	(324)	(355)	(604)	(486)	(1,453)	(2,041)
Written off balances	-	(25)	-	-	-	-	-	(25)
Balance outstanding at year-end	611	339	170	170	96	73	877	582

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

11. DEBTORS

11.1 Long Term Debtors

31 March 2015 £000		31 March 2016 £000
5,000	Central government bodies	-
5,000	Total Long Term Debtors	-

11.2 Short Term Debtors

31 March 2015 £000		31 March 2016 £000
3,907	Central government bodies	8,775
6,445	Other local authorities	5,307
90	NHS bodies	164
63	Public corporations and trading funds	9
1,075	Other entities and individuals	810
11,580	Total Short Term Debtors	15,065

12. CASH AND CASH EQUIVALENTS

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

31 March 2015 £000		31 March 2016 £000
11	Cash held by the Authority	11
58,661	Bank current accounts	56,058
58,672	Total Cash and Cash Equivalents	56,069

13. CREDITORS

31 March 2015 £000		31 March 2016 £000
	Creditors - Revenue	
1,667	Central government bodies	1,635
4,707	Other local authorities	4,781
4	National Health Service bodies	-
4,678	Other entities and individuals	4,347
11,056	Total Creditors - Revenue	10,763
	Creditors – Capital	
387	Other entities and individuals	102
387	Total Creditors – Capital	102
11,443	Total Creditors	10,865

14. PROVISIONS

14.1 Total provisions of £0.677m have been provided for the following:

- An insurance provision of £0.409m for previous years' employee and public liability claims 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.
- The Scheme Administrators for Municipal Mutual Insurance Limited (MMI), notified the Authority in April 2016 that they reviewed the assets and liabilities to determine whether a further Levy on Scheme Creditors was required. They concluded that a further Levy was required in the near term and advised that the rate of the Levy will be increased to 25% (an additional 10%), which for the Authority is calculated to be £0.268m.

14.2 GAD v Mr. Milne

Following the Pension Ombudsman's determination in the case of GAD v Mr. Milne, at 31 March 2015 a £5m provision was provided for pension commutations and lump sum retirement benefits for payments due. These redress payments were settled as at 31 March 2016.

15. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2014/2015 £000		2015/2016 £000
(256)	Interest received	(248)
2,428	Interest paid	2,314

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

2014/2015 £000		2015/2016 £000
(4,759)	Depreciation	(4,752)
(455)	Impairment and downward valuations	1,900
(4)	Amortisation	(2)
-	(Increase)/decrease in impairment for bad debts	(39)
1,705	(Increase)/decrease in Creditors	325
6,568	Increase/(decrease) in Debtors	(1,475)
215	Increase/(decrease) in Inventories	(296)
(75,389)	Movement in pension liability	(62,684)
(5,066)	Contributions to Provisions	4,797
(50)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(200)
(77,235)	Net cash (inflows)/outflows from adjustments to net surplus or deficit on the provision of services for non-cash movements	(62,426)

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

2014/2015 £000		2015/2016 £000
19	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	221
5,856	Capital Grants credited to Surplus or Deficit on the provision of services	18
5,875	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	239

16. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2014/2015 £000		2015/2016 £000
3,408	Purchase of property, vehicles, plant and equipment, investment property and intangible assets	3,360
(19)	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	(221)
(5,776)	Capital Grants Received	(18)
(2,387)	Net cash (inflows)/outflows from investing activities	3,121

17. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2014/2015 £000		2015/2016 £000
1,033	Repayments of short and long term borrowing	1,052

18. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the CIES is that specified by the CIPFA SeRCOP. However, decisions about resource allocation are taken by the Authority and the Brigade Managers on the basis of budget reports analysed across the service. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES

The net expenditure of the Authority's key areas recorded in the budget reports for the year is as follows:

2014/2015 £000 R		2015/2016 £000
56,765	Service Delivery	55,258
38,855	Service Support	36,506
3,140	Corporate Management and Support	3,271
(517)	Suspense/Earmarked Reserve Cost Centres	357
98,243	Total Net Expenditure	95,392

The 2014/2015 figures have been restated as management structures and responsibilities have changed during 2015/2016.

Reconciliation of Net Expenditure to cost of services in the CIES

This reconciliation shows how the figures in the service analysis net expenditure relate to the amounts included in the CIES.

2014/2015 £000		2015/2016 £000
98,243	Net expenditure in the Service Analysis	95,392
32,523	Amounts in the CIES not reported to management in the Analysis	27,815
(18,055)	Amounts included in the Analysis not included in the CIES	(15,413)
112,711	Cost of Services in CIES	107,794

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the service analysis net expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CIES.

