

# **West Midlands Fire and Rescue Authority**

## **Audit and Risk Committee**

**You are summoned to attend the meeting of Audit and Risk Committee to be held on Monday, 26 September 2022 at 12:00**

**to be held at Fire Service Headquarters, 99 Vauxhall Road, Nечells,**

**Birmingham B7 4HW**

**and digitally via Microsoft Teams**

**for the purpose of transacting the following business:**

## **Agenda – Public Session**

**Item No.**

- |    |  |           |
|----|--|-----------|
| 1  | To receive apologies for absence (if any)  |           |
| 2  | Declarations of interests  |           |
| 3  | Minutes of the Previous Audit and Risk Committee<br>Meeting held on 06 June 2022                     | 5 - 16    |
| 4  | Minutes of the Previous Audit and Risk Committee<br>Meeting held on 18 July 2022                     | 17 - 20   |
| 5  | Approach to be Taken in Respect of Immediate<br>Detriment Cases Under the Sergeant McCloud<br>Ruling | 21 - 24   |
| 6  | Statement of Accounts 2021-2022  | 25 - 136  |
| 7  | Treasury Management - Annual Report 2021-22  | 137 - 150 |
| 8  | Pensions Board - Appointment of Independent<br>Chair   | 151 - 158 |
| 9  | Update on Corporate Risk 6.1 - Business<br>Continuity Arrangements                                   | 159 - 174 |
| 10 | Pension Regulator Supervisory Review Report  | 175 - 204 |
| 11 | Update on Topical, Legal and Regulatory Issues<br>(Verbal Report).                                   |           |

13 **Exclusion of the public and press**

Chair to move:- "That the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 for the reasons stated below."

## Agenda – Private Session

**Item No.**

14 **CIPFA Audit and Risk Committee Update No 36**

- This document contains some information which cannot be made readily available. However, to comply with the spirit of the Freedom of Information Act, should you require details of this report it may be possible to give you access to certain information. If you wish to do that, please apply to the Data Manager, details below.  
Freedom of Information Act request, Martina Doolan,  
Data Manager, West Midlands Fire Service  
Headquarters, 99 Vauxhall Road, Birmingham, B7  
4HW.

**Distribution:**

David Barrie - Member, Rizwan Jalil - Vice Chair, Catherine Miks - Chair, Peter Miller - Member, Sybil Spence - Member

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

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

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

**Agenda prepared by Kirsty Tuffin**

**Strategic Hub, West Midlands Fire Service**

**Tel: 0121 380 6906 email: [kirsty.tuffin@wmfs.net](mailto:kirsty.tuffin@wmfs.net)**

**This agenda and supporting documents are also available electronically on the**

**[West Midlands Fire Service Committee Management Information System](#)**



**Minutes of the Audit and Risk Committee**

Item 3

**06 June 2022 at 10:30 hours**

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

**Present:** Councillor Miks (Chair), Councillor Padda, Councillor Barrie

**Virtually:** Councillor Spence, Councillor Miller, Mr Mike Ager, Kal Shoker, Peter Farrow (Internal Audit), Avtar Sohal (Grant Thornton), Harkamal Vaid (Grant Thornton), Neil Chamberlain (Chair of Pension Board), Satinder Sahota, Kash Singh

**Officers:** Gary Taylor, Martina Doolan, Mike Griffiths and Kirsty Tuffin

**Observers:** Steven Price-Hunt, Alan Tranter

**67/22 Apologies for Absence**

There were no apologies for absence received.

**68/22 Declarations of Interest**

There were no declarations of interest registered.

**69/22 Minutes of the Audit and Risk Committee held on 21 March 2022**

Resolved:

1. That the minutes of the previous meeting, held on 21 March 2022, be approved as a correct record of proceedings.

**70/22 Request for a decision on action to be taken in respect of immediate detriment cases under the McCloud Sergeant Ruling**

Gary Taylor, SIRO – Assistant Chief Fire Officer, presented the Request for a decision on action to be taken in respect of Immediate Detriment cases under the McCloud Sergeant Ruling report.

The Committee were advised that although the report had not been an officer report but a report from the Committee itself in

their capacity as Pensions Scheme Manager under the Fire Authority Delegations, Gary Taylor would provide an overview of the report on behalf of CFO, who had prepared the information within the report to support the Committee review their current position on the processing of Pension Immediate Detriment payments.

On 7 December 2020, the Audit and Risk Committee, in its role as Scheme Manager for the Firefighters' Pension Schemes, took the decision to instruct the scheme administrator to act upon guidance issued by the Home Office in August 2020 to make payment to Immediate Detriment cases. Whilst payments were being made, there were still a number of outstanding technical questions being considered nationally. In October 2021, the Local Government Association (LGA) and the Fire Brigades' Union (FBU) signed a Memorandum of Understanding which provided a more substantial framework for the processing of cases. On 29 November 2021, the Home Office withdrew their guidance. The key reason for withdrawal of the guidance was uncertainty on the power of Section 61 of the Equalities Act 2010 and issues around tax relief on member contributions.

The withdrawal guidance highlighted financial risks for FRS's and quoted further concerns from Her Majesty's (HM) Treasury that Services would not be provided with additional funding for costs associated with Immediate Detriment, which are paid outside of the pension account and prior to secondary legislation being passed. As a consequence, the Audit and Risk Committee met on the 6 December 2021 and a decision was taken to pause the payment of Immediate Detriment cases whilst awaiting additional guidance and clarity.

In an attempt to support the Fire Sector, on 17 December 2021 the Chair of the Firefighters' Pensions Scheme Advisory Board wrote to HM Treasury asking for further clarification on the tax issues highlighted by the Home Office. HM Treasury responded to this letter on 23 March 2022 and reinforced the uncertainty cited by the Home Office and stated that, "the Government's view remains that processing Immediate Detriment cases before all the necessary legislation is in place, could give rise to

significant consequences for schemes and members, although that ultimately is a decision for individual Scheme Managers".

The Public Service Pensions and Judicial Offices Bill had now received royal assent and had been made into an Act and will come into force no later than 1 October 2023 and will remedy the discrimination between 1 April 2015 and 31 March 2022. The Act will be supported in due course by Treasury directions which was the responsibility of the Home Office to draft and lay these regulations by 1 October 2023. The HM Treasury letter referenced a set of principles which appeared to relate to clauses within the Public Service Pensions and Judicial Offices Act 2022 and its interaction with section 61 of the Equality Act. The clauses, which may allow for some progress on this matter, were due to come into law from late May 2022. It is therefore possible but in no way certain, that the Home Office may issue updated guidance later in the year but there was no guarantee that the Home Office would take any action and no further clarity had been received to date.

On behalf of the Fire Sector and in discussions with the FBU, the LGA was exploring whether any adjustments could be made to the framework to assist FRAs in being able to process Immediate Detriment cases under that framework. As an outcome of these discussions a joint letter was sent to the Home Office and HM Treasury from the FBU and the LGA, seeking a resolution on immediate detriment issues.

In addition to this joint letter, the NFCC and LGA are also seeking clarity to enable cases to be progressed. Clarity had not yet been provided but work had been undertaken to develop an option to make payments to affected members prior to 23rd October 2023 which could be adopted by the sector. Whilst this would not remove all of the risks and uncertainties, it would provide a consistent framework across the sector and potentially identify a lower scale of financial exposure if cases were progressed.

The Authority seeks to avoid discrimination in the work place and had a legal duty to give due consideration to the impact of any policy decision in respect of Equality Act.

If the Committee decided to process Immediate Detriment claims and lift the current ‘pause’, the disadvantage to affected Scheme Members would be reduced but not fully removed until the relevant tax legislation is introduced in October 2023.

A legal risk does exist due to ongoing disadvantage. If Employment Tribunal claims were received from affected Scheme Members, the Service would seek a ‘stay’ or ‘suspension’ of these claims until the legislation comes into force in October 2023. These ET claims would be for ongoing disadvantage by affected Scheme Members. It is likely the Employment Tribunal would agree to this approach of a ‘stay’.

It is open to the Committee to resolve the ongoing disadvantage suffered by affected Scheme Members by lifting the current pause and processing Immediate Detriment payments. Any such decision to lift the ‘pause’ would need to be balanced against the uncertainties relating to this matter and the associated difficulty in accurately forecasting the financial liability the Fire Authority would incur in advance of the Finance Act 2022 and tax regulations due in October 2023.

Should the Committee decide to maintain the pause in processing pensions ID payments until the legislation was in place October 2023 or there is prior agreement, there would be no additional costs incurred.

The Authority had 37 pensioners who are affected by this situation, and it was predicted that approximately a further 100 members would retire before the new regulations were in place. There would be potential for legal cases to be brought against the Authority if the pause in processing ID payments remained and the cost of legal action was estimated at circa £25K.

An exercise has been undertaken to forecast the potential scale of the financial risk if the Authority were to proceed with remedy prior to the legislation being in place by October 2023 or there is prior agreement. The scale of impact has been estimated at circa £2 million based predominantly on the tax related issues associated with pension contributions but it must be highlighted that there are significant legal and financial uncertainties relating to this matter and so a high degree of caution should be applied

to this indicative figure. No funding is in place to meet costs of this nature and so General Balances would need to be used if payments were made at this stage.

Following discussions, Gary Taylor advised the Committee that due to the growing complexity around pensions governance and management and the proposal to review our current arrangements in Policy Planning Forum, if the Committee wished to change the way these matters are processed in the future and strengthen the governance arrangements, the committee could make a recommendation to place the Chief Fire Officer as the Pensions Scheme Manager which could be considered as part of the current review of delegations. The Chair advised that more information would need to be provided before a decision could be made.

Steve Price-Hunt and Alan Tranter, requested to ask questions on the report, as members of the public. The Chair of the Committee advised that no questions would be allowed.

Resolved:

1. That it be agreed that in its role as scheme manager, the committee approved to resume making payments on Immediate Detriment Cases.

71/22 **Corporate Risk Update**

Gary Taylor, SIRO – Assistant Chief Fire Officer, presented the Corporate Risk report that summarised the corporate risks for quarter 3 2021/22 and quarter 4 2021/22 covering a 6month period.

The Committee were advised that each corporate risk had been assigned to a Strategic Enabler as its risk owner. The risk owner would have full responsibility of each risk and would monitor the progress made in managing each risk on a monthly basis. The key risks highlighted, as per the report, were:

1. Risk 5.2 – a result of staffing levels. Recruitment had now occurred to mitigate this risk and a review of fire control would take place.
2. Risk 6.1 – would continue to be reviewed but confidence was given that the arrangement in placed would be resilient.

3. Digital and data risks 7.1 and 7.2 – had been a global risk and an additional risk on cyber-attacks would be addressed in the next report on the agenda.

Gary Taylor advised the committee that some of the risks in red had been resolved and the next report would be more positive.

Resolved:

1. That it be agreed that the Corporate Risk summaries (quarter 3, 2021/22 Appendix 1 and Quarter 4, 2021/22 Appendix 2) be approved.
2. That it be agreed that the management of corporate risk through and emerging from the business continuity arrangements be noted.

## 72/22 Creation of Additional Corporate Risk Related to Cyber Security

Gary Taylor, SIRO – Assistant Chief Fire Officer, and Martina Doolan, Data and Governance Manager, presented the Creation of Additional Corporate Risk Related to Cyber Security report that outlined the rationale for the inclusion of a separate distinct category within the current corporate risk report related to cyber security.

The Committee were advised that following discussions around the concerns were raised at the last Audit and Risk Committee, regarding the risk of cyber security attacks increasing, it was proposed to create a corporate risk 7.3 to govern and manage this significant risk. Martina Doolan advised the committee that, as per the report, national cyber security guidance had been issued to help assist organisations with the increase of cyber-attacks and the service had been following all national guidance and best practice to build its defence. The following elements of Corporate Risk 7.1 would be merged with the new 7.3 Cyber Attack risk:

1. 7.1.1 – appropriate cyber security governance processes are not in place
2. 7.1.7 – highly privileged accounts are compromised by a common cyberattack
3. 7.1.8 – common cyberattack is undetected

4. 7.1.9 – the organisation does not have a defined, planned and tested response to cyber security incident that impact sensitive information or key operational services
5. 7.1.10 – the organisation does not have well defined and tested processes in place to ensure the continuity of key operational services in the event of failure or compromise.

The Committee were advised that senior individuals would receive appropriate training and guidance on cyber security and risk management. Following queries, the Committee were advised that the main focus had been the Russia/Ukraine crisis however, passage from other countries had still been monitored and blocked if required.

Resolved:

1. That it be agreed that the change to corporate Risk 7, with the additional of a distinct category for Cyber Risk 7.3 to provide greater focus and assurance, be noted.

73/22 **Internal Audit Annual Report 2021-22**

Peter Farrow, Internal Auditor, presented the Internal Audit Annual Report 2021-22 that outlined the work of the internal auditors throughout 2021-22 and provided an opinion on the adequacy and effectiveness of the authority's governance, risk management and internal control processes.

The Committee were advised that based upon the work conducted and the implementation by management of the recommendations made, the internal audit provided a reasonable assurance that the Fire Authority had adequate and effective framework of governance, risk management and control. The key issues that arose during the year, as per the report, were:

1. Management of fuel
2. Environmental protection targets
3. Absence management follow up
4. Workforce planning
5. Governance
6. Risk management

Peter Farrow advised the committee that no negative opinions had been given. No questions were raised.

The Chair of the Committee thanked the internal audit team for all their hard work and contributions.

Resolved:

1. That it be agreed that the Internal Audit Annual Report be noted.
2. That it be agreed that an update regarding the Fire Authorities plan and the workforce planning issues be provided at the next Audit and Risk Committee meeting.

74/22 **Governance Statement 2021-22**

Mike Griffiths, (WMFS) Section 151 Officer, presented the annual Governance Statement 2021-22 report that outlined identified risks faced by the Authority in its achievement of the Authority's policies, aims and objectives and the likelihood of those risks and how they would be managed.

The Committee were advised that the governance statement would coincide with the Statement of Accounts and would be taken to the next Fire Authority meeting. The Governance Statement would require the signature of the Chair of the Authority and the Chief Fire Officer.

Mike Griffiths advised the Committee that the Authority had produced a Corporate Strategy that set out objectives and provided regular performance monitoring to measure the Authorities objectives. The Audit and Risk Committee provided the independent assurance to the Authority for the risk management and internal control. The excellent relationship with both internal and external auditors was also highlighted.

No questions were raised.

Resolved:

1. That it be agreed that the Governance Statement 2021-22 be approved.

**752/22 Audit Plan 2021-22**

Harkamal Vaid, Grant Thornton – External Auditor, presented the Audit Plan 2021-22 report that outlined the work Grant Thornton would undertake in respect of the audit of the authority's financial statements and delivery of its value for money conclusion.

The Committee were advised that the external audit would commence in July 2022, with the audit planning having taken place between February and March 2022. The significant risks identified that required special audit consideration were:

1. Management override of controls
2. Valuation of land and buildings
3. Valuation of net pension fund liability
4. Implementation of a new ledger system

The materiality had been approximately 2% of the authorities your gross expenditure for the year, as per the appendix to the report, but would be subject to the accounts. No risks had been identified with the value for money, but the committee would be kept up to date throughout the audit process through the risk assessment report. The deadline for the external audit had been extended to 30 November 2022.

Resolved:

1. That it be agreed that the Audit Plan 2021-22 be approved.

**76/22 Monitoring Policies on Raising Concerns at work – whistleblowing standing orders 2/20 and regulation of investigatory powers act 2000**

Satinder Sahota, Monitoring Officer, presented the Monitoring Policies on Raising Concerns at work – whistleblowing standing orders 2/20 and regulation of investigatory powers act 2000 report that outlined (if any) whistleblowing allegations reported through the whistleblowing policy for the periods from 1 April 2019 – 31 March 2022.

The key figures highlighted were:

1. 1 April 2019 to 31 March 2020 – There were no whistleblowing allegations received.

2. 1 April 2022 to 31 March 2021 – there was 1 whistleblowing allegation received.
3. 1 April 2021 to 31 March 2022 – there were no whistleblowing allegations received.
4. 1 April 2019 – 31 March 2022 – there were no requests to enact the Regulation of Investigatory Powers Act 2000.

Gary Taylor advised the Committee that the authority had been in a positive position and reflected good governance.

Resolved:

1. That it be agreed that the period 1 April 2019 – 31 March 2022 be noted.
2. That it be agreed that the period 1 April 2022 – 31 March 2021 be noted.
3. That it be agreed that the period 1 April 2021 – 31 March 2022 be noted.
4. That all three periods that did not receive requests to enact the Regulation of Investigatory Powers Act 2000 be noted.
5. That it be agreed that the content of the Whistleblowing Standing Order 2/20 (appendix 1) and the Management of Information Framework, standing order 1/5, appendix 4 (appendix 2 of the report) be noted.

**77/22 Annual Report of the Audit and Risk Committee 2021-22**

The Chair of the Committee presented the Annual Report of the Audit and Risk Committee 2021-22 that outlined the work conducted by the Committee throughout 2021-22.

The Chair thanked Members for their participation, attendance and hard work over the last year.

Resolved:

1. That it be agreed that the Annual Report of the Audit and Risk Committee be noted and submitted to the next Authority meeting.

**78/22 Pension Board Minutes – 10 December 2021**

Neil Chamberlain, Chair of Pensions Board, presented the Pension Board minutes for the meeting that took place on Friday 10 December 2021.

The committee were advised that the Board had met on Friday 10 December 2021 and 28 March 2022 and would be meeting on Friday 10 June 2022. All meetings had been well attended and supported by both employee/employer representatives. Some concerns had been raised by its members on the administration of a new system and the affects this had on pensioners. A discussion had been held between Neil Chamberlain, as Chair of the Board and Mike Griffiths as Section 151 Officer, and a report would be going to Pension Board on Friday 10 June to discuss the concerns further. An update would be provided to Audit and Risk Committee if necessary, following this meeting.

Neil Chamberlain advised the Committee that he would be retiring at the end of June and therefore stepping down as Chair of the Board. His replacement had been determined as Pete Gillett. Thanks was given to Neil for all his hard work and dedication to the Board over the years.

Alan Tranter, with the Chairs approval, advised the Committee that members of the Pension scheme had submitted an IDPR that had been going through the organisations process and highlighted action 6 under resolved in item 7 of the Pension Board Minutes.

Resolved:

1. That it be agreed that the pension board minutes – 10 December 2021, be noted.

#### **79/22 Audit and Risk Committee Work Plan 2021-2022**

Tom Embury, Deputy Clerk, presented the Audit and Risk Committee Work Plan for 2021-2022 that outlined the planned agenda items for future scheduled Audit and Risk Committee meetings.

The Committee were advised that following the Fire Authority Annual General Meeting on Monday 27 June 2022, the dates of Audit and Risk Committee would be agreed and the workplan would be updated for 2022-23 accordingly.

Resolved:

1. That it be agreed that the Audit and Risk Committee work plan 2021-22 be noted.

80/22 **Update on Topical, Legal and Regulatory Issues**

Mike Griffiths advised the Committee that the government were looking at making the membership of an Independent Member of Audit and Risk Committee a mandatory obligation instead of good practice.

81/22 **Exclusion of press and public**

Resolved:

1. That it be agreed that Members of the press and public were excluded from the remainder of the meeting.

82/22 **Workshop for Members on 2021/22 Statement of Accounts**

Members attended a workshop relating to the draft statement of accounts.

The meeting closed at 16:11 hours.

Kirsty Tuffin  
Strategic Hub  
0121 380 6906  
[Kirsty.tuffin@wmfs.net](mailto:Kirsty.tuffin@wmfs.net)

**Minutes of the Audit and Risk Committee**

**18 July 2022 at 14:00 hours**

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

**Present:** Councillor Miks (Chair) and Councillor Barrie

**Virtually:** Councillor Miller, Councillor Rizwan Jalil, John Mathews (Internal Audit), Peter Farrow (Internal Audit), Martina Doolan, Satinder Sahota.

**Officers:** Gary Taylor, Kal Shoker, Karen Gowreesunker, Kirsty Tiffin Mike Griffiths, Paul Gwynn and Tom Embury

**Please note:** The Audit and Risk Committee was not quorate and therefore all decision items were deferred to the next Committee meeting.

**83/22 Apologies for Absence**

Apologies for absence were received from Councillor Spence and Mr Mike Ager.

**84/22 Declarations of Interest**

There were no declarations of interest registered.

**85/22 Minutes of the Audit and Risk Committee held on 06 June 2022**

The minutes of the Audit and Risk Committee held on 06 June 2022 was deferred to the next Audit and Risk Committee meeting.

**86/22 Statement of Accounts 2021-2022**

The Statement of Accounts 2021-2022 was deferred to the next Audit and Risk Committee meeting.

87/22 **Treasury Management – Annual Report – 2021-22**

The Treasury Management – Annual Report – 2021-22 was deferred to the next Audit and Risk Committee meeting.

88/22 **Approach to be Taken in Respect of Immediate Detriment Cases Under the McCloud/Sargeant Ruling**

The Approach to be Taken in Respect of Immediate Detriment Cases Under the McCloud/Sargeant Ruling was deferred to the next Audit and Risk Committee meeting.

89/22 **Pension Board – Pension Administration Issues**

Tom Embury presented the Pension Board – Pension Administration Issues report that outlined recent issues with the Firefighters Pension Scheme Administration and the steps West Midlands Fire Service had taken to resolve these issues.

The Committee were advised that the report had originally been commissioned by the Independent Chair of the Pension Board prior to his resignation and highlighted the four key issues:

- PAYE
- Aprils pay calculations
- Data Breach (May payment)
- Incorrect figures in communication to Members of the scheme

An independent review of these issues would be commissioned and delegated to the Chair of the Committee. Key findings of this review would be brought back to the Audit and Risk Committee.

Mike Griffiths, Section 151 Officer, advised the Committee that, as per point 3.4 of the report, the data breach had been a result of window envelopes used to circulate payslips that raised concerns from some members. It was confirmed that payslips could be posted in window envelopes in future provided they did not have bank details on them and a covering letter was also circulated alongside the payslip to mitigate any risk.

The Chair of the Committee advised that she had been working with officers following members of the scheme raising their concerns via email and asked officers why the service had moved to the new Oracle system. Mike Griffiths confirmed that

the reasons for moving had been that systems had been outdated and had not aligned with each other, for example, the Finance and Payroll systems had previously been provided by Sandwell Council. All staff had been trained on the system in which the investigation would also look into.

90/22 **Pension Board – Appointment of Independent Chair**

The Pension Board – Appointment of Independent Chair report was deferred to the next Audit and Risk Committee meeting.

91/22 **Confirmation of Auto-Enrolment Date**

Paul Gwynn, Payroll and Pensions Manager, presented the Confirmation of Auto-Enrolment Date report that outlined the requirement for Auto-Enrolment that ensured compliance with the rules of the Pension Scheme and Workplace Pensions Regulations.

The Committee were advised that under the Pensions Act 2008, all employers had been required to put staff that qualified onto a workplace pension, also known as Auto-Enrolment. The first enrolment by the Service had taken place on 1<sup>st</sup> August 2013 and the latest enrolment had been 1<sup>st</sup> June 2019. Therefore, the service had to auto-enrol members eligible between 1<sup>st</sup> March 2022 – 31 August 2022. It had been agreed that the service would undertake their auto-enrolment on 1<sup>st</sup> August 2022.

Following queries around the number of schemes, Paul Gwynn confirmed that the service had two schemes: one for operational staff and one for non-operational staff. The service used the local government pension scheme (LGPS) for those in non-operational roles.

92/22 **Update on Topical, Legal and Regulatory Issues (Verbal Report)**

Gary Taylor, Assistant Chief Fire Officer, advised the Committee that a change had been made to the risk level for Risk 6.1, since the last update to the Committee on 6 June 2022. The risk had been increased from 12 to 16 and likelihood changed from 3 to 4, given the range industrial action undertaken in the rail and

legal sectors and discontent on the standard of living. The Committee were advised that given these changing factors a detailed update on Corporate Risk 6.1 would be brought to the next meeting. The Chair of the Authority agreed this would be the best approach.

Mike Griffiths confirmed he had no topical, legal, and regulatory issues to raise to the Committee.

93/22 **Draft Audit and Risk Committee Work Plan 2022-2023**

Tom Embury, Deputy Clerk, presented the Audit and Risk Committee Work Plan for 2022-2023 that outlined the planned agenda items for future scheduled Audit and Risk Committee meetings.

Gary Taylor advised that the SIRO report had been duplicated in both November 2022 and March 2023 and confirmed it would be brought to the March Audit and Risk Committee Meeting.

The meeting closed at 14:47 hours.

Kirsty Tuffin  
Strategic Hub  
0121 380 6906  
[Kirsty.tuffin@wmfs.net](mailto:Kirsty.tuffin@wmfs.net)

Item 5

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**26 SEPTEMBER 2022**

**1. APPROACH TO BE TAKEN IN RESPECT OF IMMEDIATE  
DETRIMENT CASES UNDER THE MCCLOUD/SERGEANT  
RULING**

Report of the Chief Fire Officer.

**2. PURPOSE OF REPORT**

2.1 This report is submitted to request that the Committee, in its role as Scheme Manager for the Firefighters' Pension Scheme, approve the approach proposed by the Scheme Administrator for the processing of Immediate Detriment cases following the decision taken by the Audit and Risk Committee at the meeting held on 6<sup>th</sup> June 2022.