Reconciliation to Subjective Analysis for the year ended 31 March 2015	Service Analysis £000	Not reported to management £000	Not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(2,431)	-	65	(737)	(3,103)	-	(3,103)
Interest and investment income	(249)	-	249	-	-	(249)	(249)
Income from council tax	-	-	-	-	-	(35,292)	(35,292)
Non-domestic rates income from West Midland Local Authorities	-	-	-	-	-	(9,311)	(9,311)
Government grants and contributions	(2,152)	-	-	(442)	(2,594)	(65,191)	(67,785)
Disposal of Non-current Assets	-	-	-	-	-	(84)	(84)
Total Income	(4,832)	-	314	(1,179)	(5,697)	(110,127)	(115,824)
Employee expenses	73,824	27,165	(13,965)	11,973	98,997	-	98,997
Other service expenses	7,292	148	(353)	7,106	14,193	-	14,193
Support Services	17,908	(8)	-	(17,900)	-	-	-
Depreciation, amortisation and impairment	1,659	5,218	(1,659)	-	5,218	-	5,218
Pensions Interest Cost and expected Return on Pension Assets	-	-	-	-	-	62,189	62,189
Interest Payments	2,392	-	(2,392)	-	-	2,392	2,392
Disposal of Non-current Assets	-	-	-	-	-	52	52
Total operating expenses	103,075	32,523	(18,369)	1,179	118,408	64,633	183,041
Surplus or deficit on the provision of services	98,243	32,523	(18,055)	-	112,711	(45,494)	67,217

Reconciliation to Subjective Analysis for the year ended 31 March 2016	Service Analysis £000	Not reported to management £000	Not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(2,713)	-	53	(879)	(3,539)	-	(3,539)
Interest and investment income	(303)	-	303	-	-	(303)	(303)
Income from council tax	-	-	-	-	-	(36,995)	(36,995)
Non-domestic rates income from West Midland Local Authorities	-	-	-	-	-	(9,441)	(9,441)
Government grants and contributions	(1,144)	-	-	(420)	(1,564)	(53,076)	(54,640)
Disposal of Non-current Assets	-	-	-	-	-	(274)	(274)
Total Income	(4,160)	-	356	(1,299)	(5,103)	(100,089)	(105,192)
Employee expenses	72,052	25,038	(12,775)	11,678	95,993	-	95,993
Other service expenses	6,916	-	(1)	7,135	14,050	-	14,050
Support Services	17,591	(77)	-	(17,514)	-	-	-
Depreciation, amortisation and impairment	703	2,854	(703)	-	2,854	-	2,854
Pensions Interest Cost and expected Return on Pension Assets	-	-	-	-	-	50,421	50,421
Interest Payments	2,290	-	(2,290)	-	-	2,290	2,290
Disposal of Non-current Assets	-	-	-	-	-	201	201
Total operating expenses	99,552	27,815	(15,769)	1,299	112,897	52,912	165,809
Surplus or deficit on the provision of services	95,392	27,815	(15,413)	-	107,794	(47,177)	60,617

19. OFFICERS' REMUNERATION

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

Total (inc. pension) 2014/2015		Salary	Expenses Allowances	Total (excl. pension)	Pension	Total (inc. pension) 2015/2016
£		£	£	£	£	£
	Senior Officer whose salary is £150,000 or more per year:					
201,230	Chief Fire Officer – Phil Loach	164,633	1,339	165,972	35,725	201,697
	Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:					
160,445	Deputy Chief Fire Officer - Director Service Support	131,908	1,347	133,255	28,631	161,886
150,978	Assistant Chief Fire Officer - Director Service Delivery (Note 1)	123,728	1,345	125,073	26,849	151,922
189,984	Strategic Enabler of People Support Services (Note 2)	-	-	-	-	-
99,320	Strategic Enabler of Finance and Resources	96,119		96,119	12,592	108,711
801,957		516,388	4,031	520,419	103,797	624,216

Note 1: Officer temporarily promoted to this position as at 31st March 2016.

Note 2: Former Strategic Enabler of People Support Services ceased employment 2nd December 2014.

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	2014/15 Number of employees	2015/16 Number of employees
£ 50,000 to £ 54,999	15	37
£ 55,000 to £ 59,999	23	9
£ 60,000 to £ 64,999	13	10
£ 65,000 to £ 69,999	10	5
£ 70,000 to £ 74,999	4	0
£ 75,000 to £ 79,999	1	1
£ 80,000 to £ 84,999	4	0
£ 85,000 to £ 89,999	1	0
Total	71	62

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) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) +(c)]		(e) Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	-	-	-	1	-	1	-	£5,178
£20,001 - £40,000	-	-	1	-	1	-	£20,768	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	1	1	1	£102,000	£143,272
£150,001 - £200,000	-	-	-	-	-	-	-	-
Total	-	-	2	2	2	2	£122,768	£148,450

The Authority terminated the contracts of 2 employees in 2015/16, incurring costs of £148k (£123k in 2014/15).

20. MEMBERS' ALLOWANCES

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

2014/2015 £000		2015/2016 £000
248	Allowances	248
7	Expenses	6
255	Total	254

21. EXTERNAL AUDIT COSTS

Fees payable to external auditors:

2014/2015 £000		2015/2016 £000
52	Fees payable for the external planned audit work – Grant Thornton	39
(11)	Rebate – Audit Commission	-
41	Total	39

22. 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:

2014/2015 £000	Related Party	Nature of Transaction	2015/2016 £000
38,113	Central Government	Revenue Support Grant	31,327
21,222		Business Rates Retention Scheme Grants	21,731
5,776		Capital Grant	18
35,292	West Midland Local Authorities	Council Tax Income	36,995
9,311		Non-Domestic Rates Income	9,441

Grants received are set out in Note 23.

23. GRANT INCOME

23.1 The Authority credited the following grants, contributions and donations to the CIES in 2015/2016:

	2014/2015 £000	2015/2016 £000
<i>Credited to Taxation and Non Specific Grant Income:</i>		
Revenue Support Grant	38,113	31,327
Business Rates Retention Scheme Grants	21,222	21,731
Capital Grants and Contributions	5,856	18
Total	65,191	53,076
<i>Credited to Services:</i>		
Fire Control Project (Staffs collaboration)	796	7
New Dimension Training Crewing and Accommodation	1,083	980
Smoke and Carbon Monoxide Alarms – DCLG	141	-
Sandwell Partnerships	7	12
Other Birmingham Partnerships	9	-
Road Casualty Reduction	43	-
Migration Impact Fund	48	37
CFOA	16	-
Youth United Fund – DCLG	5	-
DCLG Pre-Transitional Funding (ESMC)	-	46
New Risks Section 29	-	20
DCLG Oxford Power Station (NRAT)	-	6
FRS Flood Assistance North Yorkshire	-	20
FRS Flood Assistance Cumbria	-	10
Centro (Haden Cross Youth Officer)	-	6
Other Partnerships	4	-
Total	2,152	1,144
<i>Credited to Support Services:</i>		
Fire Control Project	168	155
Fire Reduction Partnership	269	257
New Burdens	5	8
Total	442	420

23.2 Grants – Receipts in Advance

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

Current Liabilities	31 March 2015 £000	31 March 2016 £000
<i>Grants - Receipts in Advance (Revenue Grants):</i>		
Fire Control Project	764	756

Following the termination of the Fire Control project, any surplus of grant held as at the 31st March 2016 by the Authority has been reflected as a Receipt in Advance.

24. 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.

	2014/2015 £000	2015/2016 £000
<i>Opening CFR</i>	41,870	40,211
Capital investment:		
Property, Vehicles, Plant and Equipment	3,036	3,075
Sources of finance:		
Government grants and other contributions	(3,036)	(3,075)
Sums set aside from revenue:		
MRP/loans fund principal	(1,659)	(703)
<i>Closing CFR</i>	40,211	39,508

<i>Movements in year</i>	2014/2015 £000	2015/2016 £000
MRP/loans fund principal	(1,659)	(703)
<i>Increase/(decrease) in CFR</i>	(1,659)	(703)

25. DEFINED BENEFIT PENSION SCHEMES

25.1 Participation in Pension Schemes

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

At the 31st March 2016 the Authority participated in four post employment schemes:

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

25.2 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:

2014/2015	Local Government Pension Scheme	Firefighters'				Total
		Pension Scheme 1992	Pension Scheme 2006	Pension Scheme 2015	Compensation Scheme	
	£000	£000	£000	£000	£000	
CIES						
<i>Cost of services:</i>						
Current service cost	2,196	18,850	4,550	-	1,130	26,726
Past service costs, including curtailments	305	-	80	-	20	405
Administration Expenses	34	-	-	-	-	34
Financing and Investment Income and Expenditure:						
Net interest expense	1,329	55,520	1,850	-	3,490	62,189
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	3,864	74,370	6,480	-	4,640	89,354
Other post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
Changes in demographic assumptions	-	(71,800)	(6,500)	-	(43,590)	(121,890)
Changes in financial assumptions	16,652	203,430	11,000	-	5,620	236,702
Changes in assumptions retained settlement	-	-	110	-	-	110
Experience gains and losses	-	(36,310)	(1,890)	-	(2,530)	(40,730)
Scheme Assets	(6,696)	(27,872)	2,531	-	-	(32,037)
Total post-employment benefits charged to the CIES	13,820	141,818	11,731	-	(35,860)	131,509
MIRS						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,864)	(74,370)	(6,480)	-	(4,640)	(89,354)
Actual amount charged against the General Fund Balance for Pensions in the year:						
Employers' contributions payable to the scheme	2,683	8,278	1,341	-	-	12,302
Retirement benefits payable to pensioners	63	-	-	-	1,600	1,663