**3. RECOMMENDATION**

3.1 That the approach proposed (in section 5 of this report) by the Scheme Administrator be approved.

**4. BACKGROUND**

4.1 On 6<sup>th</sup> June 2022 the Audit and Risk Committee, in its role as Scheme Manager for the Firefighters' Pension Scheme, approved to lift the pause in processing of Immediate Detriment cases. The decision will result in additional work for the Scheme Administrator/Pensions Team. To ensure that payments can be processed efficiently and normal activity can continue with limited impact, a staged approach to implementing the decision is proposed.

## 5. **PROPOSED APPROACH**

- 5.1 Members who are currently active and who have membership within the legacy period, (1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2022), known as Category 1 members, will be offered a choice of benefits aligned to the arrangements set out in the Memorandum of Understanding (MoU) agreed between the LGA and the FBU on 8<sup>th</sup> October 2021.
- 5.2 Members known as Category 2 members, who left the scheme after 1<sup>st</sup> April 2015 and before 30<sup>th</sup> June 2022, with service during the legacy period and who have already submitted a claim for remedy under the terms of the MoU, need to be processed. The aim is to process all of these cases by 31<sup>st</sup> December 2022, prioritised based on the date a claim was made, dealing with the earliest claim first and working through all subsequent claims. There are 15 members in this category.

There is also one member who retired on health grounds who will be included within this group. This member will be given priority.

- 5.3 Work will need to be undertaken by the Pensions Team relating to Category 2 members who have not yet submitted a claim for remedy. This will involve setting out a statement for the Members, detailing the benefits due and the payments required, to return their service to their previous pension scheme, by 28<sup>th</sup> February 2023. Members would have 6 months to respond to this statement. On receipt of a response, the Scheme Administrator would process the benefits of the affected member in line with their response, prioritised based on the date a claim was made, dealing with the earliest claim first and working through all subsequent claims. There are 37 members in this Category.
- 5.4 The number of members affected by Immediate Detriment and the number of cases processed would be reported to the Local Pension Board to enable monitoring of the progress towards completion of this work on behalf of the Scheme Manager.

## **6. EQUALITY IMPACT ASSESSMENT**

- 6.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

## **7. LEGAL IMPLICATIONS**

- 7.1 The decision of the Scheme Manager in this case may be challenged by members. The challenge would be made through the Firefighters' Pension Scheme Internal Dispute Resolution Procedure. If this process does not resolve the matter the issue can be taken to The Pension Regulator and finally to the Supreme Court.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 In order to deal with the Immediate Detriment work reflected in this report, it would be necessary to increase the capacity of the Pension's Team. This would predominantly be achieved by seeking to appoint an additional Pension Practitioner Post. A Pension Administrative Grant has been received by the Authority which would be used to fund the proposed additional staffing costs.

## **BACKGROUND PAPERS**

FPS Bulletin 37 – September 2020

Public Service Pension Schemes: changes to the transitional arrangements to the 2015 Scheme's Consultation Statement UIN HCWS380

Minutes of the Audit and Risk Committee meeting 7<sup>th</sup> December 2020

Memorandum of Understanding between the Local Government Association and the Fire Brigades' Union dated 8<sup>th</sup> October 2021

Minutes of the Audit and Risk Committee meeting 6<sup>th</sup> June 2022

The contact name for this report is Mike Griffiths, telephone number 0121 380 6919.

**PHIL LOACH  
CHIEF FIRE OFFICER**



Item 6

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****AUDIT AND RISK COMMITTEE****26 SEPTEMBER 2022****1. STATEMENT OF ACCOUNTS 2021/2022**

Report of the Treasurer.

**RECOMMENDED**

- 1.1 THAT the draft Statement of Accounts for 2021/2022 (unaudited) as set out in Appendix A be approved.
- 1.2 THAT the draft Statement of Accounts summary for 2021/2022 set out in Appendix B be noted.

**2. PURPOSE OF REPORT**

- 2.1 This report is submitted for Members of the Audit and Risk Committee to approve the Authority's draft Statement of Accounts (unaudited) for the financial year ended 31 March 2022.

**3. BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of July. However, for 2020/21 and 2021/22 only the Regulations have been amended by the Accounts and Audit (Amendment) Regulations 2021. The deadline to publish the Authority's audited accounts for 2021/22 being pushed back from 31 July 2022 to 30 September 2022.
- 3.2 In December 2021, the Department for Levelling Up, Housing and Communities announced a new package of measures to support the improved timeliness of local audit and the ongoing stability of the local audit market. The proposals included extending the published/audited deadline to 30 November 2022 for the 2021/22 accounts, then reverting to 30 September for the next six years.
- 3.3 It is a further requirement of the Regulations that Members are informed of any material changes required by the external auditors. Audit work on the draft Statement of Accounts by Grant Thornton

commences on 11 July 2022 and the Auditors Annual Report Findings report would be submitted at the November meeting.

- 3.4 The draft Accounts show net cost of services in 2021/2022 of £126.1 million including an appropriation from Earmarked Reserves which have decreased by £7.101 million to £29.816 million and General Reserves have decreased by £1.980 million to £3.858 million.
- 3.5 The total Provision of Services in 2021/2022 shows a deficit of £61.777 million, after allowing for the required accounting treatment of pensions governed by International Accounting Standard – Nineteen (IAS19). Capital expenditure totalled £3.189 million.
- 3.6 The draft Statement of Accounts (unaudited) is attached as Appendix A and a draft Summary of Accounts is attached as Appendix B, both are also available on the Fire Service Internet and can be viewed at <https://www.wmfs.net/your-fire-service/openness/documents>.

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

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

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

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

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

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

#### **BACKGROUND PAPERS**

Accounts and Audit Regulations 2015

Accounts and Audit (Amendment) Regulations 2021

Code of Practice on Local Authority Accounting 2021/2022

Final Accounts Files – Finance Office

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

MIKE GRIFFITHS  
TREASURER



WEST MIDLANDS FIRE SERVICE

Item 6

# WEST MIDLANDS FIRE AND RESCUE AUTHORITY



## Financial Statements & Notes to the Accounts

**2021/2022**

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**Auditors Report**

Ref: AU/AC/2022/JUL/10407221

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## NARRATIVE REPORT BY THE TREASURER

---

### 1. Introduction

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

WMFS is accountable to the public via the West Midlands Fire and Rescue Authority (WMFRA), made up of 15 Councillors representing the local authorities. They are also joined by West Midlands Police and Crime Commissioner and two co-opted Members. Headed by the Chair of the Fire Authority they set the direction for the Service in the best interests of the community. The Service is managed directly by four Brigade Managers – the Chief Fire Officer (CFO), Deputy CFO and two Assistant CFO's.

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

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

Prevention: Delivering interventions which support safer and healthier communities.

- We will prevent fires, road traffic collisions and other emergencies.
- We will focus on reducing health inequalities for our most vulnerable as a means of reducing risk and vulnerability to fires and other emergencies.
- We will educate the community to reduce their risk and vulnerability to fires and other emergencies.
- We will collaborate, and work in partnership with other organisations to reduce the risk and vulnerability to fires and other emergencies.

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

- We will protect you and your property by targeting high-risk buildings and vulnerable businesses.
- We will make our communities safer by implementing the learning from independent and sector-led reviews.
- We will improve community safety by developing innovative and smarter approaches to help keep your business in business.

- We will promote economic growth through the development of sustainable solutions and education to support businesses.
- We will reduce disruption to businesses and communities of the West Midlands.

Response: Dealing excellently with incidents.

- We will respond with the resources you need when you need them to protect what matters to you, to save life, reduce harm and protect homes and businesses.
- We will be ready to respond in an assertive, effective and safe way to meet our vision and your expectations.
- We will lead rescue operations, working with others to help make you safer.
- We are ready to respond locally, nationally and internationally.

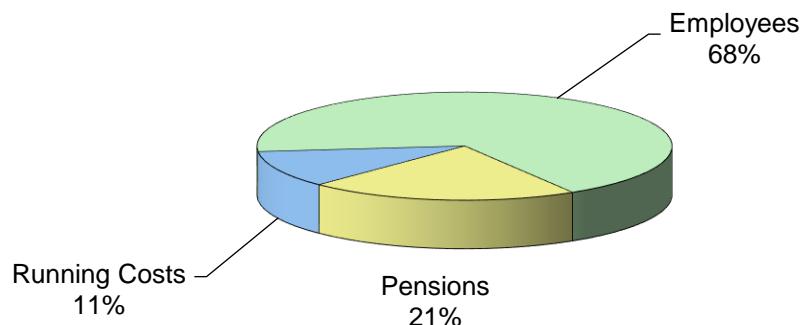
Further information can be found on our website [www.wmfs.net](http://www.wmfs.net)

2. This narrative report provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.
3. The Authority's accounts for the financial year 2021/2022 are set out on the following pages and consist of:
  - The Comprehensive Income and Expenditure Statement (CIES), the Authority's main revenue account, covering income and expenditure on all services.
  - The Movement in Reserves Statement (MIRS), which shows the movement in the year on the different reserves held by the Authority.
  - The Balance Sheet, which sets out the financial position of the Authority at 31<sup>st</sup> March 2022.
  - The Cash Flow Statement, showing movements in cash and cash equivalents during the year and the cash position at the year-end.
  - The Pension Fund Account, which summarises the movements relating to the firefighters pension schemes (FPS).

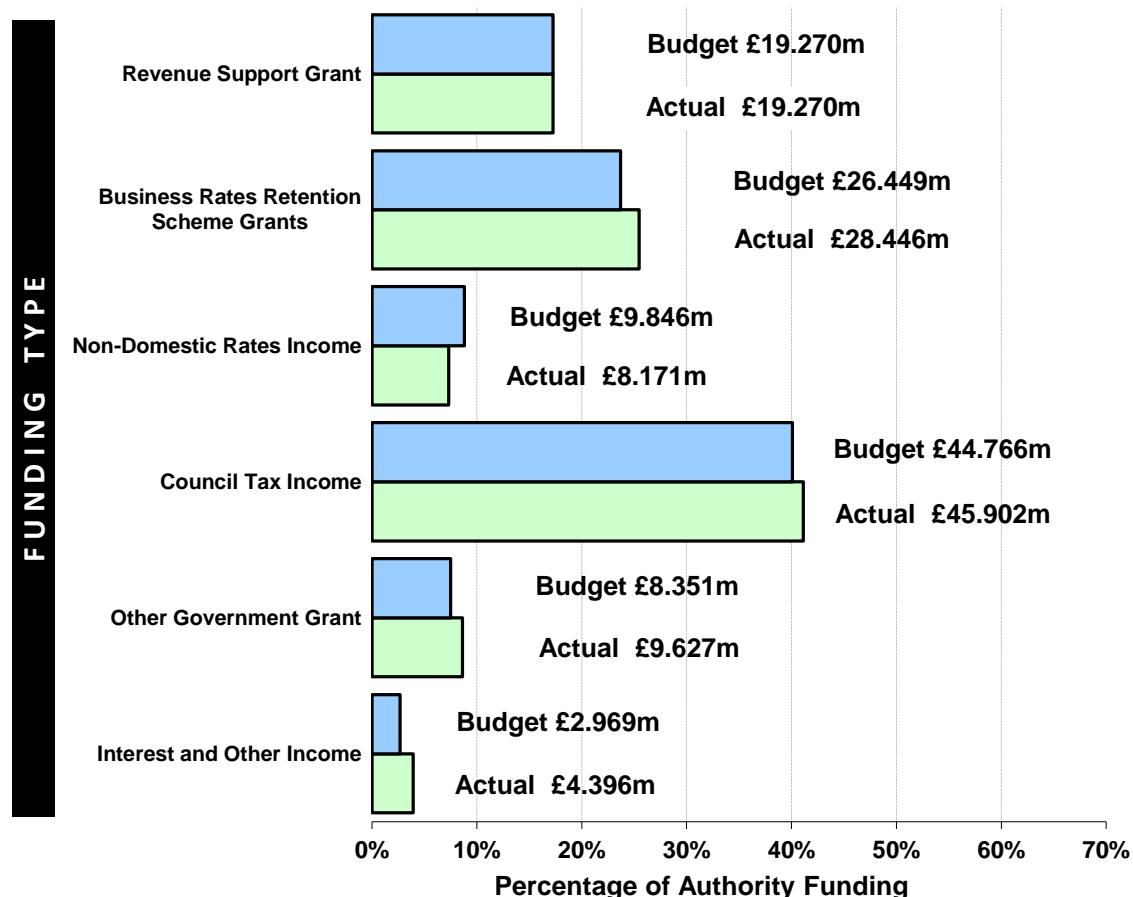
The accounts are supported by notes to the core financial statements.

4. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in notes to the accounts.
5. After statutory adjustments, such as the removal of depreciation and impairments and applying International Accounting Standard Nineteen (IAS19) entries in relation to pension costs, the CIES for the Authority shows a deficit on provision of services of £61.777m and an overall surplus of £41.353m.

6. The total expenditure of the Authority in 2021/22 was £177.589m. The types of costs incurred were:



7. The total income of the Authority to fund expenditure in 2021/22 was £115.812m, which came from:



8. In 2021/22 the Authority spent £3.189m on capital projects, the largest of these being £2.345m on vehicle replacements, £0.279m on health & safety adaption works and £0.185m on electrical rewires. The total expenditure on capital schemes was financed by Direct Revenue Financing. Note 33 provides details of capital expenditure and capital financing.
9. In 2021/22 appropriations of £7.101m were made from earmarked general fund reserves and £1.980m from un-earmarked general fund reserves.
10. The Authority, at its February 2021 meeting authorised the limit for external debt at £38m and the statutory limit for external debt at £42m. As at 31<sup>st</sup> March 2022, the Authority's actual long-term principal borrowing was £30.707m and short-term principal borrowing was £0.827m as per Note 18.3.
11. The 2021/22 accounts include the impact of IAS19. The effects of IAS19 are shown within the CIES and Balance Sheet. There is no effect on council tax from the implementation of this standard. The figures disclosed represent a snapshot in time. The accounts show that there is a significant shortfall between the forecast cost of pensions and the current level of assets built up in the pension fund. The Government Actuaries Department (GAD) review the defined benefit arrangements and appropriate levels of employer & employee contributions.

## **12. Financial Outlook**

On 16 December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced the provisional settlement for 2022/23 at £53.590m, resulting in a funding increase of £0.588m (1.1%). In addition, it was indicated A new 'one off' Services Grant would be distributed through the existing Settlement Funding Assessment formula amounting to approximately £2.3M for this Authority (additional national insurance contribution costs of approximately £650k are to be funded from this). The Government also proposed a general Council Tax referendum threshold of 2% for Fire and Rescue Authorities. However, for one year only (2022/23), for the Fire and Rescue Authorities in the lowest charging quartile, there would be flexibility to increase Band D precepts by £5. On 7 February 2022, DLUHC confirmed the Authority's 2022/23 total core funding.

The Authority set its 2022/23 budget on 14 February 2022, setting a council tax requirement of £49.405m which resulted in a council tax Band D precept increase of £4.99 (7.92%).

The Corporate Risk Register has identified a number of major risks that would seriously affect the Authority's ability to carry out its functions. The very nature of the risks have made it extremely difficult to quantify any funding impact that would arise were the risk to materialise and in the short term would result in a demand on the Authority's General Balances.

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

Furthermore, the Service is likely to continue to be directly impacted to some degree by the effects of COVID during 2022/23 together with the linked requirement to invest in the health, safety and wellbeing of all staff.

Therefore, whilst the Government funding allocation in 2022/23 is marginally higher in cash terms compared to 2022/23, a high level of caution still needs to be applied to future financial years as the funding position remains volatile for the Fire sector.

The Business Rates Retention Scheme was introduced in April 2013 and provides a direct link between business rates growth and the amount of money local authorities have to spend on local people and services. In September 2019, the Secretary of State for DLUHC announced that the implementation of changes to local government funding including business rates retention had been postponed. Authorities were notified that in order to provide certainty and stability for 2020/21, there would be a delay to the introduction of the scheme until 2021/22, a year later than planned. These plans have subsequently been deferred again, until at least 2022/23. In November 2021, the Government's Communities Secretary announced that the 75% business rates retention approach would conflict with the Government's 'levelling up agenda' and that the Government would now look at the mechanism for redistributing funding to those Authorities most in need, effectively appearing to abandon plans to allow councils to retain 75% of their business rates.

The Government considered the need for a 'Fair Funding Review' a number of years ago. The outcome of such an exercise would affect how funding is allocated and redistributed between local authorities and was originally intended to determine the relative share received by each individual fire and rescue authority from the total fire service funding received from Central Government. It was originally proposed that the new arrangements would be introduced from 2021/22 but the introduction was subsequently deferred until at least 2022/23. It is now the Government's intention to undertake a Fair Funding Review across local authorities, although it is not now intended to include fire and rescue authorities directly within the process. The timescales, to achieve an appropriate outcome in time to affect finance settlements from 2023/24 onwards, are challenging. Whilst it is not intended for the fire sector to be directly part of the exercise, issues such as the scale of council tax revenue generated by individual local authorities could have an indirect impact on resource allocations within the fire sector and so this review adds another complexity and volatility to long term financial planning.

### 13. **COVID-19 Government Grants**

The Government has provided a range of financial support packages throughout the COVID-19 pandemic. Since March 2020 the Authority has received £7m COVID-19 Government Grants. This funding has covered the additional costs incurred as a result of the COVID-19 pandemic, to support the cost of services and offset other income losses.

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

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

The response proposes that scheme members with benefits in the legacy schemes, those that existed before 1st April 2015, should have the opportunity to have their benefits calculated as if their membership of those schemes had continued until 31st March 2022. From 1st April 2022 all employees were moved into the reformed pension scheme. In the case of firefighters this will be the 2015 FPS. The estimated pension obligations from this matter have been captured within the defined pension liability. The shortfall in employer contributions will be captured in future scheme valuations as an unfunded, past service deficit and reflected in the employer contribution rates going forward.

The situation regarding immediate detriment cases i.e. those staff affected by the introduction of the 2015 FPS, is still affected by a number of legal and financial uncertainties. As a result, this still represents another complexity to the Authority's pension and budgetary considerations.

On 7 December 2020, the Audit and Risk Committee, in its role as Scheme Manager for the FPS, took the decision to instruct the scheme administrator to act upon guidance issued by the Home Office in August 2020 to make payment to immediate detriment cases.

West Midlands Fire Service began making payment to affected members, who retired from service on or after 1 February 2021. Whilst payments were being made, there were still a number of outstanding technical questions being considered nationally.

In October 2021, the Local Government Association and the Fire Brigades' Union signed a Memorandum of Understanding which provided a more substantial framework for the processing of cases.

On 29 November 2021, the Home Office withdrew their guidance. The key reason for withdrawal of the guidance was uncertainty on the power of Section 61 of the Equalities Act 2010 to support correction of immediate detriment cases before the new legislation was in place, with specific reference to tax relief on the contributions that a member would need to make to reinstate their membership of the 1992 Pension scheme. They further felt that there was a significant risk to scheme members that Her Majesty's Revenue and Customs may reclaim any tax relief which had been given in this situation.

The withdrawal guidance quoted further concerns from HMT and the covering letter from the Home Office outlined the funding position and confirmed that services would not be provided with additional funding for costs associated with immediate detriment, which are paid outside of the pension account. This

means that, were services to try and compensate members for lost tax or pension outside of the regulations, they would not be funded, and this would come from operational budgets only.

At the Audit and Risk Committee meeting on the 6 December 2021, a verbal update was received, advising of the withdrawal of the Home Office guidance and the associated legal and financial issues this raised. As a result of this update, the decision was taken to pause the payment of immediate detriment cases.

There is no question that eligible members are entitled to receive a choice of legacy or reformed benefits for the period between 1 April 2015 and 31 March 2022, nor is there any doubt that this will be available. Section 2 of the Public Service Pensions and Judicial Offices Act 2022, which came into place in April 2022, has the effect that on the coming into force of the secondary regulations, which must be enacted by 1 October 2023, members will be reverted to their legacy schemes for the remedy period. Those who have retired before the coming into force of the secondary regulations will be treated as 'Immediate Choice' members under sections 6 to 9 of the Act 2022 and given a choice of benefits to receive.

Immediate detriment payments were being made by the Authority prior to 7 December 2021 based on the legal considerations leading up to that date alongside guidance for making payments provided by the Home Office. The removal of the Home Office guidance and the legal and financial risks and uncertainties associated with making payments prior to 1 October 2023 has resulted in changes to the basis of making immediate detriment payments, which requires appropriate consideration in terms of the ongoing arrangements relating to this matter.

The Public Service Pensions and Judicial Offices Bill has now received royal assent and has been made into an Act, The Public Service Pensions and Judicial Offices Act 2022. Part 1, Chapter 1 of the Act will come into force no later than 1 October 2023 and will remedy the discrimination between 1 April 2015 and 31 March 2022, by moving members back to the legacy scheme for the remedy period. The Act will be supported in due course by HMT directions which specify certain aspects such as the rate of interest to apply to payments owed and due.

Secondary regulation amendments to the Firefighters' Pension Schemes will be required that are in keeping with the primary legislation. It is the responsibility of Home Office to draft and lay these regulations by 1 October 2023. Section 11 of the Finance Act 2022 requires treasury to make changes to the Finance Act 2004, in connection with the discrimination rectification provisions. It is expected these will be retrospective from 1 April 2022, however they are not yet available, and drafts are expected in Autumn of 2022.

On 6 June 2022, the Audit and Risk Committee, in its role as Scheme Manager for the FPS, took the decision to instruct the scheme administrator to lift the current pause and process immediate detriment payments.

## 15. Performance Indicators (PI)

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

The setting of targets against operational and other performance indicators enables the Service to identify key areas for improvement which contribute to making the West Midlands safer, stronger and healthier. During 2021/22 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 <https://wmfs.cmis.uk.com/cmis5/>.

| Key:  |
|-------|
| Blue  |
| Green |
| Red   |

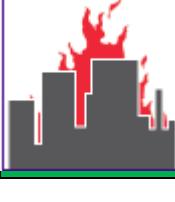
**Over performance against the tolerance levels**  
**Performance is within the tolerance levels**  
**Under performance against the tolerance levels**

### Response

|  |  |
|--|--|
| <b>PI 1</b>  |  <b>The Risk Based Attendance Standard</b><br>Target: under 5 minutes<br>Actual: 4 minutes 43 seconds<br><b>Over performance against the tolerance levels</b> |
| Category 2 – 5 minutes 26 seconds (target of 7 minutes)<br>Category 3 – 4 minutes 59 seconds (target of 10 minutes)<br>Category 4 – 7 minutes 8 seconds (target of 20 minutes) |  |

### Prevention

|             |  |
|-------------|--|
| <b>PI 2</b> |  <b>The number of accidental dwelling fires</b><br>Target YTD: 1623 (1543 – 1655)<br>Actual to date: 1506<br><b>Over performance against the tolerance levels</b> |
|-------------|--|

|      |   |  |
|------|---|--|
| PI 3 |    | <b>Injuries from accidental fires in dwellings (taken to hospital for treatment)</b><br>Target YTD: 52 (41 – 57)<br>Actual to date: 43<br><b>Performance is within the tolerance levels</b>        |
| PI 4 |    | <b>The number of deaths from accidental dwelling fires</b><br>Target YTD: N/A<br>Actual to date: 14  |
| PI 5 |    | <b>The percentage of Safe and Well visits referred by our partners</b><br>Target YTD: 45% (45% - 47.25%)<br>Actual to date: 41.1%<br><b>Under performance against the tolerance levels</b>         |
| PI 6 |   | <b>The number of Safe &amp; Well points achieved by the Brigade</b><br>Target YTD: 259,680 (259,680 – 272,664)<br>Actual to date: 252,269<br><b>Under performance against the tolerance levels</b> |
| PI 7 |  | <b>The number of people killed or seriously injured (KSI) in road traffic collisions</b><br>Target YTD: Not applicable<br>Actual to date: 701  |
| PI 8 |  | <b>The number of deliberate fires in dwellings</b><br>Target YTD: 202 (180 – 212)<br>Actual to date: 193<br><b>Performance is within the tolerance levels</b>                                      |
| PI 9 |  | <b>The number of deliberate fires in non-domestic premises</b><br>Target YTD: 119 (107 – 119)<br>Actual to date: 115<br><b>Performance is within the tolerance levels</b>                          |

**PI 10****The number of deliberate vehicle fires**

Target YTD: 698 (629 – 733)

Actual to date: 519

**Over performance against the tolerance levels****PI 11****The number of deliberate rubbish fires**

Target YTD: 1448 (1375 – 1476)

Actual to date: 1356

**Over performance against the tolerance levels****PI 12****The number of deliberate fires in derelict buildings**

Target YTD: 108 (98 – 113)

Actual to date: 121

**Under performance against the tolerance levels****Protection****PI 13****The number of accidental fires in non-domestic premises**

Target YTD: 406 (366 – 426)

Actual to date: 390

**Performance is within the tolerance levels****PI 14**

Fire alarm

**The number of false alarm calls due to fire alarm equipment in dwellings and non-domestic premises**

Target YTD: 5797 (5508 – 5912)

Actual to date: 5930

**Under performance against the tolerance levels**

16. Further information about the accounts is available from:

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

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

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

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

---

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

The Authority is required to:

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

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

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that this statement of accounts gives a true and fair view of the financial position and expenditure and income of the WMFRA for the year ending 31 March 2022.