2015/2016	Local Government Pension Scheme £000	Firefighters'				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
CIES						
<i>Cost of services:</i>						
Current service cost	2,731	10,990	190	9,840	1,180	24,931
Past service costs, including curtailments	16	-	10	40	10	76
Administration Expenses	31	-	-	-	-	31
Financing and Investment Income and Expenditure:						
Net interest expense	1,361	45,820	1,640	220	1,380	50,421
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,139	56,810	1,840	10,100	2,570	75,459
<i>Other post-employment benefits charged to the CIES:</i>						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
Changes in demographic assumptions	-	(19,190)	(650)	(160)	(430)	(20,430)
Changes in financial assumptions	(6,657)	(110,180)	(10,030)	(1,100)	(2,400)	(130,367)
Changes in assumptions retained settlement	-	-	40	-	-	40
Experience gains and losses	-	(50,610)	2,780	(370)	(5,220)	(53,420)
Scheme Assets	2,608	(37,794)	111	7,220	-	(27,855)
Total post-employment benefits charged to the CIES	90	(160,964)	(5,909)	15,690	(5,480)	(156,573)
MIRS						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,139)	(56,810)	(1,840)	(10,100)	(2,570)	(75,459)
Actual amount charged against the General Fund Balance for Pensions in the year:						
Employers' contributions payable to the scheme	2,596	4,456	141	3,910		11,103
Retirement benefits payable to pensioners	62				1,610	1,672

25.3 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:

2014/2015	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension Scheme 1992	Unfunded liabilities: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded liabilities: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(113,129)	(815)	(1,403,900)	(49,530)	-	(42,100)	(1,609,474)
Fair value of plan assets	71,394	-	-	-	-	-	71,394
Net liability arising from defined benefit obligation	(41,735)	(815)	(1,403,900)	(49,530)	-	(42,100)	(1,538,080)

2015/2016	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension Scheme 1992	Unfunded liabilities: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded liabilities: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(111,379)	(736)	(1,238,480)	(43,480)	(11,780)	(35,010)	(1,440,865)
Fair value of plan assets	72,133	-	-	-	-	-	72,133
Net liability arising from defined benefit obligation	(39,246)	(736)	(1,238,480)	(43,480)	(11,780)	(35,010)	(1,368,732)

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

2014/2015	Funded assets: Local Government Pension Scheme	Unfunded assets: Local Government Pension Scheme	Unfunded assets: Firefighters' Pension Scheme 1992	Unfunded assets: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded assets: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	61,072	-	-	-	-	-	61,072
Interest income	2,792	-	-	-	-	-	2,792
Remeasurement gain/(loss)	6,696	-	27,872	(2,531)	-	-	32,037
Contributions from Employer	2,683	63	8,278	1,341	-	1,600	13,965
Contributions from employees into the scheme	746	-	5,380	1,220	-	-	7,346
Benefits paid	(2,561)	(63)	(41,530)	(30)	-	(1,600)	(45,784)
Administration expenses	(34)	-	-	-	-	-	(34)
Closing fair value of scheme assets	71,394	-	-	-	-	-	71,394

2015/2016	Funded assets: Local Government Pension Scheme	Unfunded assets: Local Government Pension Scheme	Unfunded assets: Firefighters' Pension Scheme 1992	Unfunded assets: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded assets: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	71,394	-	-	-	-	-	71,394
Interest income	2,372	-	-	-	-	-	2,372
Remeasurement gain/(loss)	(2,608)	-	37,794	(111)	(7,220)	-	27,855
Contributions from Employer	2,596	62	4,456	141	3,910	1,610	12,775
Contributions from employees into the scheme	742	-	2,720	60	3,310	-	6,832
Benefits paid	(2,332)	(62)	(44,970)	(90)	-	(1,610)	(49,064)
Administration expenses	(31)	-	-	-	-	-	(31)
Closing fair value of scheme assets	72,133	-	-	-	-	-	72,133

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

2014/2015	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension Scheme 1992	Unfunded liabilities: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded liabilities: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(91,774)	(774)	(1,270,360)	(39,140)	-	(79,560)	(1,481,608)
Current service cost	(2,196)	-	(18,850)	(4,550)	-	(1,130)	(26,726)
Interest cost	(4,088)	(33)	(55,520)	(1,850)	-	(3,490)	(64,981)
Contributions from scheme participants	(746)	-	(5,380)	(1,220)	-	-	(7,346)
Remeasurement gains and (losses):							
Changes in demographic assumptions	-	-	71,800	6,500	-	43,590	121,890
Changes in financial assumptions	(16,581)	(71)	(203,430)	(11,000)	-	(5,620)	(236,702)
Changes in assumptions retained settlement	-	-	-	(110)	-	-	(110)
Experience gains/(losses)	-	-	36,310	1,890	-	2,530	40,730
Past service costs, including curtailments	(305)	-	-	(80)	-	(20)	(405)
Benefits paid	2,561	63	41,530	30	-	1,600	45,784
Closing balance at 31 March	(113,129)	(815)	(1,403,900)	(49,530)	-	(42,100)	(1,609,474)

2015/2016	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension Scheme 1992	Unfunded liabilities: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded liabilities: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(113,129)	(815)	(1,403,900)	(49,530)	-	(42,100)	(1,609,474)
Current service cost	(2,731)	-	(10,990)	(190)	(9,840)	(1,180)	(24,931)
Interest cost	(3,707)	(26)	(45,820)	(1,640)	(220)	(1,380)	(52,793)
Contributions from scheme participants	(742)	-	(2,720)	(60)	(3,310)	-	(6,832)
Remeasurement gains and (losses):							
Changes in demographic assumptions	-	-	19,190	650	160	430	20,430
Changes in financial assumptions	6,614	43	110,180	10,030	1,100	2,400	130,367
Changes in assumptions retained settlement	-	-	-	(40)	-	-	(40)
Experience gains/(losses)	-	-	50,610	(2,780)	370	5,220	53,420
Past service costs, including curtailments	(16)	-	-	(10)	(40)	(10)	(76)
Benefits paid	2,332	62	44,970	90	-	1,610	49,064
Closing balance at 31 March	(111,379)	(736)	(1,238,480)	(43,480)	(11,780)	(35,010)	(1,440,865)

25.6 Local Government Pension Scheme assets comprised:

Asset category	Quoted £000	Unquoted £000	31 March 2015 £000 R	%
Equity Instruments:				
UK quoted	6,653	-	6,653	9.3
UK unquoted	-	1,188	1,188	1.7
Global quoted	5,379	-	5,379	7.5
Global unquoted	-	7,312	7,312	10.2
Europe	5,700	-	5,700	8.0
Japan	2,680	-	2,680	3.8
Pacific Basin	2,737	-	2,737	3.8
North America	5,583	-	5,583	7.8
Emerging markets	5,186	-	5,186	7.3
Total Equity Instruments	33,918	8,500	42,418	59.4
Bonds:				
UK Government	-	5,402	5,402	7.5
Other	4,171	3,227	7,398	10.4
Total Bonds	4,171	8,629	12,800	17.9
Property:				
UK	-	4,121	4,121	5.8
Property funds	-	1,807	1,807	2.5
Total Property	-	5,928	5,928	8.3
Alternatives:				
Infrastructure	-	2,391	2,391	3.3
Absolute return	-	4,448	4,448	6.3
Total Alternatives	-	6,839	6,839	9.6
Cash:				
Cash instruments	-	2,823	2,823	4.0
Cash accounts	-	586	586	0.8
Total Cash	-	3,409	3,409	4.8
Total Assets	38,089	33,305	71,394	100

The 31 March 2015 values have been restated as the previous values were estimated.