Mike Griffiths, C.P.F.A  
Treasurer

Date: 18<sup>th</sup> July 2022

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

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The unaudited statement of accounts for the year 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 was approved by the West Midlands Fire & Rescue Authority's Audit and Risk Committee on 18<sup>th</sup> July 2022.

Cllr Catherine Miks  
Chair of the Audit and Risk Committee

Date: 18<sup>th</sup> July 2022

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

| 2020/2021 * Restated |                   |                |   | 2021/2022       |                   |                |
|----------------------|-------------------|----------------|---|-----------------|-------------------|----------------|
| Gross Exp. £000      | Gross Income £000 | Net Exp. £000  |   | Gross Exp. £000 | Gross Income £000 | Net Exp. £000  |
| 1,590                | -                 | 1,590          | <b>Democratic Representation &amp; Brigade Managers</b>                   | 1,593           | -                 | 1,593          |
| (788)                | (5,734)           | (6,522)        | <b>Corporate Charges</b>  | (48)            | (5,736)           | (5,784)        |
| 4,853                | (65)              | 4,788          | <b>Portfolio &amp; Organisational Intelligence</b>                        | 5,209           | (67)              | 5,142          |
| 35,264               | (748)             | 34,516         | <b>Operations North, Preparedness &amp; Response</b>                      | 36,020          | (1,254)           | 34,766         |
| 52,151               | (1,944)           | 50,207         | <b>Operations South &amp; Fire Control</b>                                | 52,378          | (1,962)           | 50,416         |
| 2,350                | (124)             | 2,226          | <b>Prevention</b>   | 2,666           | (182)             | 2,484          |
| 6,898                | (1,178)           | 5,720          | <b>Protection</b>   | 7,238           | (839)             | 6,399          |
| 9,712                | (1,284)           | 8,428          | <b>Resourcing</b>   | 11,422          | (1,134)           | 10,288         |
| 6,747                | (599)             | 6,148          | <b>Digital &amp; Data</b>   | 8,663           | (488)             | 8,175          |
| 1,207                | (84)              | 1,123          | <b>Policy &amp; Organisational Assurance</b>                              | 1,213           | (18)              | 1,195          |
| 963                  | (69)              | 894            | <b>Communications &amp; Engagement</b>                                    | 1,366           | (60)              | 1,306          |
| 9,600                | (441)             | 9,159          | <b>People Services</b>  | 10,598          | (478)             | 10,120         |
| <b>130,547</b>       | <b>(12,270)</b>   | <b>118,277</b> | <b>Cost of Services</b>   | <b>138,318</b>  | <b>(12,218)</b>   | <b>126,100</b> |
| 350                  | (88)              | 262            | <b>Other Operating Expenditure (Note 13)</b>                              | 341             | (34)              | 307            |
| 39,818               | (118)             | 39,700         | <b>Financing and investment income &amp; expenditure (Note 14)</b>        | 38,930          | (73)              | 38,857         |
|                      |                   | (103,028)      | <b>Taxation and non-specific grant income (Note 15)</b>                   |                 |                   | (103,487)      |
|                      |                   | 55,211         | <b>(Surplus)/Deficit on Provision of Services</b>                         |                 |                   | 61,777         |
| 10,768               | (8,391)           | 2,377          | <b>Surplus or deficit on revaluation of Property, Vehicles, Plant and</b> | 4,210           | (21,636)          | (17,426)       |
|                      |                   | 116,026        | <b>Re-measurements of the net defined benefit liability/(asset)</b>       |                 |                   | (85,704)       |
|                      |                   | 118,403        | <b>Other Comprehensive Income and Expenditure</b>                         |                 |                   | (103,130)      |
|                      |                   | 173,614        | <b>Total Comprehensive Income and Expenditure</b>                         |                 |                   | (41,353)       |

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**MOVEMENT IN RESERVES STATEMENT**

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

|  | Un-earmarked General Fund Reserves £'000 | Earmarked General Fund Reserves £'000 | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|--|--|---------------------------------------|----------------------------|--------------------------------|--|-----------------------------|-------------------------|--------------------------------|
| <b>Balance at 31 March 2020</b>  | (5,823)                                  | (30,137)                              | (35,960)                   | (2,249)                        | (74)                                   | (38,283)                    | 1,590,123               | 1,551,840                      |
| <b>Movement in Reserves During 2020/21</b>   |  |                                       |                            |                                |  |                             |                         |                                |
| <b>Total Comprehensive Income and Expenditure *</b>                                | 55,211                                   | -                                     | 55,211                     | -                              | -                                      | 55,211                      | 118,403                 | 173,614                        |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | (62,006)                                 | -                                     | (62,006)                   | -                              | -                                      | (62,006)                    | 62,006                  | -                              |
| <b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>              | (6,795)                                  | -                                     | (6,795)                    | -                              | -                                      | (6,795)                     | 180,409                 | 173,614                        |
| <b>Transfers to/from Earmarked Reserves (Note 11)</b>                              | 6,780                                    | (6,780)                               | -                          | -                              | -                                      | -                           | -                       | -                              |
| <b>(Increase)/Decrease in 2020/21</b>  | (15)                                     | (6,780)                               | (6,795)                    | -                              | -                                      | (6,795)                     | 180,409                 | 173,614                        |
| <b>Balance at 31 March 2021</b>  | (5,838)                                  | (36,917)                              | (42,755)                   | (2,249)                        | (74)                                   | (45,078)                    | 1,770,532               | 1,725,454                      |
| <b>Movement in Reserves During 2021/22</b>   |  |                                       |                            |                                |  |                             |                         |                                |
| <b>Total Comprehensive Income and Expenditure *</b>                                | 61,777                                   | -                                     | 61,777                     | -                              | -                                      | 61,777                      | (103,130)               | (41,353)                       |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | (52,696)                                 | -                                     | (52,696)                   | -                              | -                                      | (52,696)                    | 52,696                  | -                              |
| <b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>              | 9,081                                    |                                       | 9,081                      | -                              | -                                      | 9,081                       | (50,434)                | (41,353)                       |
| <b>Transfers to/from Earmarked Reserves (Note 11)</b>                              | (7,101)                                  | 7,101                                 | -                          | -                              | -                                      | -                           | -                       | -                              |
| <b>(Increase)/Decrease in 2021/22</b>  | 1,980                                    | 7,101                                 | 9,081                      | -                              | -                                      | 9,081                       | (50,434)                | (41,353)                       |
| <b>Balance at 31 March 2022</b>  | (3,858)                                  | (29,816)                              | (33,674)                   | (2,249)                        | (74)                                   | (35,997)                    | 1,720,098               | 1,684,101                      |

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

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**BALANCE SHEET**

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

| <b>31 March<br/>2021<br/>£000</b> |  | <b>Note</b> | <b>31 March<br/>2022<br/>£000</b> |
|-----------------------------------|--|-------------|-----------------------------------|
| 135,064                           | <b>Property, Vehicles, Plant &amp; Equipment</b> | 16          | 154,348                           |
| 66                                | <b>Heritage Assets</b>                           |             | 66                                |
| 81                                | <b>Intangible Assets</b>                         | 17          | 54                                |
| <b>135,211</b>                    | <b>Long Term Assets</b>                          |             | <b>154,468</b>                    |
| -                                 | <b>Assets Held for Sale</b>                      | 16          | 500                               |
| 983                               | <b>Inventories</b>                               | 19          | 933                               |
| 20,892                            | <b>Short Term Debtors</b>                        | 20          | 18,949                            |
| 36,614                            | <b>Cash and Cash Equivalents</b>                 | 21          | 32,864                            |
| <b>58,489</b>                     | <b>Current Assets</b>                            |             | <b>53,246</b>                     |
| (2,256)                           | <b>Short Term Borrowing</b>                      | 18          | (904)                             |
| (18,497)                          | <b>Short Term Creditors</b>                      | 22          | (16,441)                          |
| <b>(20,753)</b>                   | <b>Current Liabilities</b>                       |             | <b>(17,345)</b>                   |
| (664)                             | <b>Provisions</b>                                | 23          | (664)                             |
| (31,535)                          | <b>Long Term Borrowing</b>                       | 18          | (30,707)                          |
| (1,866,202)                       | <b>Other Long Term Liabilities</b>               | 34          | (1,843,099)                       |
| <b>(1,898,401)</b>                | <b>Long Term Liabilities</b>                     |             | <b>(1,874,470)</b>                |
| <b>(1,725,454)</b>                | <b>Net Assets</b>                                |             | <b>(1,684,101)</b>                |
| <b>(45,078)</b>                   | <b>Usable Reserves</b>                           |             | <b>(35,997)</b>                   |
| <b>1,770,532</b>                  | <b>Unusable Reserves</b>                         | 12          | <b>1,720,098</b>                  |
| <b>1,725,454</b>                  | <b>Total Reserves</b>                            |             | <b>1,684,101</b>                  |

Mike Griffiths, C.P.F.A  
Treasurer

Date: 18<sup>th</sup> July 2022

## CASH FLOW STATEMENT

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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.

| 2020/2021<br>£000 |  | 2021/2022<br>£000 |
|-------------------|--|-------------------|
| 55,211            | <b>Net (surplus) or deficit on the provision of services</b>   | 61,777            |
| (51,108)          | <b>Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24.2)</b>   | (63,782)          |
| 77                | <b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24.3)</b> | 34                |
| 4,180             | <b>Net cash flows from Operating Activities</b>  | (1,971)           |
| 2,281             | <b>Investing Activities (Note 25)</b>  | 3,581             |
| 2,022             | <b>Financing Activities (Note 26)</b>  | 2,140             |
| 8,483             | <b>Net (increase)/decrease in cash and cash equivalents</b>  | 3,750             |
| 45,097            | <b>Cash and cash equivalents at the beginning of the reporting period</b>  | 36,614            |
| 36,614            | <b>Cash and cash equivalents at the end of the reporting period (Note 21)</b>  | 32,864            |

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1. ACCOUNTING POLICIES

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

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position as at the year-end, 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared on a going concern basis. The Treasurer expectations are that this will continue for the foreseeable future. Using reserves the Authority has a balanced budget for the Medium Term Financial Plan period and robust and deliverable plans for a balanced budget going forward.

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

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when or as the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as Income and Expenditure.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals of income and expenditure are subject to a de minimis level of £1,000.

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

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

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

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

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

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

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

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

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

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

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

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting Minimum Revenue Provision (MRP) transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

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

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

The council tax and NDR included in the CIES is the Authority's share of accrued income for the year. Regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The effect on the Surplus or Deficit on the Provision of Services for the year 2021/22 in the CIES is a surplus of £3.986m which is also reflected in the MIRS.

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

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

## **1.7. Employee Benefits**

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

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

### **1.7.2 Termination Benefits**

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

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

### **1.7.3 Post-Employment Benefits**

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

- Uniformed Firefighters – Original (1992) Scheme

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

- Uniformed Firefighters – (2006) Scheme

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

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

- Uniformed Firefighters – (2015) Scheme

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

The combined pension fund for uniformed firefighters as at 31<sup>st</sup> March 2022 had a net deficit value of £1,791m.

- The Local Government Pension Scheme (LGPS)

Other employees, subject to certain qualifying criteria, are eligible to join the LGPS, administered by City of Wolverhampton Council. The pension costs that are charged to the Authority's accounts, £2.802m in 2021/22 in respect of these employees, are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The scheme is, however, funded.

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

These schemes are accounted for as defined benefits schemes:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) and the liabilities of the FPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.65% for the FPS and 2.7% for the LGPS.
- The assets of WMMAPF attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities — current bid price
  - unquoted securities — professional estimate
  - unitised securities — current bid price
  - property — market value.

- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost - the increase in liabilities because of years of service earned this year — allocated in the CIES to the services for which the employees worked.
    - Past service cost — the increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES within the corporate charges Service line.
    - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority — the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - The return on plan assets — excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Changes in demographic and financial assumptions — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the Pension Fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

#### **1.7.4 Discretionary Benefits**

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

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

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

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

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

### **1.9. Financial Instruments**

#### **1.9.1 Financial Liabilities**

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

Debt inherited from the former WMCC is managed by Dudley MBC and redeemed over a period of 40 years from 1<sup>st</sup> April 1986. Annual charges to the CIES for interest payable were charged on this debt in 2021/22 at a rate of 5.4%.

Creditors are carried on the balance sheet at amortised cost.

#### **1.9.2 Financial Assets**

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

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

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

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

Debtors are carried on the balance sheet at amortised cost.

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

### **1.9.3 Fair Value Measurement**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **1.11. Intangible Assets**

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an

indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

## **1.12. Inventories**

Inventories are included in the Balance Sheet at the latest price. This does not comply with the standard which requires the lower of cost and net realisable value. The total value of stocks held is approximately £0.933m (2020/21 £0.983m) and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

## **1.13. Overheads and Support Services**

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

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

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

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

### **1.14.1 Recognition**

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

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

### 1.14.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

#### **1.14.3 Impairment**

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

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

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

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

#### **1.14.4 Depreciation**

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

The following depreciation policies have been adopted:

- Operational Vehicles - straight line over 10 years.
- Ancillary Vehicles - straight line over 5 years.
- Equipment - straight line over 5 years.
- All property assets have been depreciated in line with their life expectancies.
- Freehold land is not depreciated.

- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

Wilks Head & Eve (WH&E), of 55 New Oxford Street, London, WC1A 1BS is a RICS (Royal Institution of Chartered Surveyors) Regulated Firm, are the Authority's valuers and were instructed to provide valuations for all land and property assets and recommend the appropriate life expectancies. A full valuation of all land and property assets was completed as at 31<sup>st</sup> March 2022. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value.

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

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

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

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

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

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

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

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

## **1.15. Minimum Revenue Provision**

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

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

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

The Treasurer has the discretion to make an additional provision.

## **1.16. Provisions and Contingent Liabilities**

### **1.16.1 Provisions**

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

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year — where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### **1.16.2 Contingent Liabilities**

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

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

## **1.17. Reserves**

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

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

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

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

## **1.19. Restated Figures**

For comparative purposes 2020/2021 figures are provided.

The CIES cost of services, notes 7, 8 and 11 show 2020/2021 restated figures for service expenditure and income as some sections have moved service areas.

## **1.20. Roundings**

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

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

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

The standards introduced in the 2022/23 Code that are relevant to the above are:-

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

The Code requires implementation from 1 April 2022 and there is therefore no impact on the 2021/22 Statement of Accounts.

The Authority has concluded that there will be no material impact upon the 2022/23 Statement of Accounts.

IFRS 16 Leases – This will require lessees to recognise most leases on their balance sheet as right of use assets with corresponding lease liabilities (there is recognition for low value and short-term leases). The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 Leases to 1st April 2024, however the Authority is allowed to adopt the standard before that date. The Authority chooses not to adopt the standard early and therefore this will not have any impact in 2022/23.

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

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

- No Residual Value of Assets – The Authority assumes that the residual value of plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.
- Property valued at Current Value – The Authority has had all its land and property assets valued on the basis of current value as at 31<sup>st</sup> March 2022. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value. In 2011 the Authority introduced component accounting to its land and property assets as part of its valuations.
- Government Funding - There remains a degree of uncertainty about future levels of core funding for local government. The funding settlement for 2022/2023 is a one year only arrangement. There is no clarity over funding levels, nationally and/or locally, after that date which hampers meaningful financial planning over the longer term. The Authority has however determined that the level of uncertainty is not yet sufficient to indicate that the assets of the Authority may be significantly impaired because of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2022 for which there is a risk of a material adjustment in the following financial year are:

- Pensions Liability - Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement age, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) and Hymans Robertson provide the Authority with expert advice about the assumptions to be applied (Note 34).
- 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.
- Provisions – The Authority has made an insurance provision for employee and public liability claims. The provision is based on the advice of the Authority's Risk Management advisor. However, the figure could increase or decrease based on the final settlement.

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

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

On 30 April 2020 the Authority made a payment of £7.9m to the WMMAPF in respect of pension contributions for the three years from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2023. The full payment has been accounted for as a reduction in the Authority's net pension liability and accounting regulations require that only the amount due in relation to 2021/22 of £2.6m is recognised as a cost to the General Fund this year. Until 2022/23, there will be a difference between the net pension liability and the pension reserve, equal to the amount that has been paid in relation to future years. This difference will remain until the 2022/23 accounts.

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

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### **6.1 FPS Immediate Detriment Payments**

On 6 June 2022, the Audit and Risk Committee, in its role as Scheme Manager for the FPS, took the decision to instruct the scheme administrator to lift the current pause and process immediate detriment payments.

The Authority has 37 pensioners who are affected by this situation, and it is predicted that approximately a further 100 members will retire before the new regulations are in place. 30 of the 37 pensioners retired by 31 March 2022 and the net cost to the Pension Fund account at 31 March 2022 is £252k.

An exercise has been undertaken to forecast the potential scale of the financial risk by proceeding with remedy prior to legislation being in place and/or further clarity being provided in relation to potential arrangements prior to October 2023. The scale of impact has been estimated at circa £2m based predominantly on the tax related issues associated with pension contributions but it must be highlighted that there are significant legal and financial uncertainties relating to this matter and so a high degree of caution should be applied to this indicative figure. It is feasible that making payments with no clear legal mechanism in place together with the associated tax issues that could arise in advance of retrospective legislation may mean the scale of potential financial risk significantly exceeds the £2m figure, given all the uncertainties around this matter and the range of assumptions that can be used to calculate the scale of potential financial exposure. As at 31 March 2022 an earmarked reserve of £2m has been provided for this.

## 7. EXPENDITURE AND FUNDING ANALYSIS

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

| 2020/2021 * Restated                                   |  |                                  |  | 2021/2022  |  |                                  |
|--|--|----------------------------------|--|--|--|----------------------------------|
| Net Expenditure Chargeable to the General Fund ** £000 | Adjustments Between Funding and Accounting Basis (Note 7.1) £000 | Net Expenditure in the CIES £000 |  | Net Expenditure Chargeable to the General Fund* £000 | Adjustments Between Funding and Accounting Basis (Note 7.1) £000 | Net Expenditure in the CIES £000 |
| 1,258  | 332  | 1,590                            | Democratic Representation & Brigade Managers | 1,237  | 356  | 1,593                            |
| (5,331)  | (1,191)  | (6,522)                          | Corporate Charges                            | (5,112)  | (672)  | (5,784)                          |
| 4,520  | 268  | 4,788                            | Portfolio & Organisational Intelligence      | 4,741  | 401  | 5,142                            |
| 27,559   | 6,957  | 34,516                           | Operations North, Preparedness & Response    | 27,872   | 6,894  | 34,766                           |
| 40,031   | 10,176   | 50,207                           | Operations South & Fire Control              | 40,072   | 10,344   | 50,416                           |
| 1,932  | 294  | 2,226                            | Prevention                                   | 2,012  | 472  | 2,484                            |
| 4,439  | 1,281  | 5,720                            | Protection                                   | 4,978  | 1,421  | 6,399                            |
| 7,787  | 641  | 8,428                            | Resourcing                                   | 9,091  | 1,197  | 10,288                           |
| 5,777  | 371  | 6,148                            | Digital & Data                               | 7,327  | 848  | 8,175                            |
| 895  | 228  | 1,123                            | Policy & Organisational Assurance            | 937  | 258  | 1,195                            |
| 768  | 126  | 894                              | Communications & Engagement                  | 1,056  | 250  | 1,306                            |
| 7,827  | 1,332  | 9,159                            | People Services                              | 8,272  | 1,848  | 10,120                           |
| 97,462   | 20,815   | 118,277                          | Cost of Services                             | 102,483  | 23,617   | 126,100                          |
| (104,257)  | 41,191   | (63,066)                         | Other Income and Expenditure                 | (93,402)   | 29,079   | (64,323)                         |
| (6,795)  | 62,006   | 55,211                           | (Surplus)/Deficit on Provision of Services   | 9,081  | 52,696   | 61,777                           |
| (35,960)   |  |                                  | Opening General Fund Balance                 | (42,755)   |  |                                  |
| (42,755)   |  |                                  | Closing General Fund Balance @ 31 March      | (33,674)   |  |                                  |

\*\* As reported to the SET.

| <b>2020/2021 * Restated</b>                             | <b>Adjustments<br/>for capital<br/>purposes<br/>(Note 7.2)</b> | <b>Net change<br/>for the<br/>pension<br/>adjustments<br/>(Note 7.3)</b> | <b>Other<br/>statutory<br/>differences<br/>(Note 7.4)</b> | <b>Total<br/>Adjustments</b> |
|---|--|--|---|------------------------------|
|   | <b>£000</b>  | <b>£000</b>  | <b>£000</b>   | <b>£000</b>                  |
| <b>Democratic Representation &amp; Brigade Managers</b> | -  | <b>311</b>   | <b>21</b>   | <b>332</b>                   |
| <b>Corporate Charges</b>                                | <b>265</b>   | <b>(1,456)</b>   | <b>0</b>  | <b>(1,191)</b>               |
| <b>Portfolio &amp; Organisational Intelligence</b>      | -  | <b>238</b>   | <b>30</b>   | <b>268</b>                   |
| <b>Operations North, Preparedness &amp; Response</b>    | -  | <b>6,848</b>   | <b>109</b>  | <b>6,957</b>                 |
| <b>Operations South &amp; Fire Control</b>              | -  | <b>10,068</b>  | <b>108</b>  | <b>10,176</b>                |
| <b>Prevention</b>                                       | -  | <b>292</b>   | <b>2</b>  | <b>294</b>                   |
| <b>Protection</b>                                       | -  | <b>1,311</b>   | <b>-30</b>  | <b>1,281</b>                 |
| <b>Resourcing</b>                                       | -  | <b>588</b>   | <b>53</b>   | <b>641</b>                   |
| <b>Digital &amp; Data</b>                               | -  | <b>332</b>   | <b>39</b>   | <b>371</b>                   |
| <b>Policy &amp; Organisational Assurance</b>            | -  | <b>226</b>   | <b>2</b>  | <b>228</b>                   |
| <b>Communications &amp; Engagement</b>                  | -  | <b>86</b>  | <b>40</b>   | <b>126</b>                   |
| <b>People Services</b>                                  | -  | <b>1,360</b>   | <b>-28</b>  | <b>1,332</b>                 |
| <b>Cost of Services</b>                                 | <b>265</b>   | <b>20,204</b>  | <b>346</b>  | <b>20,815</b>                |
| <b>Other Income and Expenditure</b>                     | <b>(3,223)</b>   | <b>37,988</b>  | <b>6,426</b>  | <b>41,191</b>                |
| <b>Total</b>  | <b>(2,958)</b>   | <b>58,192</b>  | <b>6,772</b>  | <b>62,006</b>                |

| <b>2021/2022</b>  | <b>Adjustments<br/>for capital<br/>purposes<br/>(Note 7.2)</b> | <b>Net change<br/>for the<br/>pension<br/>adjustments<br/>(Note 7.3)</b> | <b>Other<br/>statutory<br/>differences<br/>(Note 7.4)</b> | <b>Total<br/>Adjustments</b> |
|---|--|--|---|------------------------------|
|   | <b>£000</b>  | <b>£000</b>  | <b>£000</b>   | <b>£000</b>                  |
| <b>Democratic Representation &amp; Brigade Managers</b> | -  | <b>313</b>   | <b>43</b>   | <b>356</b>                   |
| <b>Corporate Charges</b>                                | <b>858</b>   | <b>(1,530)</b>   | <b>-</b>  | <b>(672)</b>                 |
| <b>Portfolio &amp; Organisational Intelligence</b>      | -  | <b>420</b>   | <b>(19)</b>   | <b>401</b>                   |
| <b>Operations North, Preparedness &amp; Response</b>    | -  | <b>6,914</b>   | <b>(20)</b>   | <b>6,894</b>                 |
| <b>Operations South &amp; Fire Control</b>              | -  | <b>10,330</b>  | <b>14</b>   | <b>10,344</b>                |
| <b>Prevention</b>                                       | -  | <b>468</b>   | <b>4</b>  | <b>472</b>                   |
| <b>Protection</b>                                       | -  | <b>1,426</b>   | <b>(5)</b>  | <b>1,421</b>                 |
| <b>Resourcing</b>                                       | -  | <b>1,189</b>   | <b>8</b>  | <b>1,197</b>                 |
| <b>Digital &amp; Data</b>                               | -  | <b>848</b>   | <b>-</b>  | <b>848</b>                   |
| <b>Policy &amp; Organisational Assurance</b>            | -  | <b>256</b>   | <b>2</b>  | <b>258</b>                   |
| <b>Communications &amp; Engagement</b>                  | -  | <b>238</b>   | <b>12</b>   | <b>250</b>                   |
| <b>People Services</b>                                  | -  | <b>1,845</b>   | <b>3</b>  | <b>1,848</b>                 |
| <b>Cost of Services</b>                                 | <b>858</b>   | <b>22,717</b>  | <b>42</b>   | <b>23,617</b>                |
| <b>Other Income and Expenditure</b>                     | <b>(4,184)</b>   | <b>37,249</b>  | <b>(3,986)</b>  | <b>29,079</b>                |
| <b>Total</b>  | <b>(3,326)</b>   | <b>59,966</b>  | <b>(3,944)</b>  | <b>52,696</b>                |