Asset category	Quoted £000	Unquoted £000	31 March 2016 £000	%
Equity Instruments:				
UK quoted	5,596	-	5,596	7.8
UK unquoted	-	1,095	1,095	1.5
Global quoted	8,023	-	8,023	11.1
Global unquoted	-	7,113	7,113	9.9
Europe	5,307	-	5,307	7.4
Japan	2,538	-	2,538	3.5
Pacific Basin	2,753	-	2,753	3.8
North America	5,559	-	5,559	7.7
Emerging markets	5,350	-	5,350	7.4
Total Equity Instruments	35,126	8,208	43,334	60.1
Bonds:				
UK Government	-	5,467	5,467	7.6
Other	4,231	3,230	7,461	10.3
Total Bonds	4,231	8,697	12,928	17.9
Property				
UK	-	4,322	4,322	6.0
Property funds	-	1,722	1,722	2.4
Total Property	-	6,044	6,044	8.4
Alternatives:				
Infrastructure	155	2,118	2,273	3.2
Absolute return	-	3,791	3,791	5.2
Total Alternatives	155	5,909	6,064	8.4
Cash:				
Cash instruments	-	2,691	2,691	3.7
Cash accounts	-	1,072	1,072	1.5
Total Cash	-	3,763	3,763	5.2
Total Assets	39,512	32,621	72,133	100

25.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters' Pension Scheme has been assessed using an approach and model supplied by GAD and certified by them on 12 May 2016. The West Midlands Metropolitan Authorities Pension Fund has been based on triennial actuarial valuations, the last review being 31st March 2013 and assessed by Barnett Waddingham. In calculating the IAS19 figures for the West Midlands Metropolitan Authorities Pension Fund the actuary assumed an investment return of approximately 0%. The actual return for the year to the 31st March 2016 was 2.41%.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters' Pension Schemes	
	2014/2015	2015/2016	2014/2015	2015/2016
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.0	23.0	22.5	22.3
• Women	25.6	25.7	22.5	22.3
Longevity at 65 for future pensioners:				
• Men	25.2	25.3	24.8	24.6
• Women	28.0	28.0	24.8	24.6
Rate of inflation CPI	2.0%	2.1%	2.2%	2.2%
Rate of increase in salaries	3.75%	3.85%	4.2%	4.2%
Rate of increase in pensions	2.0%	2.1%	2.2%	2.2%
Rate for discounting scheme liabilities	3.3%	3.7%	3.3%	3.55%

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

A sensitivity analysis for the West Midlands Metropolitan Authorities Pension Fund as at 31 March 2016 is shown below:

Sensitivity analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	(109,974)	(112,115)	(114,299)
Projected service cost	(2,538)	(2,587)	(2,637)
Adjustment to 1% per annum short term salary increase		No change	Further 4 years
Present value of total obligation		(112,115)	(107,812)
Projected service cost		(2,587)	(2,551)
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	(114,055)	(112,115)	(110,213)
Projected service cost	(2,637)	(2,587)	(2,538)
Adjustment to life expectancy assumptions	+1 year	None	-1 Year
Present value of total obligation	(115,513)	(112,115)	(108,819)
Projected service cost	(2,653)	(2,587)	(2,523)

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 2016 for the Firefighters' Pension Schemes:

Firefighters' Pension Scheme 1992 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% decrease in real discount rate	10.1%	125.7
0.5% increase in salaries rate	0.7%	9.2
0.5% increase in the pensions increase rate	8.3%	102.9
1 year increase in member life expectancy	2.4%	30.1
Each member retiring one year earlier	0.0%	(0.6)

The weighted average duration of the defined benefit obligation for scheme members is approximately 20 years.

Firefighters' Pension Scheme 2006 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% decrease in real discount rate	20.4%	8.9
0.5% increase in salaries rate	8.3%	3.6
0.5% increase in the pensions increase rate	9.0%	3.9
1 year increase in member life expectancy	1.9%	0.8
Each member retiring one year earlier	1.0%	0.4

The weighted average duration of the defined benefit obligation for scheme members is approximately 38 years.

Firefighters' Pension Scheme 2015 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% decrease in real discount rate	19.8%	2.3
0.5% increase in salaries rate	9.3%	1.1
0.5% increase in the pensions increase rate	9.5%	1.1
1 year increase in member life expectancy	1.8%	0.2
Each member retiring one year earlier	1.4%	0.2

The weighted average duration of the defined benefit obligation for scheme members is approximately 37 years.

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

25.8 Impact on the Authority's Cash Flows

The objective of the Local Government Pension scheme is to keep employers' contributions at as constant a rate as possible. The West Midlands Metropolitan Authorities Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2016.

The Local Government Pension scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st 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 authority anticipated to pay approximately £3m expected contributions to the Local Government Pension scheme in 2016/17.

Expected employers' contributions for the firefighters' pension schemes in the year to 31 March 2017 are approximately £8m.

26. CONTINGENT LIABILITIES

26.1 Municipal Mutual Insurance Limited (MMI)

MMI, through which the Authority had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take a number of years for them to arise, however the Company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the Company entered into a scheme of arrangement with its creditors. Following a Supreme Court judgement on 28th March 2012 which found against the Company, it is now highly likely that the scheme of arrangement will be triggered. Once the scheme is implemented, the Authority and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1st October 1993. The Contingent Liability is for approximately 10% (£0.256m). A payment of £0.402m was made in 2013/14 and an earmarked reserve is provided for £0.268m following the issue of a second notice for payment which increased the Levy to 25%. The balance is held in the insurance earmarked reserve (65%).

26.2 Firefighters' Pension Scheme (FPS) 1992 – Contributions Holiday

The Fire Brigade Union (FBU) lodged a legal challenge in relation to firefighters' who joined the FPS 1992 aged 18-20. Firefighters' who joined the FPS 1992 aged 18-20 have previously had to contribute for up to 32 years to receive a 30 year pension at the earliest age of 50. The FBU challenged this legally with a test case in a specific hearing that was due to take place, starting 7 December 2015.

Very late in the process, DCLG confirmed that the Secretary of State will now allow members under the age of 50 who have accrued 30 years' service to take a contributions holiday from the time they attain 30 years' reckonable service until they reach age 50.

The rules of the FPS 1992 will now be amended to allow an affected member (i.e. one who joined before the age of 20) upon reaching 50, to be able to choose to:

- Retire with a pension.
- Continue employment and recommence payment of contributions (the accrual cap remains in place with a maximum thirty years pension).
- Or continue employment without paying contributions thereby electing to defer their pension.

The proposal is to be applied retrospectively to 1 December 2006 so that:

- If a firefighter has already paid contributions in to the FPS after that date;
- And has already accrued 30 years' pensionable service;
- And was under the age of 50;

The member will get a refund of contributions for that period. This refund will include a payment in relation to interest.

The Local Government Association have confirmed that regulations have yet to be laid and there is no current guidance from the Home Office. The expected timescales are that consultation should commence early summer 2016, with the expectations of regulations being laid after parliamentary recess.

27. WEST MIDLANDS FIRE SERVICE BUSINESS SAFETY LTD

The Authority at its February 2012 meeting approved the establishment of a company limited by shares wholly owned by the Authority for the purposes of undertaking trading and income generation activities. The company known as WMFS Business Safety Ltd would seek to develop a number of different income generation opportunities through commercial trading. At its Board meeting in October 2014, a decision was taken to make the company dormant. This was approved by the Authority at its meeting in November 2014. No trading occurred during 2015/16 (turnover of £0.006m in 2014/15).

PENSION FUND ACCOUNT

2014/2015 £000			2015/2016 £000			
1992	2006		1992	2006	Modified	2015
		Contributions Receivable				
		From Fire Authority				
(7,900)	(1,280)	Contributions in relation to pensionable pay	(4,061)	(60)	(21)	(3,910)
(378)	(61)	Ill health retirements	(395)	(41)	(19)	-
(5,382)	(1,222)	From firefighters' contributions	(2,724)	(51)	(85)	(3,311)
		Transfers in				
-	(82)	Individual	-	(10)	-	(42)
		Benefits Payable				
34,503	7	Pensions	35,849	6	7	-
7,029	7	Commutations and lump sum retirement benefits	8,558	7	53	-
5,000	-	Redress Payments	1,776	-	-	-
105	-	Lump sum death benefits	-	-	-	-
		Payments to and on account of leavers				
-	13	Individual transfers	582	22	-	-
32,977	(2,618)	Net amount payable for the year	39,585	(127)	(65)	(7,263)
(32,977)	2,618	Top up Grant payable by the Government	(39,585)	127	65	7,263
-	-		-	-	-	-

2014/2015 £000	NET ASSETS STATEMENT	2015/2016 £000
(5,108)	Unpaid Benefits	(27)
-	Firefighters' Contributions	-
8,828	Top-up receivable from the Government	8,711
(3,720)	Amount owing to General Fund	(8,684)
-		-

NOTES TO THE PENSION FUND ACCOUNT

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

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

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the DCLG and are subject to revaluation every four years' by GAD. The contribution rates for 2015/16 are shown in the tables below:

	1992 Scheme %	2006 Scheme %	Modified %
Employer's	21.7	11.9	21.7
Employees' Pensionable pay band			
Up to £15,150	11.0	8.5	11.0
> £15,150 to £21,210	12.2	9.4	12.2
> £21,210 to £30,300	14.2	10.4	14.2
> £30,300 to £40,400	14.7	10.9	14.7
> £40,400 to £50,500	15.2	11.2	15.2
> £50,500 to £60,600	15.5	11.3	15.5
> £60,600 to £101,000	16.0	11.7	16.0
> £101,000 to £121,200	16.5	12.1	16.5
> £121,200	17.0	12.5	17.0

	2015 Scheme %
Employer's	14.3
Employees' Pensionable pay band	
Up to £27,000	10.0
£27,001 to £50,000	12.2
£50,001 to £142,500	13.5
£142,501 or more	14.5

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

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

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the 31st March 2016. For further information on the liability to pay pensions see Note 25.