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## **7.2 Adjustments for capital purposes**

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

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

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

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

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

## **7.4 Other statutory differences**

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

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

## 8. PRIOR PERIOD RESTATEMENTS

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### Prior Period Restatement of Service Expenditure and Income

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

| Service                                      | As reported<br>CIES<br>2020/21 | Adjustments | 2020/21<br>Restated | Service                                      |
|--|--------------------------------|-------------|---------------------|--|
|  | £000                           | £000        | £000                |  |
| Democratic Representation & Brigade Managers | 1,659                          | (69)        | 1,590               | Democratic Representation & Brigade Managers |
| Corporate Charges                            | (4,295)                        | (2,227)     | (6,522)             | Corporate Charges                            |
| Strategy & Organisational Intelligence       | 4,812                          | (24)        | 4,788               | Portfolio & Organisational Intelligence      |
| Communications                               | 894                            | -           | 894                 | Communications & Engagement                  |
| Finance & Resources                          | 8,059                          | 369         | 8,428               | Resourcing                                   |
| Digital & Data                               | 6,148                          | -           | 6,148               | Digital & Data                               |
| People Services                              | 935                            | 8,224       | 9,159               | People Services                              |
| Training, Health & Wellbeing                 | 6,707                          | (6,707)     |                     |  |
| Prevention, Preparedness & Response          | 3,703                          | (1,477)     | 2,226               | Prevention                                   |
|  |                                | 1,123       | 1,123               | Policy & Organisational Assurance            |
| Protection & Organisational Assurance        | 7,118                          | (1,398)     | 5,720               | Protection                                   |
| Command Delivery, Fire Control & Workforce   | 82,537                         | (48,021)    | 34,516              | Operations North, Preparedness & Response    |
|  |                                | 50,207      | 50,207              | Operations South & Fire Control              |
| <b>Net Expenditure</b>                       | <b>118,277</b>                 | -           | <b>118,277</b>      |  |

| Service                                      | As reported<br>CIES<br>2020/21<br>£000 | Adjustments<br>£000 | 2020/21<br>Restated<br>£000 | Service                                      |
|--|--|---------------------|-----------------------------|--|
| Democratic Representation & Brigade Managers | 1,659                                  | (69)                | 1,590                       | Democratic Representation & Brigade Managers |
| Corporate Charges                            | 1,439                                  | (2,227)             | (788)                       | Corporate Charges                            |
| Strategy & Organisational Intelligence       | 4,957                                  | (104)               | 4,853                       | Portfolio & Organisational Intelligence      |
| Communications                               | 963                                    | 0                   | 963                         | Communications & Engagement                  |
| Finance & Resources                          | 9,263                                  | 449                 | 9,712                       | Resourcing                                   |
| Digital & Data                               | 6,747                                  | 0                   | 6,747                       | Digital & Data                               |
| People Services                              | 1,116                                  | 8,484               | 9,600                       | People Services                              |
| Training, Health & Wellbeing                 | 6,962                                  | (6,962)             |                             |  |
| Prevention, Preparedness & Response          | 4,295                                  | (1,945)             | 2,350                       | Prevention                                   |
|  |  | 1,207               | 1,207                       | Policy & Organisational Assurance            |
| Protection & Organisational Assurance        | 8,380                                  | (1,482)             | 6,898                       | Protection                                   |
| Command Delivery, Fire Control & Workforce   | 84,766                                 | (49,502)            | 35,264                      | Operations North, Preparedness & Response    |
|  |  | 52,151              | 52,151                      | Operations South & Fire Control              |
| <b>Gross Expenditure</b>                     | <b>130,547</b>                         | -                   | <b>130,547</b>              |  |
| Democratic Representation & Brigade Managers | -                                      | -                   | -                           | Democratic Representation & Brigade Managers |
| Corporate Charges                            | (5,734)                                | 0                   | (5,734)                     | Corporate Charges                            |
| Strategy & Organisational Intelligence       | (145)                                  | 80                  | (65)                        | Portfolio & Organisational Intelligence      |
| Communications                               | (69)                                   | 0                   | (69)                        | Communications & Engagement                  |
| Finance & Resources                          | (1,204)                                | (80)                | (1,284)                     | Resourcing                                   |
| Digital & Data                               | (599)                                  | 0                   | (599)                       | Digital & Data                               |
| People Services                              | (181)                                  | (260)               | (441)                       | People Services                              |
| Training, Health & Wellbeing                 | (255)                                  | 255                 |                             |  |
| Prevention, Preparedness & Response          | (592)                                  | 468                 | (124)                       | Prevention                                   |
|  |  | (84)                | (84)                        | Policy & Organisational Assurance            |
| Protection & Organisational Assurance        | (1,262)                                | 84                  | (1,178)                     | Protection                                   |
| Command Delivery, Fire Control & Workforce   | (2,229)                                | 1,481               | (748)                       | Operations North, Preparedness & Response    |
|  |  | (1,944)             | (1,944)                     | Operations South & Fire Control              |
| <b>Gross Income</b>                          | <b>(12,270)</b>                        | -                   | <b>(12,270)</b>             |  |

## 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
|                   | <b>Expenditure</b>  |                   |
| 115,087           | <b>Employee expenses</b>  | 120,541           |
| 15,196            | <b>Other services expenses</b>  | 16,920            |
| 264               | <b>Depreciation, amortisation and impairment</b>                      | 858               |
| 37,988            | <b>Pensions interest cost and expected return on pension assets</b>   | 37,249            |
| 1,830             | <b>Interest payments</b>  | 1,681             |
| 350               | <b>Other operating expenditure</b>                                    | 340               |
| 170,715           | <b>Total Expenditure</b>  | 177,589           |
|                   | <b>Income</b>   |                   |
| (3,727)           | <b>Fees, charges and other service income</b>                         | (4,289)           |
| (118)             | <b>Interest and investment income</b>                                 | (73)              |
| (43,516)          | <b>Council tax income</b>   | (45,902)          |
| (5,099)           | <b>Non-domestic rates income from West Midlands Local Authorities</b> | (8,171)           |
| (62,956)          | <b>Government grants and contributions</b>                            | (57,343)          |
| (88)              | <b>Disposal of non-current assets</b>                                 | (34)              |
| (115,504)         | <b>Total Income</b>   | (115,812)         |
| 55,211            | <b>(Surplus)/Deficit on the provision of services</b>                 | 61,777            |

## 9.2 Revenue from contracts with service recipients

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

Amounts included in the CIES for contracts with service recipients:

|  | 2020/2021<br>£000 | 2021/2022<br>£000 |
|--|-------------------|-------------------|
| <b>Revenue from contracts with service recipients:</b> |                   |                   |
| Service Delivery – provision of Fire Control           | 1,042             | 1,036             |
| <b>Total included in CIES</b>                          | <b>1,042</b>      | <b>1,036</b>      |

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

|  | 2020/2021<br>£000 | 2021/2022<br>£000 |
|--|-------------------|-------------------|
| Receivables included in short term debtors | (26)              | -                 |
| Payables included in short term creditors  | -                 | -                 |
| <b>Total Included in Net Assets</b>        | <b>(26)</b>       | <b>-</b>          |

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

|   | 2020/2021<br>£000 | 2021/2022<br>£000 |
|---|-------------------|-------------------|
| Not Later than one year                               | 1,036             | 1,099             |
| Later than one year                                   | 1,059             | 1,132             |
| <b>Amounts of transaction price fully unsatisfied</b> | <b>2,052</b>      | <b>2,231</b>      |

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

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

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

|  | Usable Reserves      |                          |                          |
|--|----------------------|--------------------------|--------------------------|
|  | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied |
| 2020/2021  | £000                 | £000                     | £000                     |
| <b>Adjustments to Revenue Resources</b>  |                      |                          |                          |
| Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:                         |                      |                          |                          |
| Pension costs transferred to/(from) the Pensions Reserve   | (58,192)             | -                        | -                        |
| Council tax and NDR transfers to/(from) Collection Fund Adjustment Account   | (6,426)              | -                        | -                        |
| Holiday pay transferred to the Accumulated Absences Reserve  | (346)                | -                        | -                        |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (283)                | -                        | -                        |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(65,247)</b>      | -                        | -                        |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                          |                          |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | -                    | -                        | -                        |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 937                  | -                        | -                        |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | 2,304                | -                        | -                        |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>3,241</b>         | -                        | -                        |
| <b>Adjustments to Capital Resources</b>  |                      |                          |                          |
| Use of the Capital Receipts Reserve to finance capital expenditure   | -                    | -                        | -                        |
| Application of capital grants to finance capital expenditure   | -                    | -                        | -                        |
| <b>Total Adjustments to Capital Resources</b>  | <b>-</b>             | -                        | -                        |
| <b>Total Adjustments</b>   | <b>(62,006)</b>      | -                        | -                        |

|  | Usable Reserves      |                          |                          |
|--|----------------------|--------------------------|--------------------------|
|  | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied |
| 2021/2022  | £000                 | £000                     | £000                     |
| <b>Adjustments to Revenue Resources</b>  |                      |                          |                          |
| Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:                         |                      |                          |                          |
| Pension costs transferred to/(from) the Pensions Reserve   | (59,966)             | -                        | -                        |
| Council tax and NDR transfers to/(from) Collection Fund Adjustment Account   | 3,986                | -                        | -                        |
| Holiday pay transferred to the Accumulated Absences Reserve  | (42)                 | -                        | -                        |
| 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) | (858)                | -                        | -                        |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(56,880)</b>      | -                        | -                        |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                          |                          |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | -                    | -                        | -                        |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 995                  | -                        | -                        |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | 3,189                | -                        | -                        |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>4,184</b>         | -                        | -                        |
| <b>Adjustments to Capital Resources</b>  |                      |                          |                          |
| Use of the Capital Receipts Reserve to finance capital expenditure   | -                    | -                        | -                        |
| Application of capital grants to finance capital expenditure   | -                    | -                        | -                        |
| <b>Total Adjustments to Capital Resources</b>  | <b>-</b>             | -                        | -                        |
| <b>Total Adjustments</b>   | <b>(52,696)</b>      | -                        | -                        |

## 11. MOVEMENTS IN EARMARKED RESERVES

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This note sets out the amounts set aside within the General Fund Balance for earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in both 2020/21 and 2021/22.

| General Fund:                           | Balance at 31 March 2020 R £000 | Transfers out 2020/21 R £000 | Transfers in 2020/21 R £000 | Balance at 31 March 2021 R £000 | Transfers out 2021/22 £000 | Transfers in 2021/22 £000 | Balance at 31 March 2022 £000 |
|---|---------------------------------|------------------------------|-----------------------------|---------------------------------|----------------------------|---------------------------|-------------------------------|
| <b>Portfolio &amp; Org Intelligence</b> |                                 |                              |                             |                                 |                            |                           |                               |
| Project Management/Support              | 107                             | 236                          | 238                         | 109                             | 220                        | 111                       | -                             |
| Organisational Intel.                   | 73                              | 76                           | 40                          | 37                              | 37                         | -                         | -                             |
| New Risks                               | 41                              | -                            | -                           | 41                              | 41                         | -                         | -                             |
| <b>Ops North, Prep. &amp; Response</b>  |                                 |                              |                             |                                 |                            |                           |                               |
| Procurement of Ops Equip                | 1,000                           | 1,000                        | 2,305                       | 2,305                           | 122                        | 288                       | 2,471                         |
| CBRN                                    | 260                             | 236                          | 260                         | 284                             | 411                        | 376                       | 249                           |
| Command Delivery                        | 165                             | 6                            | 29                          | 188                             | 143                        | 65                        | 110                           |
| Project Management/Support              | 508                             | 215                          | 189                         | 482                             | 392                        | 13                        | 103                           |
| UK ISAR                                 | 18                              | 3                            | 11                          | 26                              | 31                         | 50                        | 45                            |
| Partnerships                            | 46                              | 6                            | -                           | 40                              | 4                          | -                         | 36                            |
| <b>Ops South &amp; Fire Control</b>     |                                 |                              |                             |                                 |                            |                           |                               |
| Tech Rescue                             | 144                             | -                            | 31                          | 175                             | 197                        | 915                       | 893                           |
| Command Delivery                        | 80                              | 279                          | 240                         | 41                              | 225                        | 211                       | 27                            |
| <b>Prevention</b>                       |                                 |                              |                             |                                 |                            |                           |                               |
| Education Materials/Facilities          | 25                              | -                            | 14                          | 39                              | 11                         | 66                        | 94                            |
| Community Partnerships                  | 141                             | 190                          | 118                         | 69                              | 57                         | 79                        | 91                            |
| Project Management/Support              | -                               | -                            | -                           | -                               | 116                        | 185                       | 69                            |
| Community Safety                        | 100                             | 143                          | 170                         | 127                             | 489                        | 380                       | 18                            |
| Youth Services                          | 10                              | 102                          | 92                          | -                               | 50                         | 50                        | 0                             |
| Fire Safety                             | 22                              | 84                           | 62                          | -                               | 64                         | 64                        | 0                             |
| <b>Protection</b>                       |                                 |                              |                             |                                 |                            |                           |                               |
| Building Risk Review Prog.              | 400                             | 391                          | 959                         | 968                             | 615                        | 48                        | 401                           |
| Protection Fund Grant                   | -                               | -                            | -                           | -                               | 118                        | 447                       | 329                           |
| Fire Safety                             | -                               | -                            | 75                          | 75                              | -                          | 16                        | 91                            |
| Project Management/Support              | -                               | -                            | 70                          | 70                              | -                          | 15                        | 85                            |
| <b>Resourcing</b>                       |                                 |                              |                             |                                 |                            |                           |                               |
| Property Maintenance                    | 880                             | 207                          | -                           | 673                             | -                          | 6                         | 679                           |
| Pension Admin Grant                     | -                               | -                            | 124                         | 124                             | 11                         | 123                       | 236                           |
| Vehicle Chargers                        | -                               | -                            | 180                         | 180                             | 102                        | -                         | 78                            |
| Agile Working                           | -                               | -                            | 300                         | 300                             | 240                        | -                         | 60                            |
| Loss of Use Recovery                    | 66                              | 69                           | 13                          | 10                              | 6                          | 6                         | 10                            |
| Project Management/Support              | 14                              | 113                          | 99                          | -                               | 75                         | 76                        | 1                             |
| Procurement of Ops Equip                | 66                              | 66                           | -                           | -                               | -                          | -                         | -                             |

| General Fund:<br>(Continued)           | Balance<br>at 31<br>March<br>2020 R<br>£000 | Transfers<br>out<br>2020/21 R<br>£000 | Transfers<br>in<br>2020/21<br>R<br>£000 | Balance<br>at 31<br>March<br>2021 R<br>£000 | Transfers<br>out<br>2021/22<br>£000 | Transfers<br>in<br>2021/22<br>£000 | Balance<br>at 31<br>March<br>2022<br>£000 |
|--|---|---------------------------------------|---|---|-------------------------------------|------------------------------------|---|
| <b>Digital &amp; Data</b>              |   |                                       |   |   |                                     |                                    |   |
| ESMCP                                  | 1,321                                       | 185                                   | 206                                     | 1,342                                       | 294                                 | 204                                | 1,252                                     |
| Other Digital Transformations          | 494   | 297                                   | 354                                     | 551   | 364                                 | 373                                | 560                                       |
| Enterprise Resource Planning           | 1,903                                       | 456                                   | 33                                      | 1,480                                       | 1,324                               | 400                                | 556                                       |
| Incident Reporting System              | 200   | 56                                    | 250                                     | 394   | 5                                   | -                                  | 389                                       |
| Staffing                               | 153   | 102                                   | 467                                     | 518   | 267                                 | 46                                 | 297                                       |
| Enabling Future Technology             | 124   | 124                                   | -                                       | -   | -                                   | -                                  | -   |
| <b>Policy &amp; Org. Assurance</b>     |   |                                       |   |   |                                     |                                    |   |
| SSRI/RIDGE                             | -   | 64                                    | 328                                     | 264   | 129                                 | -                                  | 135                                       |
| COVID-19 Funding                       | 459   | 3,455                                 | 4,332                                   | 1,336                                       | 3,260                               | 1,943                              | 19  |
| Project Management/Support             | 97  | 165                                   | 162                                     | 94  | 94                                  | -                                  | -   |
| Legal Services                         | 90  | 90                                    | -                                       | -   | -                                   | -                                  | -   |
| <b>Communications &amp; Engagement</b> |   |                                       |   |   |                                     |                                    |   |
| Community Engagement                   | 159   | 142                                   | 38                                      | 55  | 93                                  | 48                                 | 10  |
| Comms/Media Events                     | 9   | -                                     | 198                                     | 207   | 205                                 | -                                  | 2   |
| <b>Employee Relations</b>              |   |                                       |   |   |                                     |                                    |   |
| Project Management/Support             | -   | -                                     | 30                                      | 30  | 26                                  | -                                  | 4   |
| Safeguarding Arrangements              | 56  | 7                                     | -                                       | 49  | 49                                  | -                                  | -   |
| <b>Org. Learning &amp; People Dev.</b> |   |                                       |   |   |                                     |                                    |   |
| Staff Training & Development           | 140   | 132                                   | 116                                     | 124   | 167                                 | 89                                 | 46  |
| <b>Health, Safety &amp; Wellbeing</b>  |   |                                       |   |   |                                     |                                    |   |
| Health, Safety & Wellbeing             | 102   | 78                                    | 85                                      | 109   | 51                                  | -                                  | 58  |
| Staffing                               | -   | -                                     | -                                       | -   | -                                   | 37                                 | 37  |
| <b>Corporate Funding</b>               |   |                                       |   |   |                                     |                                    |   |
| Capital Program Shortfall              | 13,645                                      | 1,981                                 | 675                                     | 12,339                                      | 2,971                               | -                                  | 9,368                                     |
| Insurance Reserve                      | 6,943                                       | 238                                   | 100                                     | 6,805                                       | 173                                 | 100                                | 6,732                                     |
| NNDR & Local Tax Income                | -   | -                                     | 4,857                                   | 4,857                                       | 4,857                               | 1,995                              | 1,995                                     |
| Detriments                             | -   | -                                     | -                                       | -   | -                                   | 2,000                              | 2,000                                     |
| Sustainability                         | -   | -                                     | -                                       | -   | -                                   | 180                                | 180                                       |
| Occupational Health Relocation         | 76  | 132                                   | 56                                      | -   | -                                   | -                                  | -   |
| <b>TOTAL</b>                           | <b>30,137</b>                               | <b>11,126</b>                         | <b>17,906</b>                           | <b>36,917</b>                               | <b>18,106</b>                       | <b>11,005</b>                      | <b>29,816</b>                             |

## 12. UNUSABLE RESERVES

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| 31 March 2021<br>£000 |   | 31 March 2022<br>£000 |
|-----------------------|---|-----------------------|
| (42,072)              | <b>Revaluation Reserve</b>                | (58,661)              |
| (66,523)              | <b>Capital Adjustment Account</b>         | (70,686)              |
| 1,871,451             | <b>Pensions Reserve</b>                   | 1,845,713             |
| 6,189                 | <b>Collection Fund Adjustment Account</b> | 2,203                 |
| 1,487                 | <b>Accumulated Absences Account</b>       | 1,529                 |
| <b>1,770,532</b>      | <b>Total Unusable Reserves</b>            | <b>1,720,098</b>      |

### 12.1 Revaluation Reserve

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

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

| 2020/2021<br>£000 |  | 2021/2022<br>£000 |
|-------------------|--|-------------------|
| (45,321)          | <b>Balance 1 April</b>   | (42,072)          |
| (8,391)           | <b>Upward revaluation of assets</b>  | (21,636)          |
| 10,768            | <b>Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services</b>      | 4,210             |
| (42,944)          | <b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b> | (59,498)          |
| 872               | <b>Amount written off to the Capital Adjustment Account</b>  | 837               |
| <b>(42,072)</b>   | <b>Balance 31 March</b>  | <b>(58,661)</b>   |

## 12.2 Capital Adjustment Account

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

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

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

| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
| (62,693)          | <b>Balance 1 April</b>  | (66,523)          |
|                   | <b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>                             |                   |
| 3,876             | <b>Charges for depreciation and impairment of non-current assets</b>  | 3,989             |
| (3,642)           | <b>Revaluation losses on Property, Vehicles, Plant and current assets</b>   | (3,158)           |
| 31                | <b>Amortisation of intangible assets</b>  | 27                |
| 18                | <b>Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES</b> | -                 |
| (62,410)          |   | (65,665)          |
| (872)             | <b>Adjusting amounts written out of the Revaluation Reserve</b>   | (837)             |
| (63,282)          | <b>Net written out amount of the cost of non-current assets consumed in the year</b>                                  | (66,502)          |
|                   | <b>Capital financing applied in the year:</b>   |                   |
| (937)             | <b>Statutory provision for the financing of capital investment charged against the General Fund</b>                   | (995)             |
| (2,304)           | <b>Capital expenditure charged against the General Fund</b>   | (3,189)           |

|          |                         |          |
|----------|-------------------------|----------|
| (66,523) | <b>Balance 31 March</b> | (70,686) |
|----------|-------------------------|----------|

### 12.3 Pensions Reserve

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

| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
| 1,697,233         | <b>Balance 1 April</b>  | 1,871,451         |
| 116,026           | <b>Re-measurements of the net defined benefit liability/(asset)</b>   | (85,704)          |
| 75,583            | <b>Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES</b> | 77,522            |
| (17,391)          | <b>Employer's pensions contributions and direct payments to pensioners payable in the year</b>  | (17,556)          |
| 1,871,451         | <b>Balance 31 March</b>   | 1,845,713         |

### 12.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
| (237)             | <b>Balance 1 April</b>  | 6,189             |
| 1,435             | <b>Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements</b> | (1,122)           |
| 4,991             | <b>Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements</b>                 | (2,864)           |

|       |                  |       |
|-------|------------------|-------|
| 6,189 | Balance 31 March | 2,203 |
|-------|------------------|-------|

## 12.5 Accumulated Absences Account

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

| 2020/2021 |       |  | 2021/2022 |       |
|-----------|-------|--|-----------|-------|
| £000      | £000  |  | £000      | £000  |
|           | 1,141 | <b>Balance 1 April</b>   |           | 1,487 |
| (1,141)   |       | <b>Settlement or cancellation of accrual made at the end of the preceding year</b>   | (1,487)   |       |
| 1,487     |       | <b>Amounts accrued at the end of the current year</b>  | 1,529     |       |
|           | 346   | <b>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</b> |           | 42    |
|           | 1,487 | <b>Balance 31 March</b>  |           | 1,529 |

## 13. OTHER OPERATING EXPENDITURE

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| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
| (70)              | <b>(Gains)/losses on the disposal of non-current assets</b> | (34)              |
| 332               | <b>Levies</b>   | 341               |
| 262               | <b>Total</b>  | 307               |

## 14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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| 2020/2021     |  | 2021/2022     |
|---------------|--|---------------|
| £000          |  | £000          |
| 1,830         | <b>Interest payable and similar charges</b>                      | 1,681         |
| 37,988        | <b>Net interest on the net defined benefit liability/(asset)</b> | 37,249        |
| (118)         | <b>Interest receivable and similar income</b>                    | (73)          |
| <b>39,700</b> | <b>Total</b>   | <b>38,857</b> |

## 15. TAXATION AND NON SPECIFIC GRANT INCOMES

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| 2020/2021        |   | 2021/2022        |
|------------------|---|------------------|
| £000             |   | £000             |
| (43,516)         | <b>Council tax income</b>                             | (45,902)         |
| (5,099)          | <b>NDR income from West Midland Local Authorities</b> | (8,171)          |
| (19,164)         | <b>Revenue support grant</b>                          | (19,270)         |
| (30,430)         | <b>Business rates retention scheme grants</b>         | (28,446)         |
| (4,037)          | <b>Covid-19 Emergency funding grant</b>               | (375)            |
| -                | <b>Covid-19 Local council tax support grant</b>       | (1,419)          |
| (624)            | <b>Covid-19 Local tax income guarantee grant</b>      | 111              |
| (158)            | <b>Covid-19 Sales, fees and charges grant</b>         | (15)             |
| <b>(103,028)</b> | <b>Total</b>  | <b>(103,487)</b> |