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

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 West Midlands Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.
- 1.3 The Authority has complied with the code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government and 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 2011, regulation 4 (3) which require the Authority to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31st March 2016 and up to the date of the approval of the annual report and statement of accounts.

3. The Governance Framework

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

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

- 3.8 The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. The Authority plans its spending on an established planning cycle for policy development, budget setting and performance management through the business planning process. This ensures that resources are aligned to priorities and secures best value from the resources that are available.
- 3.9 The Chief Financial Officer is a key member of the leadership team, helping to develop and implement the Authority's strategy. The Authority's financial system is an ORACLE based general ledger and management information system, which integrates the general ledger function with those of budgetary control and payments. Financial Regulations and Contract Procedure Rules are approved and regularly reviewed by the Authority. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action initiated.
- 3.10 The Authority's performance management and reporting of performance management continues to be improved with a more focused Corporate Strategy, the setting of priorities and is supported by regular performance monitoring. Corporate performance is reported on a quarterly basis and this process provides officers and Members with the opportunity to share knowledge and understanding about key performance issues affecting services.
- 3.11 The Authority has a Standards Committee which promotes high ethical standards amongst Members and has one independent member. This Committee leads on developing policies and procedures to accompany the revised 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 Department and 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 2003 as amended in 2006. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority.

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

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

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

4.7 From the work undertaken by Internal Audit in 2015/2016 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 (2010).
- 4.9 We have been advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

5. Significant governance arrangements within the Authority

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

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

- 5.2 These form the basis of the Authority's Corporate Strategy known as The Plan 2016-2019 which sets out the outcomes and priorities based on the Community Safety Strategy. The five-minute attendance standard lies at the heart of the Service Delivery Model. The model shows how staff provide the core prevention, protection and response services to make the West Midlands safer, stronger and healthier.

- 5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2014/2015 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 adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

- 5.4 Based on audit work undertaken during the year an Annual Internal Audit Report was presented to the Audit Committee on 6 June 2016, Audit work which was completed in 2015/2016 included:-

- Pensions Certification
- Budgetary Control
- Procurement
- Accounts Receivable
- Fixed Asset Accounting/Asset Planning
- Accounts Payable
- Risk Management
- Governance
- Performance Management
- Workforce Planning
- Business Continuity
- IT
- Payroll

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

- Governance – Members of the Audit Committee will be required to revisit their self assessment of 'good practice and effectiveness' exercise early in the new year.
- Business Continuity – the need to evidence the completion of the annual business assessment for each business continuity plan and to record when incident training has been undertaken.

5.6 All 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 2016, the Minister for Local Government confirmed the Authority's funding settlement for 2016/17. The core funding reduction of £3.3m in 2016/2017 has been managed by reviews to services and an increase in Council Tax. In addition to the settlement for 2016/17, an offer was made for a multi-year funding settlement. Any Authority wishing to take up the four year funding settlement to 2019/20 would be required to set out their proposals in an efficiency plan. At this stage the offer of a provisional four year settlement by DCLG is considered to be a reasonable basis to formulate medium term financial planning.

5.8 With the trend of cuts to government funding continuing into future years, the Authority faces considerable financial pressures which could result in difficulties to deliver an efficient and effective service, which in turn would increase the risk to the communities of the West Midlands. A key aim for the Authority is to therefore deliver a more efficient and effective service to the community whilst ensuring the stability of the Authority's financial position remains.

6. Certification

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

John Edwards
Chairman

Phil Loach
Chief Fire Officer

GLOSSARY OF TERMS

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 Precepts, Government Grants and Non-Domestic Rates.

Government Grants

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

Heritage Assets

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

Impairment

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

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Liabilities

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

Long term Borrowing

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

Long term Debtors

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

Materiality

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

Minimum Revenue Provision

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

Non-Domestic Rates

Rates which are levied on business properties.

Net Book Value

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

Net Realisable Value

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

Non Operational Assets

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

Operational Assets

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

Past Service Cost (Pensions)

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

Payment in Advance

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

Precept

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

Provisions

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

Receipts in Advance

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

Related Party

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

Central Government.

West Midlands Local Authorities.

Members of the Authority or parties related to them.

Chief Officer or parties related to them.

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

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

Temporary Loans

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

Useful Life

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