## 16. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

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### 16.1 Comparative Movements in 2020/2021

| 2020/2021   | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Surplus Assets | Assets Under Construction | Total Property, Vehicles, Plant and Equipment |
|---|--------------------------|--|----------------|---------------------------|---|
|   | £000                     | £000                                     | £000           | £000                      | £000  |
| <b>Cost or Valuation</b>  |                          |  |                |                           |   |
| At 1 April 2020   | 124,219                  | 30,798                                   | 3,122          | 1,355                     | 159,494                                       |
| <b>Additions</b>  | 1,613                    | 300                                      | -              | 391                       | 2,304   |
| <b>Revaluation increases/(decreases) recognised in the Revaluation Reserve</b>                          | (5,166)                  | -  | 338            | -                         | (4,828)                                       |
| <b>Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services</b> | 3,640                    | -  | 2              | -                         | 3,642   |
| <b>De-recognition – Disposals</b>   | -                        | (565)                                    | (495)          | -                         | (1,060)                                       |
| <b>Other movements in cost or valuation</b>   | -                        | (175)                                    | 210            | (35)                      | -   |
| <b>At 31 March 2021</b>   | <b>124,306</b>           | <b>30,358</b>                            | <b>3,177</b>   | <b>1,711</b>              | <b>159,552</b>                                |
| <b>Accumulated Depreciation and Impairment</b>  |                          |  |                |                           |   |
| At 1 April 2020   | -                        | 22,784                                   | 1,321          | -                         | 24,105  |
| <b>Depreciation charge</b>  | <b>2,423</b>             | <b>1,425</b>                             | <b>28</b>      | <b>-</b>                  | <b>3,876</b>                                  |
| <b>Depreciation written out to the Revaluation Reserve</b>  | <b>(2,423)</b>           | <b>-</b>                                 | <b>(28)</b>    | <b>-</b>                  | <b>(2,451)</b>                                |
| <b>De-recognition – Disposals</b>   | <b>-</b>                 | <b>(547)</b>                             | <b>(495)</b>   | <b>-</b>                  | <b>(1,042)</b>                                |
| <b>De-recognition – Other</b>   | <b>-</b>                 | <b>(210)</b>                             | <b>210</b>     | <b>-</b>                  | <b>-</b>                                      |
| <b>At 31 March 2021</b>   | <b>-</b>                 | <b>23,452</b>                            | <b>1,036</b>   | <b>-</b>                  | <b>24,488</b>                                 |
| <b>Net Book Value</b>   |                          |  |                |                           |   |
| At 31 March 2020  | 124,219                  | 8,014                                    | 1,801          | 1,355                     | 135,389                                       |
| At 31 March 2021  | 124,306                  | 6,906                                    | 2,141          | 1,711                     | 135,064                                       |

## 16.2 Movements on Balances 2021/2022

| 2021/22   | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Surplus Assets | Assets Under Construction | Total Property, Vehicles, Plant and Equipment |
|---|--------------------------|--|----------------|---------------------------|---|
|   | £000                     | £000                                     | £000           | £000                      | £000  |
| <b>Cost or Valuation</b>  |                          |  |                |                           |   |
| At 1 April 2021   | 124,306                  | 30,358                                   | 3,177          | 1,711                     | 159,552                                       |
| <b>Additions</b>  | <b>844</b>               | <b>232</b>                               | -              | <b>2,113</b>              | <b>3,189</b>                                  |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                          | 14,712                   | -  | 197            | -                         | 14,909  |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | 3,158                    | -  | -              | -                         | 3,158   |
| De-recognition – Disposals  | -                        | (177)                                    | -              | -                         | (177)   |
| Assets reclassified (to) / from Held for Sale   | (500)                    | -  | -              | -                         | (500)   |
| Other movements in cost or valuation  | -                        | 1,541                                    | (218)          | (1,323)                   | -   |
| <b>At 31 March 2022</b>   | <b>142,520</b>           | <b>31,954</b>                            | <b>3,156</b>   | <b>2,501</b>              | <b>180,131</b>                                |
| <b>Accumulated Depreciation and Impairment</b>  |                          |  |                |                           |   |
| At 1 April 2021   | -                        | 23,452                                   | 1,036          | -                         | 24,488  |
| Depreciation charge   | 2,484                    | 1,472                                    | 33             | -                         | 3,989   |
| Depreciation written out to the Revaluation Reserve   | (2,484)                  | -  | (33)           | -                         | (2,517)                                       |
| De-recognition – Disposals  | -                        | (177)                                    | -              | -                         | (177)   |
| De-recognition – Other  | -                        | (58)                                     | 58             | -                         | -   |
| <b>At 31 March 2022</b>   | <b>-</b>                 | <b>24,689</b>                            | <b>1,094</b>   | <b>-</b>                  | <b>25,783</b>                                 |
| <b>Net Book Value</b>   |                          |  |                |                           |   |
| At 31 March 2021  | 124,306                  | 6,906                                    | 2,141          | 1,711                     | 135,064                                       |
| At 31 March 2022  | 142,520                  | 7,265                                    | 2,062          | 2,501                     | 154,348                                       |

### **16.3 Depreciation**

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

### **16.4 Capital Commitments**

As at the 31<sup>st</sup> March 2022, the Authority approved capital expenditure in future years of £17.239m of which £2.173m has been contractually committed leaving £15.066m as the uncommitted sum which relates to expenditure on property, plant and equipment.

The largest of these contractual commitments represents:

|                        | £000  |
|------------------------|-------|
| • Vehicle Replacements | 1,791 |
| • Roof Replacements    | 156   |

### **16.5 Revaluations**

The Authority had all its property assets valued as at 31<sup>st</sup> March 2022 based on current value. The work was completed by qualified external valuers, WH&E. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Professional Standards manual (The Red Book) and is International Valuation Standards compliant. The use of the manual means there is certainty with the valuation process.

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

## **17. INTANGIBLE ASSETS**

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The movement on Intangible Asset balances during 2020/21 and 2021/22 is as follows:

|   | 2020/21<br>Other<br>Assets<br>£000 | 2021/22<br>Other<br>Assets<br>£000 |
|---|------------------------------------|------------------------------------|
| <b>Balance at start of year:</b>          |                                    |                                    |
| Gross carrying amounts                    | 797                                | 797                                |
| Accumulated amortisation                  | (685)                              | (716)                              |
| <b>Net carrying amount at end of year</b> | <b>112</b>                         | <b>81</b>                          |
| <b>Amortisation for the period</b>        | <b>(31)</b>                        | <b>(27)</b>                        |
| <b>Net carrying amount at end of year</b> | <b>81</b>                          | <b>54</b>                          |
| <b>Comprising of:</b>                     |                                    |                                    |
| Gross carrying amounts                    | 797                                | 797                                |
| Accumulated amortisation                  | (716)                              | (743)                              |

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|   |           |           |
|---|-----------|-----------|
| <b>Net carrying amount at end of year</b> | <b>81</b> | <b>54</b> |
|---|-----------|-----------|

## 18. FINANCIAL INSTRUMENTS

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### 18.1 Balance Sheet

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

| Financial Assets                                   | Non-Current            |                        |                        |                        | Current                |                        |                        |                        | Total                  |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | Investments            |                        | Debtors                |                        | Investments            |                        | Debtors                |                        |                        |                        |
|  | 31-Mar<br>2021<br>£000 | 31-Mar<br>2022<br>£000 |
| <b>Amortised Cost</b>                              | -                      | -                      | -                      | -                      | 36,614                 | 32,864                 | 1,176                  | 1,399                  | 37,790                 | 34,263                 |
| <b>Total financial assets</b>                      | -                      | -                      | -                      | -                      | 36,614                 | 32,864                 | 1,176                  | 1,399                  | 37,790                 | 34,263                 |
| <b>Assets not defined as financial instruments</b> | -                      | -                      | -                      | -                      | -                      | -                      | 19,716                 | 17,550                 | 19,716                 | 17,550                 |
| <b>Total</b>                                       | -                      | -                      | -                      | -                      | 36,614                 | 32,864                 | 20,892                 | 18,949                 | 57,506                 | 51,813                 |

| Financial Liabilities                                   | Non-Current            |                        |                        |                        | Current                |                        |                        |                        | Total                  |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | Borrowings             |                        | Creditors              |                        | Borrowings             |                        | Creditors              |                        |                        |                        |
|   | 31-Mar<br>2021<br>£000 | 31-Mar<br>2022<br>£000 |
| <b>Amortised Cost</b>                                   | (31,535)               | (30,707)               | -                      | -                      | (2,256)                | (904)                  | (4,494)                | (5,006)                | (38,285)               | (36,617)               |
| <b>Total financial liabilities</b>                      | (31,535)               | (30,707)               | -                      | -                      | (2,256)                | (904)                  | (4,494)                | (5,006)                | (38,285)               | (36,617)               |
| <b>Liabilities not defined as financial instruments</b> | -                      | -                      | -                      | -                      | -                      | -                      | (14,003)               | (11,435)               | (14,003)               | (11,435)               |
| <b>Total</b>  | (31,535)               | (30,707)               | -                      | -                      | (2,256)                | (904)                  | (18,497)               | (16,441)               | (52,288)               | (48,052)               |

## 18.2 Income, Expense, Gains and Losses

|                                  | 2020/21   |   | 2021/22   |   |
|----------------------------------|---|---|---|---|
|                                  | Surplus or Deficit<br>on the Provision of<br>Services<br>£000 | Other<br>Comprehensive<br>Income and<br>Expenditure<br>£000 | Surplus or Deficit<br>on the Provision of<br>Services<br>£000 | Other<br>Comprehensive<br>Income and<br>Expenditure<br>£000 |
| <b>Amortised Cost:</b>           |   |   |   |   |
| (Gains)/Losses on de-recognition | (70)  | -   | (34)  | -   |
| Interest revenue                 | (118)   | -   | (73)  | -   |
| Interest expense                 | 1,830   | -   | 1,681   | -   |
| <b>Total</b>                     | <b>1,642</b>  | -   | <b>1,574</b>  | -   |

## 18.3 Loans Outstanding

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

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

The amounts owing are as follows:

|                               | 2020/2021             |                        | 2021/2022             |                        |
|-------------------------------|-----------------------|------------------------|-----------------------|------------------------|
|                               | Long-<br>Term<br>£000 | Short-<br>Term<br>£000 | Long-<br>Term<br>£000 | Short-<br>Term<br>£000 |
| PWLB                          | (29,653)              | (1,772)                | (29,231)              | (422)                  |
| Dudley MBC                    | (1,882)               | (369)                  | (1,476)               | (405)                  |
| <b>Total Principal Amount</b> | <b>(31,535)</b>       | <b>(2,141)</b>         | <b>(30,707)</b>       | <b>(827)</b>           |
| <b>Plus Accrued Interest</b>  | -                     | (115)                  | -                     | (77)                   |
| <b>Total Amortised Cost</b>   | <b>(31,535)</b>       | <b>(2,256)</b>         | <b>(30,707)</b>       | <b>(904)</b>           |

## 18.4 Fair Value Measurement

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

### **18.4.1 Fair Value of Assets and Liabilities at Amortised Costs**

Except for the financial liabilities and financial assets carried at fair value, all other financial liabilities and financial assets held by the authority are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- Actual ranges of interest rates at 31<sup>st</sup> March 2022 of 8.625% to 3.95% for loans from the PWLB;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than twelve months, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### **18.4.2 Financial Liabilities**

The fair values are as follows:

|                              | 2020/2021               |                       | 2021/2022               |                       |
|------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
|                              | Carry<br>Amount<br>£000 | Fair<br>Value<br>£000 | Carry<br>Amount<br>£000 | Fair<br>Value<br>£000 |
| PWLB Short & Long Term Loans | (31,425)                | (57,239)              | (29,653)                | (51,739)              |
| Dudley MBC (WMCC)            | (2,251)                 | (2,251)               | (1,881)                 | (1,881)               |
| <b>Total</b>                 | <b>(33,676)</b>         | <b>(59,490)</b>       | <b>(31,534)</b>         | <b>(53,620)</b>       |

Overall, the fair value for 2021/2022 is greater than the carrying amount because the Authority's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair values for the financial liabilities have been determined by for loans from the PWLB, Link Asset Services provide fair value estimates using both redemption and new borrowing (certainty rate) discount rates. The fair value of WMCC debt is taken to be the same as the amount of principal outstanding.

### **18.4.3 Financial Assets**

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

### **18.4.4 Fair Value Hierarchy for Financial Assets and Financial Liabilities**

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

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

|                                     | Quoted prices<br>in active<br>markets for<br>identical<br>assets<br><br>(Level 1)<br>£000 | Other<br>significant<br>observable<br>inputs<br><br>(Level 2)<br>£000 | Significant<br>unobservable<br>inputs<br><br>(Level 3)<br>£000 | <b>TOTAL<br/>31 March 2022</b><br><br>£000 |
|-------------------------------------|---|---|--|--|
| <b><u>FINANCIAL LIABILITIES</u></b> |   |   |  |  |
| Loans                               | -   | (53,620)  | -  | (53,620)                                   |
| Plus Accrued Interest               | -   | (77)  | -  | (77)                                       |
| Total Borrowing                     | -   | (53,697)  | -  | (53,697)                                   |
| Creditors                           | -   | (5,006)   | -  | (5,006)                                    |
| <b>Total Financial Liabilities</b>  | <b>-</b>  | <b>(58,703)</b>   | <b>-</b>   | <b>(58,703)</b>                            |
| <b><u>FINANCIAL ASSETS</u></b>      |   |   |  |  |
| Cash & Cash Equivalents             | -   | 32,864  | -  | 32,864                                     |
| Total Investments                   | -   | 32,864  | -  | 32,864                                     |
| Debtors                             | -   | 1,399   | -  | 1,399                                      |
| <b>Total Financial Assets</b>       | <b>-</b>  | <b>34,263</b>   | <b>-</b>   | <b>34,263</b>                              |

## **18.5 Nature and extent of risks arising from Financial Instruments**

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

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

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

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

### **18.5.1 Credit risk**

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

The Authority does not generally allow credit for customers, such that £0.679m of the £18.949m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                               | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|-------------------------------|-----------------------------------|-----------------------------------|
| <b>Less than three months</b> | <b>571</b>                        | <b>467</b>                        |
| <b>Three to six months</b>    | <b>6</b>                          | <b>125</b>                        |
| <b>Six months to one year</b> | <b>19</b>                         | <b>20</b>                         |
| <b>More than one year</b>     | <b>18</b>                         | <b>67</b>                         |
| <b>Total</b>                  | <b>614</b>                        | <b>679</b>                        |

### **18.5.2 Liquidity risk**

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

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

### **18.5.3 Market risk**

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

During 2021/22, if interest rates on investments had been 0.1% lower with all other variables held constant, the impact on the CIES would be a fall in interest received of £36k (2020/2021 £48k). The impact of a 0.1% increase in interest rates would be the same but reversed, interest would increase by £36k (2020/2021 £48k).

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

## 19. INVENTORIES

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|   | General Stores |              | Mechanical Stocks |              | Heating Oil Petrol/ Diesel |              | Total        |              |
|---|----------------|--------------|-------------------|--------------|----------------------------|--------------|--------------|--------------|
|   | 2020/21 £000   | 2021/22 £000 | 2020/21 £000      | 2021/22 £000 | 2020/21 £000               | 2021/22 £000 | 2020/21 £000 | 2021/22 £000 |
| <b>Balance outstanding at start of year</b> | 441            | 722          | 162               | 160          | 86                         | 101          | 689          | 983          |
| <b>Purchases</b>                            | 824            | 677          | 293               | 376          | 326                        | 540          | 1,443        | 1,593        |
| <b>Recognised as an expense in the year</b> | (544)          | (773)        | (295)             | (375)        | (311)                      | (509)        | (1,150)      | (1,657)      |
| <b>Written off balances</b>                 | 1              | 13           | -                 | -            | -                          | 1            | 1            | 14           |
| <b>Balance outstanding at year-end</b>      | 722            | 639          | 160               | 161          | 101                        | 133          | 983          | 933          |

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

## 20. SHORT TERM DEBTORS

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| 31 March 2021<br>£000 |  | 31 March 2022<br>£000 |
|-----------------------|--|-----------------------|
|                       | <b>Financial Instruments</b>                             |                       |
| 567                   | <b>Trade receivables</b>                                 | 672                   |
| 527                   | <b>Accrued income</b>                                    | 717                   |
| 82                    | <b>Other receivable amounts</b>                          | 10                    |
| 1,176                 | <b>Total Financial Instruments</b>                       | 1,399                 |
|                       | <b>Other Debtors</b>                                     |                       |
| 6,304                 | <b>Home Office - Pension Fund top up grant</b>           | 6,946                 |
| 1,845                 | <b>Home Office – Covid-19 emergency funding grants</b>   | 375                   |
| 155                   | <b>Home Office - Other grants</b>                        | 123                   |
| 4,234                 | <b>DLUHC - Section 31 business rates relief grant</b>    | 1,994                 |
| 624                   | <b>DLUHC - Covid-19 Local tax income guarantee grant</b> | -                     |
| 5,489                 | <b>Collection Fund</b>                                   | 6,617                 |
| 910                   | <b>Prepayments</b>                                       | 1,153                 |
| 155                   | <b>Sandwell MBC - VAT</b>                                | 342                   |
| 19,716                | <b>Total Other Debtors</b>                               | 17,550                |
| 20,892                | <b>Total Debtors</b>                                     | 18,949                |

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

|                            | 31 March 2021<br>£000 | 31 March 2022<br>£000 |
|----------------------------|-----------------------|-----------------------|
| <b>Less than one year</b>  | <b>2,677</b>          | <b>2,656</b>          |
| <b>One to two years</b>    | <b>1,227</b>          | <b>1,414</b>          |
| <b>Two to six years</b>    | <b>1,421</b>          | <b>1,816</b>          |
| <b>More than six years</b> | <b>138</b>            | <b>480</b>            |
| <b>Total</b>               | <b>5,463</b>          | <b>6,366</b>          |

## 21. CASH AND CASH EQUIVALENTS

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

| 31 March 2021<br>£000 |  | 31 March 2022<br>£000 |
|-----------------------|--|-----------------------|
| 10                    | <b>Cash held by the Authority</b>      | <b>10</b>             |
| (138)                 | <b>Bank current account</b>            | <b>(601)</b>          |
| 36,742                | <b>Bank call account</b>               | <b>33,455</b>         |
| <b>36,614</b>         | <b>Total Cash and Cash Equivalents</b> | <b>32,864</b>         |

## 22. CREDITORS

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| 31 March 2021<br>£000 |  | 31 March 2022<br>£000 |
|-----------------------|--|-----------------------|
|                       | <b>Creditors – Revenue</b>               |                       |
|                       | <b>Financial Instruments</b>             |                       |
| (3,455)               | <b>Other entities and individuals</b>    | <b>(4,619)</b>        |
| (227)                 | <b>Central government bodies</b>         | <b>(193)</b>          |
| (247)                 | <b>Other local authorities</b>           | <b>(54)</b>           |
| (3,929)               | <b>Total Financial Instruments</b>       | <b>(4,866)</b>        |
|                       | <b>Other Creditors</b>                   |                       |
| (11,678)              | <b>Collection fund</b>                   | <b>(8,821)</b>        |
| (2,217)               | <b>Her Majesty's Revenue and Customs</b> | <b>(2,538)</b>        |
| (108)                 | <b>Deferred income</b>                   | <b>(76)</b>           |
| (14,003)              | <b>Total Other Creditors</b>             | <b>(11,435)</b>       |
| (17,932)              | <b>Total Creditors - Revenue</b>         | <b>(16,301)</b>       |
|                       | <b>Creditors – Capital</b>               |                       |
|                       | <b>Financial Instruments</b>             |                       |
| (565)                 | <b>Other entities and individuals</b>    | <b>(140)</b>          |
| (565)                 | <b>Total Creditors – Capital</b>         | <b>(140)</b>          |
| (18,497)              | <b>Total Creditors</b>                   | <b>(16,441)</b>       |

## 23. PROVISIONS

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An insurance provision of (£0.664m) has been provided for previous years' employee and public liability claims, it is held in line with recommendations of the actuarial valuation. Whilst the Actuary can give advice about the total value of claims they are not able to confirm when these will be submitted.

## 24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

| 2020/2021<br>£000 |                          | 2021/2022<br>£000 |
|-------------------|--------------------------|-------------------|
| (426)             | <b>Interest received</b> | (118)             |
| 1,865             | <b>Interest paid</b>     | 1,720             |

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

| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
| (3,876)           | <b>Depreciation</b>   | (3,989)           |
| 3,642             | <b>Impairment and downward valuations</b>   | 3,158             |
| (31)              | <b>Amortisation</b>   | (27)              |
| (11)              | <b>(Increase)/decrease in impairment for doubtful debts</b>   | (44)              |
| (4,408)           | <b>(Increase)/decrease in Creditors</b>   | 1,669             |
| 6,243             | <b>Increase/(decrease) in Debtors</b>   | (1,898)           |
| 294               | <b>Increase/(decrease) in Inventories</b>   | (50)              |
| (52,943)          | <b>Movement in pension liability</b>  | (62,601)          |
| (18)              | <b>Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised</b>                          | -                 |
| <b>(51,108)</b>   | <b>Net cash (inflows)/outflows from adjustments to net surplus or deficit on the provision of services for non-cash movements</b> | <b>(63,782)</b>   |

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

| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
| 77                | <b>Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets</b>   | 34                |
| 77                | <b>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</b> | 34                |

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

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| 2020/2021<br>£000 |   | 2021/2022<br>£000 |
|-------------------|---|-------------------|
| 2,358             | <b>Purchase of property, vehicles, plant and equipment, investment property and intangible assets</b>               | 3,615             |
| (77)              | <b>Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets</b> | (34)              |
| 2,281             | <b>Net cash (inflows)/outflows from investing activities</b>  | 3,581             |

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

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| 2020/2021<br>£000 |  | 2021/2022<br>£000 |
|-------------------|--|-------------------|
| 2,022             | <b>Repayments of short and long term borrowing</b> | 2,140             |

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

|  | 31 March<br>2021<br>£000 | Financing<br>cash flows<br>£000 | Non-cash<br>changes<br>£000 | 31 March<br>2022<br>£000 |
|--|--------------------------|---------------------------------|-----------------------------|--------------------------|
| <b>Long term borrowings</b>                            | (31,535)                 | -                               | 828                         | (30,707)                 |
| <b>Short term borrowings</b>                           | (2,256)                  | 2,140                           | (788)                       | (904)                    |
| <b>Total liabilities from<br/>financing activities</b> | (33,791)                 | 2,140                           | 40                          | (31,611)                 |

## 28. OFFICERS' REMUNERATION

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

| Total<br>(Including<br>pension)<br>2020/2021<br>£ |   | Salary<br>£ | Expenses<br>Allowances<br>£ | Total<br>(excluding<br>pension)<br>£ | Pension<br>£ | Total<br>(including<br>pension)<br>2021/2022<br>£ |
|---|---|-------------|-----------------------------|--------------------------------------|--------------|---|
|   | <b>Senior Officer whose salary is £150,000 or more per year:</b>                                    |             |                             |                                      |              |   |
| 246,630   | CFO – Phil Loach  | 184,961     | 1,339                       | 186,300                              | 67,556       | 253,856   |
|   | <b>Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:</b> |             |                             |                                      |              |   |
| 188,782   | Deputy CFO – Community Risk Reduction Programme Executive   | 148,195     | 1,339                       | 149,534                              | 41,793       | 191,327   |
| 186,713   | Assistant CFO – Enabling Services Programme Executive   | 141,894     | 1,598                       | 143,492                              | 39,201       | 182,693   |
| 174,271   | Former Assistant CFO – People Programme Executive (Note 1)  | 114,926     | 1,004                       | 115,930                              | 29,437       | 145,367   |
| -   | Assistant CFO – People Programme Executive (Temporary - Note 2)                                     | 102,211     | 1,339                       | 103,550                              | 23,734       | 127,284   |
| 129,378   | Strategic Enabler of Finance and Resources  | 109,711     |                             | 109,711                              | 21,953       | 131,664   |
| 101,138   | Strategic Enabler Portfolio   | 83,606      | 1,339                       | 84,945                               | 23,573       | 108,518   |
| 74,699  | Strategic Enabler Governance and Strategy   | 67,420      |                             | 67,420                               | 13,439       | 80,859  |
| 1,101,611   |   | 952,924     | 7,958                       | 960,882                              | 260,686      | 1,221,568   |

Note 1 – Former Assistant CFO People Programme Executive retired on 31 December 2021.

Note 2 – Temporary promotion to Assistant CFO People Programme Executive 6 December 2021. 2020/2021 comparatives for this officer are shown in the table below.

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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    | 2020/21<br>Number of employees | 2021/22<br>Number of employees |
|----------------------|--------------------------------|--------------------------------|
| £ 50,000 to £ 54,999 | 42                             | 51                             |
| £ 55,000 to £ 59,999 | 37                             | 49                             |
| £ 60,000 to £ 64,999 | 10                             | 15                             |
| £ 65,000 to £ 69,999 | 16                             | 16                             |
| £ 70,000 to £ 74,999 | 2                              | 4                              |
| £ 75,000 to £ 79,999 | 1                              | 2                              |
| £ 80,000 to £ 84,999 | 3                              | 5                              |
| £ 85,000 to £ 89,999 | 1                              | 1                              |
| <b>Total</b>         | <b>112</b>                     | <b>143</b>                     |

The table above excludes the senior officers who are reported separately except for 2020/2021 comparatives which include the Assistant CFO People Programme Executive former position.

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)<br>Exit package<br>cost band<br>(including special<br>payments) | (b)<br>Number of<br>compulsory<br>redundancies |          | (c)<br>Number of other<br>departures<br>agreed |          | (d)<br>Total number of exit<br>packages by cost<br>band<br>[(b)+(c)] |          | (e)<br>Total cost of exit<br>packages in each band<br>£ |                |
|---|--|----------|--|----------|--|----------|---|----------------|
|   | 2020/21  | 2021/22  | 2020/21  | 2021/22  | 2020/21  | 2021/22  | 2020/21   | 2021/22        |
| £0 - £20,000  | -  | -        | -  | -        | -  | -        | -   | -              |
| £20,001 - £40,000   | -  | -        | -  | -        | -  | -        | -   | -              |
| £40,001 - £60,000   | 1  | -        | -  | -        | 1  | -        | 50,002  | -              |
| £60,001 - £80,000   | -  | -        | -  | -        | -  | -        | -   | -              |
| £80,001 - £100,000  | -  | -        | -  | -        | -  | -        | -   | -              |
| £100,001 - £150,000   | -  | 1        | -  | -        | -  | 1        | -   | 141,234        |
| £150,001 - £200,000   | -  | -        | -  | -        | 1  | -        | 1   | -              |
| <b>Total</b>  | <b>1</b>                                       | <b>1</b> | <b>-</b>                                       | <b>1</b> | <b>1</b>   | <b>2</b> | <b>50,002</b>   | <b>335,511</b> |

The Authority agreed to terminate the contract of two employees in 2021/22, incurring costs of £336k (£50k in 2020/21).

The total cost of £336k in the table above includes £141k for an exit package that has been agreed, accrued for and charged to the CIES in 2021/22.

## **29. MEMBERS' ALLOWANCES**

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

| 2020/2021<br>£000 |                   | 2021/2022<br>£000 |
|-------------------|-------------------|-------------------|
| 168               | <b>Allowances</b> | 166               |
| 168               | <b>Total</b>      | 166               |

## **30. EXTERNAL AUDIT COSTS**

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Fees payable to the external auditor:

| 2020/2021<br>£000 |                              |   | 2021/2022<br>£000 |
|-------------------|------------------------------|---|-------------------|
| 45                | <b>Grant Thornton UK LLP</b> | <b>Fees payable for the external planned audit work</b> | 32                |
| 10                | <b>Grant Thornton UK LLP</b> | <b>Additional audit fees</b>                            | 22                |
| <b>55</b>         |                              | <b>Total</b>  | <b>54</b>         |

## **31. RELATED PARTIES**

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

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

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

| <b>2020/2021<br/>£000</b> | <b>Related Party</b>                  | <b>Nature of Transaction</b>                  | <b>2021/2022<br/>£000</b> |
|---------------------------|---------------------------------------|---|---------------------------|
| <b>30,430</b>             | <b>Central Government</b>             | <b>Business Rates Retention Scheme Grants</b> | <b>28,446</b>             |
| <b>19,164</b>             |                                       | <b>Revenue Support Grant</b>                  | <b>19,270</b>             |
| <b>5,713</b>              |                                       | <b>Pensions Grant</b>                         | <b>5,713</b>              |
| <b>4,819</b>              |                                       | <b>Covid-19 Grants</b>                        | <b>1,698</b>              |
| <b>43,516</b>             | <b>West Midland Local Authorities</b> | <b>Council Tax Income</b>                     | <b>45,902</b>             |
| <b>5,099</b>              |                                       | <b>NDR Income</b>                             | <b>8,171</b>              |

Grants received are set out in Note 32.

## 32. GRANT INCOME

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**32.1** The Authority credited the following grants, contributions and donations to the CIES in 2021/2022:

|   | 2020/2021<br>£000 | 2021/2022<br>£000 |
|---|-------------------|-------------------|
| <b><i>Credited to Taxation and Non Specific Grant Income:</i></b> |                   |                   |
| Business rates retention scheme grants                            | 30,430            | 28,446            |
| Revenue support grant   | 19,164            | 19,270            |
| Covid-19 Emergency funding grant                                  | 4,037             | 375               |
| Covid-19 Local council tax support grant                          | -                 | 1,419             |
| Covid-19 Local tax income guarantee grant                         | 624               | (111)             |
| Covid-19 Sales, fees and charges grant                            | 158               | 15                |
| <b>Total</b>  | <b>54,413</b>     | <b>49,414</b>     |
| <b><i>Credited to Services:</i></b>                               |                   |                   |
| Pensions grant  | 5,713             | 5,713             |
| New dimension training crewing and accommodation                  | 877               | 878               |
| Fire protection board BRR and protection uplift funding           | 573               | 426               |
| Home Office Grenfell infrastructure                               | 328               | -                 |
| Fire revenue firelink (Airwave new burden)                        | 323               | 247               |
| Fire reduction partnership  | 139               | 242               |
| Home Office pension administration                                | 124               | 124               |
| Apprenticeship levy   | 122               | 122               |
| ESMCP contingency   | 87                | -                 |
| National resilience   | 78                | 80                |
| Home Office protection board officers accreditation               | 70                | -                 |
| ESMCP regional team expenses                                      | 68                | -                 |
| New risks Section 29  | 29                | 55                |
| DWP access to work  | 4                 | 18                |
| Redmond review  | -                 | 16                |
| New burdens   | 8                 | 8                 |
| <b>Total</b>  | <b>8,543</b>      | <b>7,929</b>      |

### **33. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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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.

|  | 2020/2021<br>£000 | 2021/2022<br>£000 |
|--|-------------------|-------------------|
| <b><i>Opening CFR</i></b>                          | <b>36,259</b>     | <b>35,322</b>     |
| <b>Capital investment:</b>                         |                   |                   |
| Property, Vehicles, Plant and Equipment            | 2,304             | 3,189             |
| <b>Sums set aside from revenue:</b>                |                   |                   |
| Direct Revenue Contributions                       | (2,304)           | (3,189)           |
| MRP/the Statutory Repayment of Loans Fund Advances | (937)             | (995)             |
| <b><i>Closing CFR</i></b>                          | <b>35,322</b>     | <b>34,327</b>     |

| <b><i>Movements in year</i></b>                           | <b>2020/2021<br/>£000</b> | <b>2021/2022<br/>£000</b> |
|---|---------------------------|---------------------------|
| <b>MRP/the Statutory Repayment of Loans Fund Advances</b> | (937)                     | (995)                     |
| <b><i>Increase/(decrease) in CFR</i></b>                  | <b>(937)</b>              | <b>(995)</b>              |

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

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### **34.1 Participation in Pension Schemes**

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

At the 31<sup>st</sup> March 2022 the Authority participated in four post-employment schemes:

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

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

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

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

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| 2021/2022   | LGPS<br>£000    | Firefighters                      |                                   |                                   |                                | Total<br>£000  |
|---|-----------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------|
|   |                 | Pension<br>Scheme<br>1992<br>£000 | Pension<br>Scheme<br>2006<br>£000 | Pension<br>Scheme<br>2015<br>£000 | Compensation<br>Scheme<br>£000 |                |
| <b>CIES</b>   |                 |                                   |                                   |                                   |                                |                |
| <i>Cost of services:</i>  |                 |                                   |                                   |                                   |                                |                |
| Current service cost  | * 7,374         | 1,230                             | 20                                | 30,490                            | 740                            | 39,854         |
| Past service costs, including curtailments  | 109             | -                                 | 10                                | 300                               | -                              | 419            |
| <i>Financing and Investment Income and Expenditure:</i>   |                 |                                   |                                   |                                   |                                |                |
| Net interest expense  | 1,379           | 30,460                            | 1,730                             | 2,860                             | 820                            | 37,249         |
| <b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>  | <b>8,862</b>    | <b>31,690</b>                     | <b>1,760</b>                      | <b>33,650</b>                     | <b>1,560</b>                   | <b>77,522</b>  |
| <i>Other post-employment benefits charged to the CIES:</i>  |                 |                                   |                                   |                                   |                                |                |
| Remeasurement of the net defined benefit liability comprising:  |                 |                                   |                                   |                                   |                                |                |
| Changes in demographic assumptions  | (1,060)         | -                                 | -                                 | -                                 | -                              | (1,060)        |
| Changes in financial assumptions  | (12,752)        | (16,510)                          | (1,660)                           | (3,050)                           | (370)                          | (34,342)       |
| Experience (gains) and losses   | 335             | (19,420)                          | (3,280)                           | 14,110                            | (800)                          | (9,055)        |
| Return on fund assets in excess of interest   | (8,289)         | -                                 | -                                 | -                                 | -                              | (8,289)        |
| Other   | -               | (50,195)                          | (60)                              | 17,297                            | -                              | (32,958)       |
| <b>Total post-employment benefits charged to the CIES</b>   | <b>(12,904)</b> | <b>(54,435)</b>                   | <b>(3,240)</b>                    | <b>62,007</b>                     | <b>390</b>                     | <b>(8,182)</b> |
| <b>MIRS</b>   |                 |                                   |                                   |                                   |                                |                |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post- employment benefits in accordance with the Code | (8,862)         | (31,690)                          | (1,760)                           | (33,650)                          | (1,560)                        | (77,522)       |
| <b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>   |                 |                                   |                                   |                                   |                                |                |
| Employers' contributions payable to the scheme  | 2,802           | 1,005                             | 30                                | 12,007                            | -                              | 15,844         |
| Retirement benefits payable to pensioners   | 62              | -                                 | -                                 | -                                 | 1,650                          | 1,712          |

\* LGPS current service cost includes an allowance for administration expenses of 0.5% of payroll (£70k).

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

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

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

| 2021/2022   | Funded liabilities:<br>LGPS<br>£000 | Unfunded liabilities:<br>LGPS<br>£000 | Unfunded liabilities:<br>FPS 1992<br>£000 | Unfunded liabilities:<br>FPS 2006<br>£000 | Unfunded liabilities:<br>FPS 2015<br>£000 | Unfunded liabilities:<br>Firefighters Compensation Scheme<br>£000 | Total<br>£000 |
|---|-------------------------------------|---------------------------------------|---|---|---|---|---------------|
| Present value of the defined benefit obligation       | (184,443)                           | (568)                                 | (1,492,310)                               | (83,250)                                  | (175,270)                                 | (40,000)  | (1,975,841)   |
| Fair value of plan assets                             | 132,742                             | -                                     | -   | -   | -   | -   | 132,742       |
| Net liability arising from defined benefit obligation | (51,701)                            | (568)                                 | (1,492,310)                               | (83,250)                                  | (175,270)                                 | (40,000)  | (1,843,099)   |

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

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

| 2021/2022                                    | Funded assets:<br>LGPS<br>£000 | Unfunded assets:<br>LGPS<br>£000 | Unfunded assets:<br>FPS 1992<br>£000 | Unfunded assets:<br>FPS 2006<br>£000 | Unfunded assets:<br>FPS 2015<br>£000 | Unfunded assets:<br>Firefighters Compensation Scheme<br>£000 | Total<br>£000  |
|--|--------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|----------------|
| <b>Opening fair value of scheme assets</b>   | <b>124,251</b>                 | -                                | -                                    | -                                    | -                                    | -  | <b>124,251</b> |
| Interest income                              | 2,461                          | -                                | -                                    | -                                    | -                                    | -  | 2,461          |
| Remeasurement gain/(loss):                   |                                |                                  |                                      |                                      |                                      |  |                |
| Return on assets less interest               | 8,289                          | -                                | -                                    | -                                    | -                                    | -  | 8,289          |
| Other  | -                              | -                                | 50,195                               | 60                                   | (17,297)                             | -  | 32,958         |
| Contributions from Employer                  | 167                            | 62                               | 1,005                                | 30                                   | 12,007                               | 1,650  | 14,921         |
| Contributions from employees into the scheme | 947                            | -                                | 390                                  | 30                                   | 5,300                                | -  | 6,667          |
| Benefits paid                                | (3,373)                        | (62)                             | (51,590)                             | (120)                                | (10)                                 | (1,650)  | (56,805)       |
| <b>Closing fair value of scheme assets</b>   | <b>132,742</b>                 | -                                | -                                    | -                                    | -                                    | -  | <b>132,742</b> |

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

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

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| 2021/2022   | Funded<br>liabilities:<br>LGPS | Unfunded<br>liabilities:<br>LGPS | Unfunded<br>liabilities:<br>FPS<br>1992 | Unfunded<br>liabilities:<br>FPS<br>2006 | Unfunded<br>liabilities:<br>FPS<br>2015 | Unfunded<br>liabilities:<br>Firefighters<br>Compensation<br>Scheme | Total       |
|---|--------------------------------|----------------------------------|---|---|---|--|-------------|
|   | £000                           | £000                             | £000                                    | £000                                    | £000                                    | £000   |             |
| <b>Opening balance at 1 April</b>                 | (189,027)                      | (626)                            | (1,547,750)                             | (86,520)                                | (125,270)                               | (41,260)   | (1,990,453) |
| <b>Current service cost</b>                       | (7,374)                        | -                                | (1,230)                                 | (20)                                    | (30,490)                                | (740)  | (39,854)    |
| <b>Interest cost</b>                              | (3,840)                        | -                                | (30,460)                                | (1,730)                                 | (2,860)                                 | (820)  | (39,710)    |
| <b>Contributions from scheme participants</b>     | (947)                          | -                                | (390)                                   | (30)                                    | (5,300)                                 | -  | (6,667)     |
| <b>Remeasurement gains and (losses):</b>          |                                |                                  |   |   |   |  |             |
| <b>Changes in demographic assumptions</b>         | 1,060                          | -                                | -                                       | -                                       | -                                       | -  | 1,060       |
| <b>Changes in financial assumptions</b>           | 12,756                         | (4)                              | 16,510                                  | 1,660                                   | 3,050                                   | 370  | 34,342      |
| <b>Experience gains/(losses)</b>                  | (335)                          | -                                | 19,420                                  | 3,280                                   | (14,110)                                | 800  | 9,055       |
| <b>Past service costs, including curtailments</b> | (109)                          | -                                | -                                       | (10)                                    | (300)                                   | -  | (419)       |
| <b>Benefits paid</b>                              | 3,373                          | 62                               | 51,590                                  | 120                                     | 10                                      | 1,650  | 56,805      |
| <b>Closing balance at 31 March</b>                | (184,443)                      | (568)                            | (1,492,310)                             | (83,250)                                | (175,270)                               | (40,000)   | (1,975,841) |

### 34.6 LGPS assets comprised:

| Asset category      | 31 March<br>2021<br>£000 | %          | 31 March<br>2022<br>£000 | %          |
|---------------------|--------------------------|------------|--------------------------|------------|
| <b>Equities</b>     | <b>74,836</b>            | <b>60</b>  | <b>80,501</b>            | <b>61</b>  |
| Gilts               | 10,342                   | 8          | 8,216                    | 6          |
| Other bonds         | 7,881                    | 6          | 7,722                    | 6          |
| Property            | 9,324                    | 8          | 9,521                    | 7          |
| Cash                | 6,075                    | 5          | 5,213                    | 4          |
| Other               | 15,793                   | 13         | 21,569                   | 16         |
| <b>Total Assets</b> | <b>124,251</b>           | <b>100</b> | <b>132,742</b>           | <b>100</b> |

### 34.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The FPS have been assessed using an approach and model supplied by GAD and certified by them on 19 May 2022. The WMMAPF has been based on triennial actuarial valuations, the last review being 31 March 2019 and assessed by Hymans Robertson. In calculating the IAS19 figures for the WMMAPF the actuary assumed an investment return of 8.7%.

The significant assumptions used by the actuary have been:

|  | LGPS      |           | FPS       |           |
|--|-----------|-----------|-----------|-----------|
|  | 2020/2021 | 2021/2022 | 2020/2021 | 2021/2022 |
| <b>Mortality assumptions:</b>                  |           |           |           |           |
| <b>Longevity at 65 for current pensioners:</b> |           |           |           |           |
| • Males  | 21.6      | 21.2      | 21.4      | 21.5      |
| • Females                                      | 23.9      | 23.6      | 21.4      | 21.5      |
| <b>Longevity at 65 for future pensioners:</b>  |           |           |           |           |
| • Males  | 23.4      | 22.9      | 23.1      | 23.2      |
| • Females                                      | 25.8      | 25.4      | 23.1      | 23.2      |
| <b>Rate of inflation CPI</b>                   | 2.85%     | 3.2%      | 2.4%      | 3.0%      |
| <b>Rate of increase in salaries</b>            | 3.85%     | 4.2%      | 4.15%     | 4.75%     |
| <b>Rate of increase in pensions</b>            | 2.85%     | 3.2%      | 2.4%      | 3.0%      |
| <b>Rate for discounting scheme liabilities</b> | 2.0%      | 2.7%      | 2.0%      | 2.65%     |

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

A sensitivity analysis for the WMMAPF as at 31 March 2022 is shown below:

|   | <b>Approximate increase to defined benefit obligation</b> |                |
|---|---|----------------|
| <b>Change in assumptions:</b>                           | <b>%</b>  | <b>£000</b>    |
| <b>0.1% decrease in real discount rate</b>              | <b>2%</b>   | <b>(3,487)</b> |
| <b>1 year increase in member life expectancy</b>        | <b>4%</b>   | <b>(7,400)</b> |
| <b>0.1% increase in the salary increase rate</b>        | <b>0%</b>   | <b>(489)</b>   |
| <b>0.1% increase in the pension increase rate (CPI)</b> | <b>2%</b>   | <b>(2,967)</b> |

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 2022 for the FPS:

| <b>FPS 1992<br/>Change in assumption*</b>          | <b>Approximate %<br/>increase to<br/>Employer<br/>liability</b> | <b>Approximate<br/>effect on total<br/>liability<br/>£m</b> |
|--|---|---|
| <b>0.5% increase in real discount rate</b>         | <b>-8.0%</b>  | <b>122</b>  |
| <b>0.5% increase in long term salaries rate</b>    | <b>0.5%</b>   | <b>(10)</b>   |
| <b>0.5% increase in the pensions increase rate</b> | <b>7.5%</b>   | <b>(109)</b>  |
| <b>1 year increase in member life expectancy</b>   | <b>3.5%</b>   | <b>(54)</b>   |

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

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

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

| <b>FPS 2015<br/>Change in assumption*</b>          | <b>Approximate %<br/>increase to<br/>Employer<br/>liability</b> | <b>Approximate<br/>effect on total<br/>liability<br/>£m</b> |
|--|---|---|
| <b>0.5% increase in real discount rate</b>         | <b>-15.0%</b>   | <b>26</b>   |
| <b>0.5% increase in salaries rate</b>              | <b>6.5%</b>   | <b>(11)</b>   |
| <b>0.5% increase in the pensions increase rate</b> | <b>9.5%</b>   | <b>(17)</b>   |
| <b>1 year increase in member life expectancy</b>   | <b>3%</b>   | <b>(5)</b>  |

The weighted average duration of the defined benefit obligation for scheme members is approximately 33 years.

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

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

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

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

The £7.9m payment to the WMMAPF in April 2020 for employer pension contributions for the LGPS, included payments for the 1st April 2020 to 31<sup>st</sup> March 2021 £2.66m, 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 £2.63m and 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023 £2.61m.

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

## **35. CONTINGENT LIABILITIES**

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

MMI, through which the Authority had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take several years for them to arise, however the Company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the Company entered into a scheme of arrangement with its creditors. Following a Supreme Court judgement on 28<sup>th</sup> March 2012 which found against the Company, it is now highly likely that the scheme of arrangement will be triggered. Once the scheme is implemented, the Authority and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1<sup>st</sup> October 1993. The Contingent Liability is for approximately 50% (£2.060m). Payments of £0.402m (2013/14) & £0.268m (2016/17) have been made and an earmarked reserve is provided for £0.038m. The balance is held in the insurance earmarked reserve (£1.352m).

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

From 1st April 2022 all employees will be moved into the reformed pension scheme. In the case of firefighters this will be the 2015 FPS. The estimated pension obligations from this matter have been captured within the defined pension liability. The shortfall in employer contributions will be captured in future scheme valuations as an unfunded, past service deficit and reflected in the employer contribution rates going forward.

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

## PENSION FUND ACCOUNT

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| 2020/2021<br>£000 |       |          |          |  | 2021/2022<br>£000 |      |          |          |
|-------------------|-------|----------|----------|--|-------------------|------|----------|----------|
| 1992              | 2006  | Modified | 2015     |  | 1992              | 2006 | Modified | 2015     |
|                   |       |          |          | <b>Contributions Receivable</b>                      |                   |      |          |          |
|                   |       |          |          | <b>From Fire Authority</b>                           |                   |      |          |          |
| (1,559)           | (40)  | (28)     | (11,305) | <b>Contributions in relation to pensionable pay</b>  | (826)             | (16) | (14)     | (12,007) |
| (79)              | (20)  | -        | -        | <b>III health retirements</b>                        | (179)             | -    | -        | -        |
| (659)             | (16)  | (20)     | (4,996)  | <b>From firefighters contributions</b>               | (1,433)           | (7)  | (26)     | (4,390)  |
|                   |       |          |          | <b>Transfers in</b>                                  |                   |      |          |          |
| -                 | (123) | -        | (149)    | <b>Individual</b>                                    | -                 | (8)  | -        | (316)    |
|                   |       |          |          | <b>Benefits Payable</b>                              |                   |      |          |          |
| 42,078            | 26    | 8        | 12       | <b>Pensions</b>                                      | 42,727            | 48   | 23       | 14       |
| 7,947             | -     | -        | 110      | <b>Commutations and lump sum retirement benefits</b> | 9,156             | -    | 54       | 22       |
|                   |       |          |          | <b>Payments to and on account of leavers</b>         |                   |      |          |          |
| -                 | -     | -        | 28       | <b>Individual transfers</b>                          | -                 | -    | -        | -        |
| 47,728            | (173) | (40)     | (16,300) | <b>Net amount payable for the year</b>               | 49,445            | 17   | 37       | (16,677) |
| (47,728)          | 173   | 40       | 16,300   | <b>Top up Grant payable by the Government</b>        | (49,445)          | (17) | (37)     | 16,677   |
| -                 | -     | -        | -        |  |                   |      |          |          |

| 2020/2021<br>£000 | NET ASSETS STATEMENT                                 | 2021/2022<br>£000 |
|-------------------|--|-------------------|
| -                 | <b>From firefighters contributions</b>               | 45                |
| -                 | <b>Pensions</b>                                      | (46)              |
| (468)             | <b>Commutations and lump sum retirement benefits</b> | (912)             |
| 6,304             | <b>Top-up receivable from the Government</b>         | 6,946             |
| (5,836)           | <b>Amount owing to General Fund</b>                  | (6,033)           |
| -                 |  | -                 |

## NOTES TO THE PENSION FUND ACCOUNT

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

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

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Government and are subject to revaluation every four years' by GAD. The contribution rates for 2021/22 are shown in the tables below:

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

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

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

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

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the 31<sup>st</sup> March 2022. For further information on the liability to pay pensions see Note 34.

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

## **ANNUAL GOVERNANCE STATEMENT**

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

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

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

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31<sup>st</sup> March 2022 and up to the date of the approval of the annual report and statement of accounts.

### 3. The Governance Framework

The key elements of the systems and processes that comprise the Authority's governance arrangements include the following (adjustments required due to the COVID-19 pandemic are reflected in paragraph 5.11):-

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

- 3.8 The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. The Authority plans its spending on an established planning cycle for policy development, budget setting and performance management through the business planning process. This ensures that resources are aligned to priorities and secures best value from the resources that are available.
- 3.9 The Chief Financial Officer is a key member of the leadership team, helping to develop and implement the Authority's strategy. The Authority's financial system is an ORACLE based general ledger and management information system, which integrates the general ledger function with those of budgetary control and payments. Financial Regulations and Contract Procedure Rules are approved and regularly reviewed by the Authority. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action initiated.
- 3.10 The Authority's performance management and reporting of performance management continues to be improved with a more focused Corporate Strategy, the setting of priorities and is supported by regular performance monitoring. Corporate performance is reported on a quarterly basis and this process provides officers and Members with the opportunity to share knowledge and understanding about key performance issues affecting services.
- 3.11 The Authority within its committee framework has an Appointment, Standards and Appeals Committee to promote high ethical standards amongst Members. This Committee leads on developing policies and procedures to accompany the Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct. The Authority also has a Scrutiny Committee which undertakes performance management functions, informs policy development and holds officer and the Authority to account.
- 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 auditor in their Auditor's Annual Report and other reports.
- 4.2 Section unit business plans contain a variety of performance indicators and targets that are regularly reviewed.
- 4.3 The Authority's political governance arrangements, which are appropriately reviewed by officers, set out the responsibilities of both Members and senior managers. In particular, the Authority has identified the following statutory post holders:-
- Chief Fire Officer
  - Treasurer
  - Monitoring Officer

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

- 4.4 The arrangements for the provision of internal audit are contained within the Authority's Financial Regulations. The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority.
- 4.5 The resulting Audit Plan is discussed and agreed with officers of the Strategic Enabling Team and the Audit and Risk Committee and shared with the Authority's external auditor. Meetings between the internal and external auditor ensure that duplication of effort is avoided. All Authority Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

- 4.6 The Authority's review of the effectiveness of the system of internal control is informed by:-
- The work undertaken by Internal Audit during the year;
  - The work undertaken by the external auditor reported in their annual audit;
  - Other work undertaken by independent inspection bodies.
- 4.7 From the work undertaken by Internal Audit in 2021/2022 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.
- 4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 4.9 Audit Services have reported and advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

## 5. Significant governance arrangements within the Authority

- 5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-
- Prevention – Safer and healthier communities
  - Protection – stronger business communities
  - Response – dealing effectively with emergencies
- 5.2 These formed the basis of the Authority's Annual Plan 2021-24 which set out the outcomes and priorities based on the Community Risk Management Plan and Medium-Term Financial Plan. The five-minute attendance standard lies at the heart of the Service Delivery Model. The model shows how staff provide the core prevention, protection and response services to make the West Midlands safer, stronger and healthier.
- 5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2020/2021 audit work which reported an unqualified opinion on the financial statements. It also issued an unqualified value for money conclusion stating that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in the use of resources.

5.4 Based on audit work undertaken during the year an Annual Internal Audit Report was presented to the Audit and Risk Committee on 6 June 2022, Audit work which was completed in 2021/2022 included:-

- Data Protection
- Fire Stations – Management of Fuel
- Environmental Protection Targets
- Workforce Planning
- Fixed Asset Accounting
- Accounts Payable
- Budgetary Control
- Accounts Receivable
- Governance
- Risk Management

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

### **Data Protection**

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

### **Management of Fuel**

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

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

## **Workforce Planning**

Workforce planning is integral to the operation of the Fire Authority and the delivery of its strategic plan. The purpose of the review was to assess the adequacy of the workforce planning processes and to provide assurance on how well they were embedded within the Fire Authority. In general, the processes in place effectively support the Fire Authority in delivering its strategic plan. The review did identify two issues relating to:

A system of multiple spreadsheets is used to maintain and monitor the staffing establishment. It was identified that process notes had not been established to document the system to be followed to maintain and monitor the various spreadsheets. As such, there was a risk of inconsistencies in approach, or loss of knowledge should key staff be unavailable. They would also be a useful training aid for any new staff.

- The policies which formed part of the appraisal/performance management/appraisal framework had not been reviewed on a regular basis. It is acknowledged that these documents were currently under review by relevant officers, but there was no set timescale for completion.
- Due to issues experienced with the reporting functionality in respect of the new Oracle Fusion system, it had not been possible to produce and publish the performance indicators which are required to support the management of absence within the Fire Authority. As such, there is a risk that absences may not be effectively managed.

- 5.6 The issues outlined above, together with any other issues highlighted in the Annual Internal Audit Report have been raised with relevant managers and actions have been taken to achieve improvements.
- 5.7 In February 2021, the Secretary of State for the Ministry for Housing, Communities and Local Government (MHCLG), now the Department for Levelling Up, Housing and Communities (DLUHC) confirmed the Authority's funding settlement for 2021/22 at £53.002M, which was a one-year only settlement.
- 5.8 In December 2021, the Secretary of State for DLUHC announced the provisional settlement for 2022/23 at £53.590m, resulting in a funding increase of £0.588m (1.1%). In addition, it was indicated a new 'one-off' Services Grant would be distributed through the existing Settlement Funding Assessment formula amounting to approximately £2.3M for this Authority (additional national insurance contribution costs of approximately £650k are to be funded from this). The Government also proposed a general Council Tax referendum threshold of 2% for Fire and Rescue Authorities. However, for one year only (2022/23), for the Fire and Rescue Authorities in the lowest charging quartile, there would be flexibility to increase Band D precepts by £5.

- 5.9 The 2022/23 Local Government Finance Settlement was a one year only Settlement, rather than the anticipated three-year Comprehensive Spending Review period. Multi-year settlements are a more effective way of managing resources, aligned to longer term planning and this uncertainty needs to be factored into the Medium-Term Financial Strategy. Every 1% increase/reduction in core funding represents an increase/loss of circa £0.536m funding for the Authority.
- 5.10 In addition, there are ongoing budget uncertainties, particularly Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding. Furthermore, the Service is likely to continue to be directly impacted to some degree by the effects of COVID during 2022/23 together with the linked requirement to invest in the health, safety and wellbeing of all staff. General supply chain issues and the 'cost of living' crisis are also likely to present budget pressures. Therefore, whilst the Government funding allocation in 2022/23 is higher in cash terms compared to 2021/22, a high level of caution still needs to be applied to future financial years as the funding position remains volatile for the Fire Sector.

5.11 Covid-19 Governance Impact 2021/22

Since March 2020, the Coronavirus pandemic resulted in two nationwide lockdowns and an emergency response, which had impacts on the Authority's "business as usual" during 2020/21 and 2021/22

During both municipal years the Authority invoked Decisions under Matters of Urgency (Section 17.1 Authority Standing Orders) enabling the continuity of decision making by the Chief Fire Officer and Chair of the Authority on items of strategic importance or reverted to hybrid meetings enabling decision making with immediate effect following expiry of temporary legislation (The Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) (England) Regulations 2020).

During the original phase of the COVID-19 pandemic commencing in March 2020, a Business Continuity Management Team (BCMT) was established which comprised the Strategic Leadership Team and was COVID-19 specific in activity. This was supported by a Business Continuity Planning Team (BCPT) which comprised a cohort of Middle Managers who project managed the response to the pandemic across the Service. This infrastructure continued throughout each response and recovery phase of the pandemic; both were stood down in April 2022 for COVID-19 purposes.

**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.

Greg Brackenridge  
Chair  
West Midlands Fire & Rescue Authority

Phil Loach  
Chief Fire Officer

## GLOSSARY OF TERMS

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**Accruals**

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

**Accumulated Absences Account**

The estimated cost of any untaken employee benefits.

**Balance Sheet**

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

**Capital Adjustment Account**

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

**Capital Expenditure**

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

**Capital Receipt**

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

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

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

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

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

**Creditor**

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

**Current Assets**

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

**Current Liabilities**

Amounts falling due for payment in the next accounting period.

**Current Service Cost (Pensions)**

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

***Debtor***

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

***Deferred Liability***

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

***Defined Benefit Pension Scheme***

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

***Depreciation***

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

***Emoluments***

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

***Employee Benefits***

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

***Fixed Asset***

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

***General Fund***

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

***Government Grants***

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

***Heritage Assets***

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

***Impairment***

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

***Interest Cost (Pensions)***

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

***International Financial Reporting Standards (IFRS)***

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

***Inventories***

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

***Liabilities***

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

***Long term Borrowing***

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

***Long term Debtors***

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

***Materiality***

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

***Minimum Revenue Provision***

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

***NDR***

Rates which are levied on business properties.

***Net Book Value***

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

***Net Realisable Value***

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

***Non Operational Assets***

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

***Operational Assets***

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

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

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

***Payment in Advance***

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

***Precept***

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

***Provisions***

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

***Receipts in Advance***

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

***Related Party***

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

Central Government.

West Midlands Local Authorities.

Members of the Authority or parties related to them.

Chief Officer or parties related to them.

***Reserves***

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

***Revaluation Reserve***

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

***Revenue Expenditure***

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

***Revenue Support Grant (RSG)***

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

***Temporary Loans***

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

***Useful Life***

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

**WEST MIDLANDS FIRE SERVICE**

# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**



## **Summary of Accounts**

**2021/2022**

## **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

### **STATEMENT OF ACCOUNTS 2021/2022 SUMMARY**

#### **Introduction**

This document is a summary of the Authority's Statement of Accounts for 2021/2022.

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

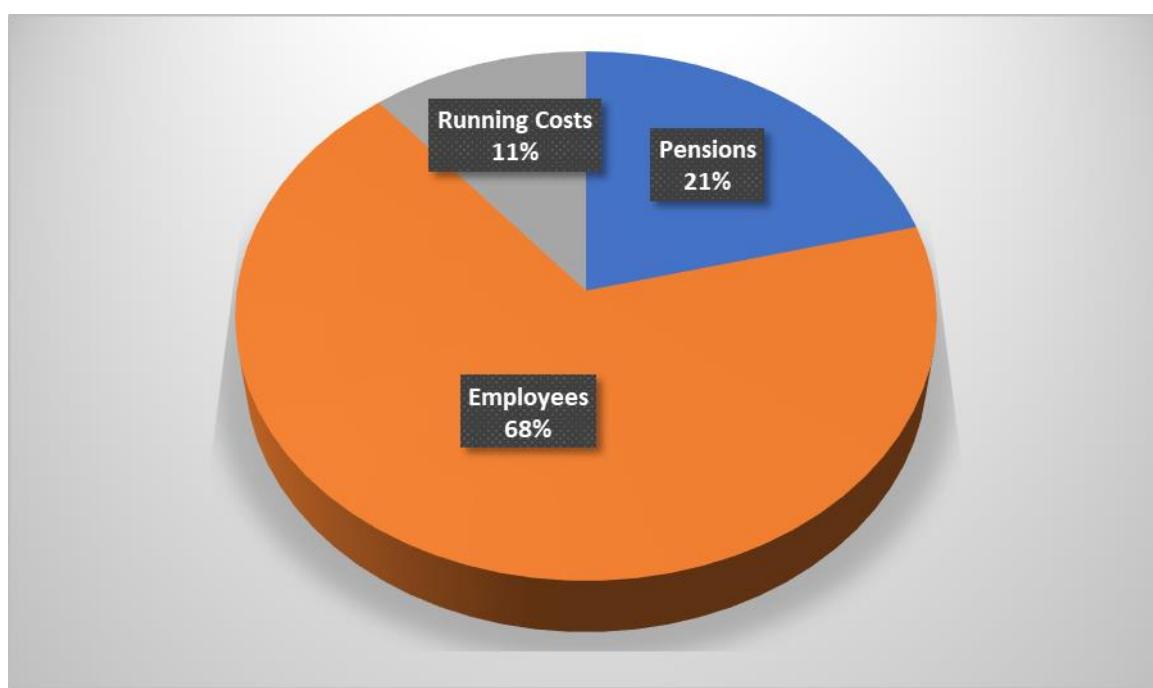
The Authority's 2021/2022 Statement of Accounts is prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, under International Financial Reporting Standards.

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

#### **How much did the Service cost in 2021/2022**

The majority of the net cost of Fire Service expenditure relates to the cost of services, £126.1m.

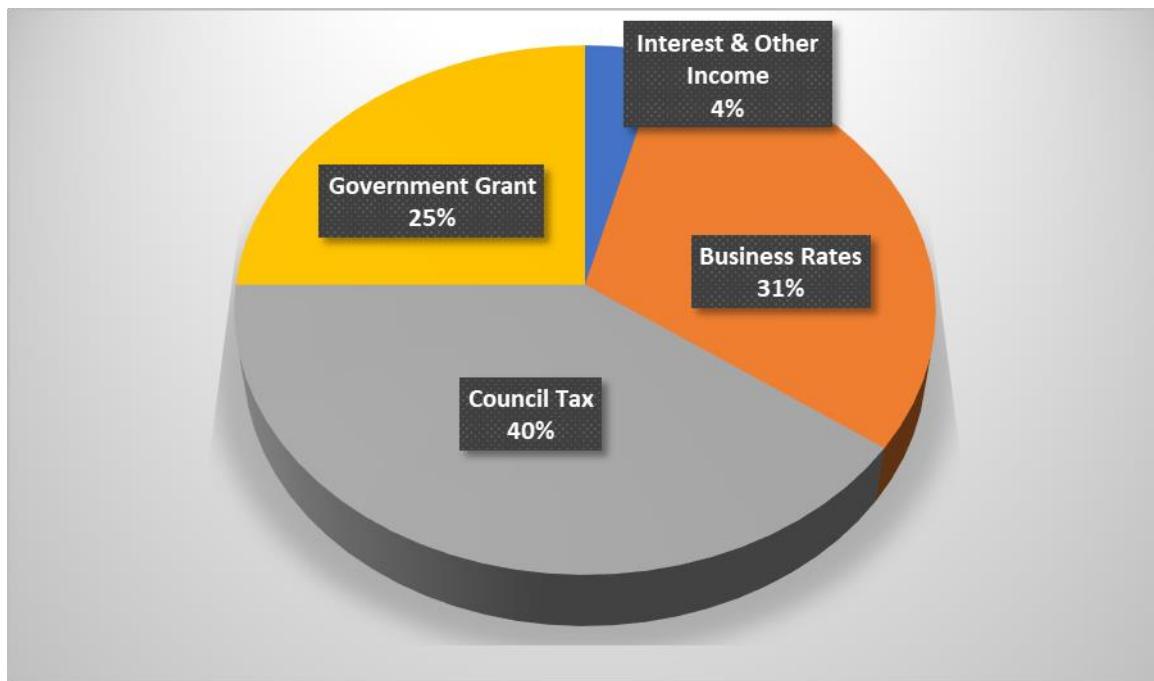
The total Provision of Services in 2021/2022 shows a deficit of £61.777m. Within this deficit is total expenditure of the Authority which for 2021/2022 was £177.589m. The type of costs can be broken down as follows:



## How was the Service funded in 2021/2022

The total income of the Authority in 2021/2022 was £115.812m. The majority of funding came from the government in the form of grant and a share of business rates.

The main sources of funding are shown below.



## Balances and Reserves

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

In order to set a balanced budget in 2021/2022 the Authority assumed no movement in general balances. The actual level of general balances decreased in the year by £1.980m, leaving £3.858m general balances at the end of the financial year. The Authority holds general balances as funding to meet any unforeseen events which it may need to respond to. Interest is earned on any unused balances.

In addition, as part of the closedown of accounts process, consideration needs to be given to the level of earmarked reserves required. These are amounts set aside to meet specific anticipated future demands. The level of earmarked reserves decreased by £7.101m, this brought the total level of these reserves to £29,816m. Interest is earned on any balances until expenditure is committed against the demands identified.

## **Capital Expenditure and Funding**

In 2021/2022, the Authority spent £3.189 million on capital projects.

The expenditure was incurred on the following:-

|                  | <b>£m</b> |
|------------------|-----------|
| Vehicles         | 2.345     |
| Land & Buildings | 0.843     |
| ICT & Equipment  | 0.001     |

The total expenditure was financed by direct revenue contributions (£3.189m).

No borrowing was undertaken to assist with purchase of assets during 2021/2022. Borrowing in earlier years meant that at the end of 2021/2021 the Authority had total loans of £31.5m (the interest and principal on any loans needs to be met from future revenue budgets). The value of long-term assets held by the Authority as at 31<sup>st</sup> March 2022 which the loans had helped fund was £154.5m, of which approximately 94% related to land and buildings and 6% related to vehicles and equipment.

Further information can be found by contacting the Finance Manager at West Midlands Fire Service Headquarters, 99 Vauxhall Road, Birmingham, B7 4HW, telephone number 0121 380 6920 or e-mail [kal.shoker@wmfs.net](mailto:kal.shoker@wmfs.net).

The Authority's full 2021/2022 audited Statement of Accounts can be found on our website [www.wmfs.net](http://www.wmfs.net).

Item 7

## **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

### **AUDIT AND RISK COMMITTEE**

**26 SEPTEMBER 2022**

#### **1. TREASURY MANAGEMENT – ANNUAL REPORT 2021/2022**

Report of the Treasurer.

#### **RECOMMENDED**

1.1 THAT the report and Appendix are noted and the prudential and treasury indicators approved.

#### **2. PURPOSE OF REPORT**

2.1 The Authority agreed its 2021/2022 Treasury Management Strategy Statement and Annual Investment Strategy and its Prudential Indicators in February 2021. Part of the requirements of the Treasury Strategy and Prudential Code are that periodic reports are presented to Members.

2.2 The annual treasury report covers the treasury activity during 2021/2022 and the actual Prudential Indicators for 2021/2022.

#### **3. BACKGROUND**

3.1 The Authority is required to produce an annual treasury management report of activities and the actual prudential and treasury indicators for 2021/2022.

3.2 Appendix A, the Annual Treasury Management Report 2021/2022 meets the requirement of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code of Capital Finance in Local Authorities (the Prudential Code). The Authority is required to comply with both Codes through regulation issued under the Local Government Act 2003.

**4. EQUALITY IMPACT ASSESSMENT**

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

**5. LEGAL IMPLICATIONS**

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

**6. FINANCIAL IMPLICATIONS**

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

**7. ENVIRONMENTAL IMPLICATIONS**

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

**BACKGROUND PAPERS**

Authority's Budget and Precept Report – February 2021  
Treasury Management Mid-Year Report – Audit and Risk Committee December 2021  
Link Treasury Services – Treasury Management Bulletins and Newsletters

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

MIKE GRIFFITHS  
TREASURER

## WEST MIDLANDS FIRE SERVICE



# Annual Treasury Management Review 2021/22

## 1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2021/22 the minimum reporting requirements were that the Authority should receive the following reports:

- an annual treasury strategy in advance of the year (Authority 15/02/2021)
- a mid-year treasury update report (Audit & Risk Committee 06/12/2021)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

This report provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

During 2021/22 the Authority complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

| Actual prudential and treasury indicators | 2020/21  | 2021/22  |
|---|----------|----------|
| Actual capital expenditure                | £2.304m  | £3.189m  |
| Total Capital Financing Requirement       | £35.322m | £34.327m |
| Financing costs to net revenue stream     | 2.6%     | 2.5%     |

The Treasurer confirms that no borrowing was undertaken for any capital purpose during 2021/22 and that the statutory borrowing limit (the authorised limit), was not breached.

As at 31<sup>st</sup> March 2022, the Authority's external debt was £31.534m (£33.676m as at 31<sup>st</sup> March 2021) and its investment totalled £33.455m (£36.742m as at 31<sup>st</sup> March 2021).

## 2. The Economy and Interest Rates

**UK Economy** - Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1<sup>st</sup> April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

**Average inflation targeting** - This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

### 3. The Authority's Capital Expenditure and Financing

The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

|  | 2020/21<br>Actual<br>£m | 2021/22<br>Actual<br>£m |
|--|-------------------------|-------------------------|
| <b>Total capital expenditure</b>                       | <b>2.304</b>            | <b>3.189</b>            |
| Resourced by:  |                         |                         |
| • Capital receipts                                     | 0.000                   | 0.000                   |
| • Capital grants                                       | 0.000                   | 0.000                   |
| • Revenue Contribution to Capital                      | 2.304                   | 3.189                   |
| <b>Capital Expenditure Financed from<br/>Borrowing</b> | <b>0</b>                | <b>0</b>                |

#### **4. Overall Treasury Position as at 31 March 2022**

The Authority's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Authority's debt position. The CFR results from the capital activity of the Authority and what resources have been used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Authority's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Authority's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources.

**Reducing the CFR** – the Authority's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Authority is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts);
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Authority's Treasury Management Strategy Report for 2021/22 was approved 15 February 2021.

The Authority's CFR for the year is shown below and represents a key prudential indicator.

| CFR                                | 31 March 2021<br>Actual<br>£m | 31 March 2022<br>Actual<br>£m |
|------------------------------------|-------------------------------|-------------------------------|
| Opening balance                    | 36.259                        | 35.322                        |
| Add unfinanced capital expenditure | 0                             | 0                             |
| Less MRP                           | (0.937)                       | (0.995)                       |
| Less VRP                           | 0                             | 0                             |
| Closing balance                    | 35.322                        | 34.327                        |

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021/22) plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allows the Authority some flexibility to borrow in advance of its immediate capital needs in 2021/22.

|                        | 31 March 2021<br>Actual<br>£m | 31 March 2022<br>Actual<br>£m |
|------------------------|-------------------------------|-------------------------------|
| External Debt          | 33.676                        | 31.534                        |
| Investments            | 36.742                        | 33.455                        |
| Net Borrowing Position | (3.066)                       | (1.921)                       |
| CFR                    | 35.322                        | 34.327                        |

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The Authority does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Authority has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

|   | 2020/21 | 2021/22 |
|---|---------|---------|
| Authorised limit                                      | £43m    | £42m    |
| Operational boundary                                  | £39m    | £38m    |
| Maximum gross borrowing position                      | £36m    | £34m    |
| Financing costs as a proportion of net revenue stream | 2.6%    | 2.5%    |

## 5. Overall Treasury Position as at 31 March 2022

The Authority's investment position is organised with the treasury management service at Sandwell MBC, in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

Procedures and controls to achieve these objectives are well established both through Member reporting, and through officer activity detailed in the Authority's Treasury Management Practices.

At the beginning and the end of 2021/22, the Authority's position was as follows:

|                              | 31 March 2021<br>Principal<br>£m | Rate/<br>Return | 31 March 2022<br>Principal<br>£m | Rate/<br>Return |
|------------------------------|----------------------------------|-----------------|----------------------------------|-----------------|
| <b>Fixed Rate<br/>Loans:</b> |                                  |                 |                                  |                 |
| PWLB                         | £31.4                            | 5.2%            | £29.6                            | 5.22%           |
| Ex WMCC                      | <u>£2.3</u>                      | <u>5.6%</u>     | <u>£1.9</u>                      | <u>5.51%</u>    |
| Total Debt                   | £33.7                            | 5.3%            | £31.5                            | 5.24%           |
| CFR                          | £35.3                            |                 | £34.3                            |                 |
| Over / (under)<br>borrowing  | (£1.6)                           |                 | (£2.8)                           |                 |
| <b>Investments:</b>          |                                  |                 |                                  |                 |
| Sandwell MBC                 | £36.7                            | 0.24%           | £33.5                            | 0.16%           |
| <b>Net Debt</b>              | <b>(£3.0)</b>                    |                 | <b>(£2.0)</b>                    |                 |

The maturity structure of the debt portfolio was as follows:

|                                | 31 March 2021<br>Actual<br>£m | 31 March 2022<br>Actual<br>£m |
|--------------------------------|-------------------------------|-------------------------------|
| Under 12 months                | 2.141                         | 0.827                         |
| 12 months and within 24 months | 0.827                         | 0.867                         |
| 24 months and within 5 years   | 2.447                         | 2.338                         |
| 5 years and within 10 years    | 1.561                         | 0.802                         |
| 10 years and above             | 26.700                        | 26.700                        |

## 6. The Strategy for 2021/22

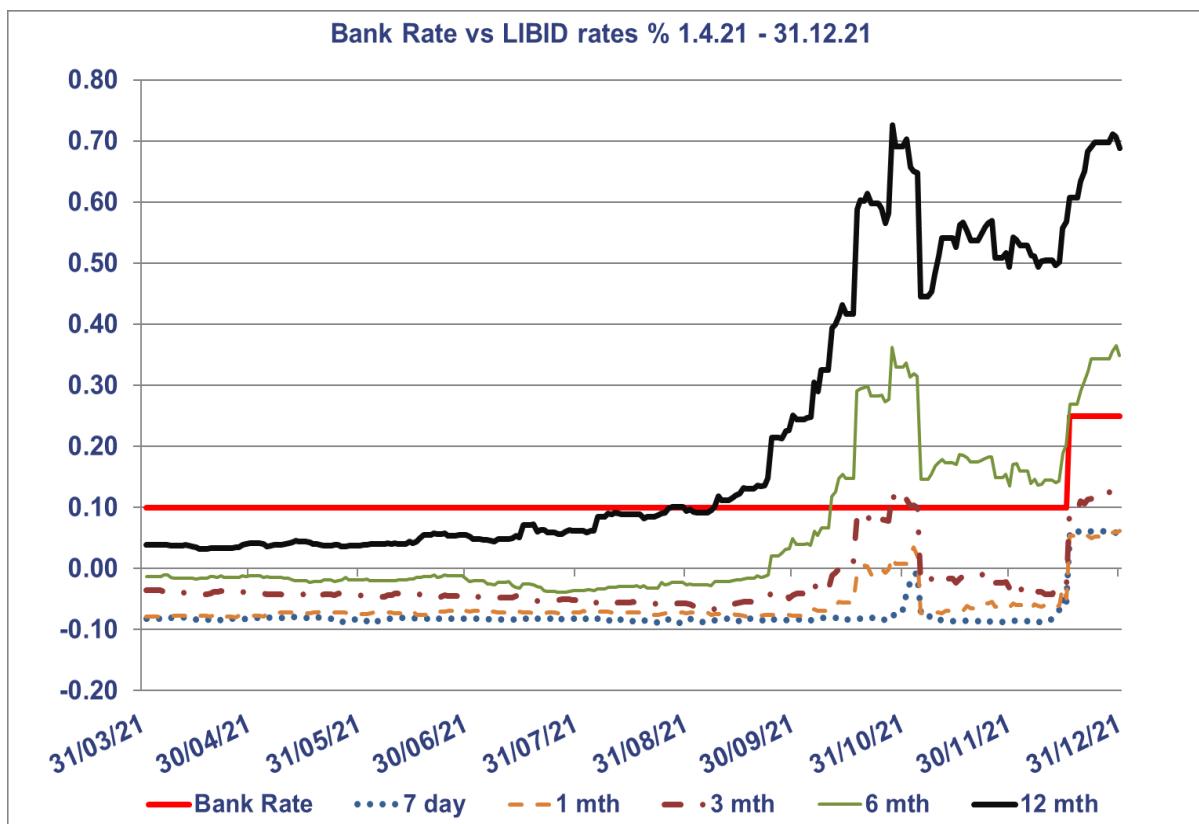
Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

While the Authority has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

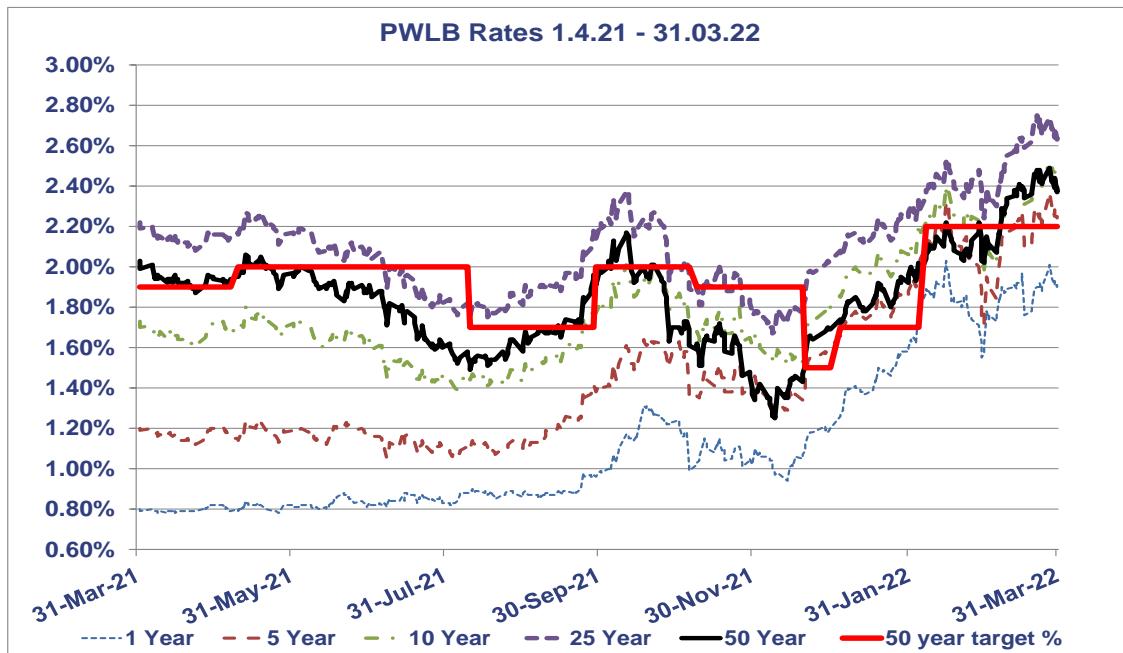
## Investment strategy and control of interest rate risk



|                  | Bank Rate  | 7 day      | 1 mth      | 3 mth      | 6 mth      | 12 mth     |
|------------------|------------|------------|------------|------------|------------|------------|
| <b>High</b>      | 0.25       | 0.06       | 0.06       | 0.14       | 0.36       | 0.73       |
| <b>High Date</b> | 17/12/2021 | 29/12/2021 | 31/12/2021 | 31/12/2021 | 30/12/2021 | 28/10/2021 |
| <b>Low</b>       | 0.10       | -0.09      | -0.08      | -0.07      | -0.04      | 0.04       |
| <b>Low Date</b>  | 01/07/2021 | 27/08/2021 | 17/09/2021 | 08/09/2021 | 27/07/2021 | 08/07/2021 |
| <b>Average</b>   | 0.11       | -0.07      | -0.05      | -0.01      | 0.09       | 0.31       |
| <b>Spread</b>    | 0.15       | 0.15       | 0.14       | 0.20       | 0.40       | 0.68       |

## 7. Borrowing Rates in 2021/22

The graphs for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



## 8. Borrowing Outturn for 2021/22

Borrowing – No borrowing was undertaken during 2021/22.

Rescheduling – No rescheduling was undertaken during 2021/22.

## 9. Investment Outturn for 2021/22

**Investment Policy** – the Authority's investment policy is governed by MHCLG guidance, which was been implemented in the annual investment strategy approved by the Authority on 15 February 2021. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

**Investments held by the Authority** - the Authority maintained an average balance of £46.3m of internally managed funds. The internally managed funds earned an average rate of return of 0.164%. This compares with a budget assumption of £45m investment balances earning an average rate of 0.20%.

The comparable performance indicator for internally managed funds is the average 7-day backward looking SONIA (Sterling Overnight Index Average) uncompounded rate as at 31 March 2022, which was 0.1355%. The SONIA replaced the LIBID (London Interbank Bid) rate as a comparable performance indicator in 2021/22.



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**26 SEPTEMBER 2022**

**1. PENSIONS BOARD – APPOINTMENT OF INDEPENDENT CHAIR**

Joint report of the Chief Fire Officer and Monitoring Officer.

**RECOMMENDED**

- 1.1 THAT the Committee approve the proposed process for advertising, sourcing and appointing a new Independent Chair to the Pension Board.

**2. PURPOSE OF REPORT**

- 2.1 This report is submitted to Members to seek approval of the proposed process of appointment for an Independent Chair of the Pensions Board.

**3. BACKGROUND**

- 3.1 The Pension Board of West Midlands Fire and Rescue Authority exists to assist the Scheme Manager (the Fire Authority, delegated to the Audit and Risk Committee) to:

- a) secure compliance with—
  - i. the Firefighters' Pension Scheme Regulations,
  - ii. any other legislation relating to the governance and administration of the scheme and any connected scheme, and
  - iii. any requirements imposed by the Pensions Regulator in relation to the scheme and any connected scheme; and
- b) to ensure the effective and efficient governance and administration of the scheme and any connected scheme

- 3.2 Currently, the Board operates with a non-voting Independent Chair, appointed by the Audit and Risk Committee. For the entire duration of the Pension Board's existence to this point, a reciprocal arrangement with West Midlands Police Service has seen their Chief Financial Officer serve as the Independent Chair with West Midlands Fire Service's (WMFS) and the Strategic Enabler for Finance and Resources undertaking the same role for the West Midlands Police Pension Board.
- 3.3 Following a range of recent issues with pension administration, scheme member representatives to the Pensions Board withdrew from the 10 June meeting of the Board, rendering it inquorate. They did so to "register their discord" with the way in which the pension administration issues were to be considered by the Board, which, in their view, was insufficient. The Independent Chair sought on multiple occasions to provide assurance that these issues would be discussed, and had asked the Strategic Enabler for Finance and Resources to attend to provide further information, but this was not possible due to the postponement of the meeting.
- 3.4 Following the postponement of the 10 June 2022 Pension Board, the outgoing Independent Chair, Neil Chamberlain, chose to resign with immediate effect and to recommend to the Chief Constable of West Midlands Police that they no longer provide this role to the Board going forward. Mr Chamberlain cited "the behaviour and lack of respect given to both the Board and myself personally as Chair over the last few days" as a reason for his resignation.
- 3.5 As a consequence of the above, an independent review of the Authority's pension governance has been proposed, to report to Audit and Risk Committee. This is covered in a separate paper to the Committee. Furthermore, the Audit and Risk Committee now need to begin a process to appoint a new Independent Chair to the Board.

#### **4. PROPOSED APPOINTMENT PROCESS**

- 4.1 The Firefighters' Pension Scheme Advisory Board has published non-statutory guidance relating to the creation and operation of Local Pension Boards<sup>1</sup>.

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<sup>1</sup> <https://www.fpsboard.org/images/LPB/Resources/FPS2015-gov-guidance.pdf>

It makes clear that there is no prescribed process for appointment of the chair of the Board, and it is for the Scheme Manager to determine the process.

- 4.2 It is therefore proposed that the process used to appoint Independent Members or Persons to the Fire Authority is utilised.
  - 4.2.1 The position will be advertised externally on the WMFS website and appropriate external websites for a period of four weeks by the WMFS People Support Services team, against a role descriptor to be agreed by the Audit and Risk Committee.
  - 4.2.2 Applications will then be short-listed by a sub-committee of the Audit and Risk Committee against the role descriptor. The number of members required for the interview process will be three members, including the Chair and/or the Vice-Chair, to align with the Quorum of the Audit and Risk Committee. If there are no candidates suitable for short-listing, the role will be re-advertised.
  - 4.2.3 Short-listed candidates will be interviewed by the said sub-committee with a view to recommending a preferred candidate for appointment.
  - 4.2.4 Finally, the full Audit and Risk Committee shall vote at its next full meeting on the appointment of the preferred candidate. If successful, the Independent Chair shall be appointed. If not, the sub-committee will reappraise the interviewed candidates and either propose another preferred candidate or reopen the recruitment process.
- 4.3 The role of Independent Chair will be subject to periodic reappointment on a three yearly basis by the Audit and Risk Committee.
- 4.4 A draft role description and expectations for the position of Independent Chair is included in Appendix A.

## **5. EQUALITY IMPACT ASSESSMENT**

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

## **6. LEGAL IMPLICATIONS**

- 6.1 West Midlands Fire and Rescue Authority is required by section 5(1) and (2) of the Public Service Pensions Act 2013 and The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015 to put in place a Local Pensions Board, and to publish information regarding the membership of the board.
- 6.2 The published terms of reference for the Pensions Board as currently written require the appointment of an independent chair by the Scheme Manager, although non-statutory Pension Regulator guidance states that an independent chair is not a requirement, and other models, such as a rotating chair amongst Pension Board members, can be utilised.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 There may be some costs associated with the publication and promotion of the advertisement for expressions of interest for the position of Independent Chair but these are not expected to be significant.

## **BACKGROUND PAPERS**

Firefighters' Pension Scheme Guidance on the creation and operation of Local Pension Boards in England

WMFRA Pension Board Terms of Reference

The contact officer for this report is Clerk to the Authority Karen Gowreesunker.

PHIL LOACH  
CHIEF FIRE OFFICER

SATINDER SAHOTA  
MONITORING OFFICER

Ref. AU/A&R/2022/July/91307222

**APPENDIX A****West Midlands Fire and Rescue Authority****Role and Expectations for:****Independent Pension Board Chair****Role of the Independent Chair**

The Independent Chair will be responsible for chairing each meeting of the Pensions Board and ensuring they are properly conducted in line with the terms of reference. This will include agreeing the agenda for each meeting of the board, including ensuring sufficient time is allocated to each item and that Board Members have the opportunity to suggest or raise items for discussion.

It will be the role of the Chair to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met. The role of Independent Chair does not have voting rights.

The Independent Chair will be expected to monitor all Board members' behaviour, attendance, knowledge and understanding, and take steps (supported by professional advisors) to remedy any issues identified informally in the first instance, or to make recommendations to the Scheme Manager where issues are more significant.

The Independent Chair will be expected to report on a quarterly basis to the Authority's Audit and Risk Committee, which acts as the Scheme Manager on behalf of the Authority.

As an Independent Chair, applicants cannot be a member of or be closely related to anyone who is a member of the Firefighters' Pension Scheme. They cannot be an employee of or be closely related to anyone who is an employee of West Midlands Fire and Rescue Authority or be an elected member of or closely related to someone who is an elected member of the Authority.

For more information, please see the [Pension Board Terms of Reference](#).

**Term of Office**

The Independent Chair shall be appointed for a period of three years by the Scheme Manager. Extension beyond three years will be subject to reappointment by the Scheme Manager.

The Scheme Manager retains the right to review the appointment of the Independent Chair periodically, or to terminate the appointment in the interests of ensuring the ongoing effectiveness of the Pension Board.

## **Independent Chair Knowledge and Skills**

| <b>Knowledge and Experience</b>  |   |
|--|---|
| <i>Essential</i>   | <i>Desirable</i>  |
| <ul style="list-style-type: none"> <li>- Knowledge and experience of public sector pension scheme management and administration.</li> <li>- Good understanding of the law relating to pensions</li> <li>- Good understanding of confidentiality and conflicts of interest in a local government context</li> <li>- Good understanding of Nolan Principles</li> </ul> | <ul style="list-style-type: none"> <li>- Knowledge and experience of working with Firefighters' Pension Scheme 2015</li> <li>- Experience of acting as an appointed chair to a committee or body</li> </ul> |
| <b>Skills</b>  |   |
| <ul style="list-style-type: none"> <li>- Excellent communication skills</li> <li>- Excellent interpersonal skills and a consultative and collaborative approach</li> <li>- Excellent attention to detail</li> </ul>  | <ul style="list-style-type: none"> <li>- Use of Microsoft Teams (via which meetings are conducted)</li> </ul>   |

### **Role and Expectations on the WMFRA Pension Board**

The role of the WMFRA Pension Board is to assist the Scheme Manager in:-

- securing compliance with Regulations relating to Governance and Administration;
- other requirements detailed by the Pension Regulator;
- other matters as detailed by the Regulations.

To ensure trust and transparency it is essential that Board members do not have a conflict of interest. This is defined in the Public Service Pension's Act 2013 as "financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Board".

The individuals on the Board must be conversant with the rules of the Scheme and any document recording policy about the administration of the Scheme and they must have knowledge and understanding of the law relating to pensions and such other matter as may be prescribed.

The role of the Board is one of oversight not decision making and it does not replace existing committees.

The Board will meet at least four times a year and Board members are required to attend a minimum of two meetings per year. Meetings will be held virtually.

At the conclusion of the term of office any information and documentation relating to the work of the Pension Board that is not in the public domain should be returned to the representative of the Clerk to the Authority.

### **Training Provision**

The Service will provide funding for training agreed by the Scheme Manager and the representatives are expected to attend appropriate training to ensure compliance with the regulations. However, timing around these training events will be agreed as far as possible with the representative in advance.

### **Expenses**

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

The Service's expenses policy will be used as the basis for travel and subsistence for pension board members.

Arrangements for training and meetings will be made through the Service's administration/procurement team. The representative of the Clerk can advise and support this process.



Item 9

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****AUDIT AND RISK COMMITTEE****26 SEPTEMBER 2022****1. UPDATE ON CORPORATE RISK 6.1 – BUSINESS CONTINUITY ARRANGEMENTS**

Report of the Chief Fire Officer.

**RECOMMENDED**

- 1.1 THAT the Committee note the context and reasoning for the uprating of Corporate Risk 6.1 in June 2022 to 16 (RED), the highest rating, and consider the implications for the Service.
- 1.2 THAT the Committee consider what steps may be necessary to mitigate this risk, given the increased likelihood of Industrial Action within the short to medium term.

**2. PURPOSE OF REPORT**

- 2.1 This report was requested at the Audit and Risk Committee of 18 July 2022 following a verbal update on the uprating of CR 6.1 provided to Committee by Gary Taylor, Assistant Chief Fire Officer. It provides further details on the reasons behind the uprating of Risk Trigger 6.1.4.1 under Corporate Risk 6.1, the potential impacts of that Risk being realised and what mitigation may be needed.

**3. BACKGROUND**

- 3.1 [The Fire and Rescue Service National Framework](#) outlines that Fire and Rescue Authorities are required to assess the risk of emergencies occurring and ensure business continuity. Paragraph 2.11 explicitly states that the Authority “must make every endeavour to meet the full range of service delivery risks and national resilience duties and commitments that they face”.
- 3.2 Furthermore, the Fire and Rescue Authority has a statutory duty to ensure business continuity/contingency plans contained within [Section 2 of the Civil Contingencies Act 2004](#) “Duty to assess, plan

and advise".

- 3.3 The West Midlands Fire Service (WMFS) Industrial Action Plan is designed to reduce the effects of Industrial Action on WMFS activity in line with the above duties. This currently relies on non-striking operational staff and volunteers within other parts of the service to provide operational cover in the event of industrial action.
- 3.4 In September 2019, it was recommended to the Fire Authority to engage with third party providers to enhance business continuity resilience arrangements. Following an Authority scrutiny process a report was presented by the CFO to the Fire Authority in November 2019. The recommendations were not approved by the Fire Authority on the basis of the resolution of the Scrutiny Committee, which recommended that the Fire Authority continues to use existing business continuity arrangements.

#### **4. RISK ESCALATION**

- 4.1 Corporate Risk 6.1 is that; "*The Fire Authority is unable to provide business continuity arrangements, to maintain delivery of core functions, as a result of extensive disruption to normal working arrangements, including national and international deployments, significant and major events, resulting in increased community risk; reduced confidence; increased reputational damage; and external scrutiny.*"
- 4.2 Risk Trigger 6.1.4 relates to disruption caused by industrial action involving WMFS staff, and Risk Trigger 6.1.4.1 relates specifically to the ability of the WMFS Industrial Action Plan to provide operational services in the event of industrial action. This risk has now been escalated from 12 to 16 (Impact 4, Likelihood 4) representing the highest level of risk.
- 4.3 This escalation has been prompted by an increase in likelihood score from 3 to 4. The likelihood of industrial action has increased for multiple reasons including:
  - 4.3.1 Cost-of-living pressures and thus far unsuccessful pay negotiations between Local Government Employers and the Representative Bodies. The 2% offer made to Grey Book Employees in June 2022 has been rejected, falling below the 5% offered to other public sector workers and well below the current and projected rate of inflation, which the Bank of England forecast could hit 13% before the end of

2022. Green Book staff have been offered a flat rate increase of £1,925 for all staff, equating to 10.5% for the lowest paid staff. Representative Bodies are consulting their members on this offer through September.

- 4.3.2 A background of other Trade Unions undertaking strike action over pay and conditions over the summer, or balloting for industrial action in the near future. This has included action or planned action by rail workers, barristers, airline staff and postal workers.
- 4.3.3 The Fire Reform White Paper, which has been received poorly by representative bodies. The Fire Brigades' Union have described it as "an attack on workers' rights by undermining collective bargaining and a proposal to remove frontline firefighters' voices". As a consequence, industrial action might be anticipated if and when elements of the Fire Reform White Paper are progressed.
- 4.4 The impact of Risk Trigger 6.1.4 has remained at 4 because current control measures are not sufficient to mitigate the consequence of a loss of staff because of industrial action.
- 4.5 It should be noted that the West Midlands Fire and Rescue Authority (WMFRA) response to the recent White Paper consultation indicated confidence that the current arrangements under the Civil Contingencies Act were sufficient and that "Business continuity plans are already in existence and have proven to be effective and robust." This contrasts significantly with the WMFS response submitted by senior officers, and more generally with the elevation of Corporate Risk 6.1, which makes clear that current Business Continuity Plans for WMFS in event of strike action are not robust and that we cannot be confident in meeting statutory duties in the event of IA.
- 4.6 In August 2022, WMFS responded to a survey published by the National Fire Chief's Council (NFCC) on preparedness for Industrial Action, which will be used to RAG (Red, Amber, Green) rate Fire and Rescue Services according to the resilience of their Business Continuity Arrangements in the event of industrial action. These findings will be shared with the Home Office Fire, Resilience and Major Events Team. The full response can be found in **Appendix A**.
  - 4.6.1 This return highlights the service's current resources, staffing, incident numbers and response times, as well as setting out the basis of our contingency plans and assumptions in the event of industrial action.

4.6.2 The overall conclusion is that because our current Industrial Action Plan is reliant upon non-striking volunteers, there is **limited confidence or understanding** of the predicted cover that might be achieved for future periods of Industrial Action. Previous staff availability cannot be taken as a measure of intent due to the very different factors likely to be involved in a future period of industrial action (namely pay and cost of living).

## **5. MITIGATION**

- 5.1 Given the limited confidence in the current business continuity arrangements and the increased risk of Industrial Action in the short to medium term, it is recommended that the Audit and Risk Committee consider what mitigating actions may be required.
- 5.2 On 30 August 2022, the Strategic Enabling Team recommended to the Chief Fire Officer that he engage with an external provider to enhance business continuity and resilience arrangements to enable the service to meet expected resilience levels. This would be for the provision of five PRLs and 25 personnel.
- 5.3 This would be to provide a minimum baseline of emergency response provision *in addition* to whatever provision is possible under current Business Continuity arrangements.
- 5.4 Such a step, while operational in nature and therefore a delegated matter to the CFO, would incur expenditure in excess of £250,000, which would make this a matter reserved to the Authority as set out in paragraph 6.2.3 of the Constitution. As such this matter will need consideration and approval by the Fire Authority.
- 5.5 Given that the primary cause of any likely Industrial Action in the short to medium term is the cost of living and the 2022/23 pay offer, the Authority may wish to consider making further representations on this matter to the Home Office, HM Treasury and Local Government Employers. The Chief Fire Officer has already made representations to this effect.

## **6. EQUALITY IMPACT ASSESSMENT**

- 6.1 There are no specific Equalities Impacts as a result of this paper or recommendations.

## 7. **LEGAL IMPLICATIONS**

- 7.1 As mentioned above, the Authority are subject to a legal duty to maintain robust business continuity arrangements under the Civil Contingencies Act 2004 and to provide for response to incidents such as fires, road traffic collisions and other emergencies within their area as set out within the Fire and Rescue Service Act 2004.

## 8. **FINANCIAL IMPLICATIONS**

- 8.1 Steps required to further mitigate risk from Industrial Action, such as that proposed in section 5.2, would incur expenditure above the £250,000 delegated limit for the CFO. Such expenditure would also not be included within currently approved budgets.

The contact officer for this report is Gary Taylor, Assistant Chief Fire Officer and Director, Service Delivery.

PHIL LOACH  
CHIEF FIRE OFFICER

**APPENDIX A****WMFS RETURN TO NFCC BUSINESS CONTINUITY SURVEY****Section 1 - Service Information****1.1 Industrial Action Lead Officer Contact Name**

Area Commander Samantha Burton

**1.2 Population of Service Area**

Based on 2021 census - West Midlands total 2,919,600

**1.3 Geographical Area (sq. miles)**

348 square miles

**1.4 Cities and larger towns within service area (where are major risks, populations above 20k)**

- Birmingham 1,144,900
- Coventry 345,300
- Dudley 323,500
- Sandwell 341,900
- Solihull 216,200
- Walsall 284,100
- Wolverhampton 263,700

**1.5 How many fire stations are in your service? (Please provide breakdown of Wholetime, On- all, Day Crewed (+), Mixed or Other- Specify)**

38 wholetime

**1.6 How many appliances does your service plan to have during a business-as-usual day? (Please provide breakdown of Wholetime, On-call, Day Crewed (+) or Other - Specify)**

Wholetime PRL 41

Wholetime BRV 19

**1.7 How many appliances does your service plan to have during a business-as-usual night (if different)? (Please provide breakdown of Wholetime, On-call, Day Crewed (+) or Other - Specify)**

Wholetime PRL's 40

Wholetime BRV's 11

Wholetime PRL (1000 – 1000)

Wholetime BRV's 9 (1000 – 1000)

Wholetime Business Support Vehicle (BSV) 3 (0700 – 1900)

- 1.8 Please detail any National Resilience assets currently in your service. (Include: USAR, CBRN(e) DIM, CBRN(e) MD, ELS, Boat Type B, Boat Type C, HVP, MTA Specialist Response), Other - Specify)**
- USAR, CBRN(e) DIM, CBRN(e) MD, Boat Type B, Boat Type C, HVP and MTA Specialist Response.
- 1.9 How many personnel (firefighter to watch manager) are employed by your service? (Please provide breakdown of Wholetime, On-call, Day Crewed (+) or Other- Specify)**
- 1,354 All wholetime  
Of whom: Uniformed = 1,297 and Fire Control = 57
- 1.10 How many officers are employed in your service? (Station Manager or above)**
- 89  
Of whom: Uniformed = 88 and Fire Control = 1
- 1.11 How many non-operational staff are currently employed by your service?**
- 431
- 1.12 What is your current average daily incident total? NB: we're still missing some incidents from April/May 2021 caused by a Vision issue, however it is anticipated this will not make a significant impact on the average daily total.**
- Average operational incidents attended within WMFS is 71.6 per day in 2021-22 (26,124 incidents/365 days). With the Vision issue mentioned, this may increase to 72-73.
- 1.13 What is your current average incident response time to a life risk incident? NB: we're still missing some incidents from April/May 2021 caused by a Vision issue, however it is anticipated this will not make a significant impact, if any on this figure. 2021-22 response time to Category 1 Life Risk was 04:42.**
- 1.14 What impact do you expect IA to have on the predicted average incident response time based on your industrial action business continuity plan?**
- The current average incident response time is 4:42. Based on a 70-90% reduction in resources, this would lead to an increase in average response time of between ~1min 36s – 4min 23s minutes (to 6min 18s – 9m 5s), please note, this is based on there being no ongoing simultaneous incidents. Response times would increase with any ongoing activity. Full mapping can be viewed [here](#).

**1.15 What is your response standard to a life risk incident during business-as-usual activity?**

Our Service Delivery Model (SDM) is built on our commitment to our 5-minute risk-based attendance standard for high-risk incidents, evidenced through our survivability study. We have developed risk-based attendance standards to ensure our response to incidents is appropriate and resourced sufficiently to deliver an assertive, effective and safe response alongside our prevention and protection priorities. Our Risk based attendance standards separate incidents into 5 categories, each with their own attendance time standard associated appropriate to the risk they pose, these are detailed below:

- Category 1 – High Risk - 5 mins
- Category 2 – Medium Risk - 7 mins
- Category 3 – Low Risk - 10 mins
- Category 4 – Secondary Fires that Attract a 20 Minute Attendance Time
- Category 5 – False Alarms (Excluding AFAs)

**Section 2 - Business Continuity Planning and Risk Management**

**2.1 Does your service have an operational degradation plan? If so, when was it last reviewed? Please provide a copy of the latest version of your degradation plan.**

The Dynamic Cover Tool (DCT) has replaced our operational degradation plan. The DCT is a software solution that enables us to dynamically relocate available vehicles in response to changing levels of fleet availability. It aids in ensuring our spread of cover is appropriate to the level of risk within our communities and in ensuring our response standards are maintained. The DCT allows us to see the impacts reduction in cover have on our response times and identify the most effective cover moves, or vehicle movements to make to maintain or improve these. The tool also has a pre planning mode where we are able to operate outside of the live mode to predict the impact of vehicle movements, availability and positioning.

The tool provides WMFS resource managers and risk planners with a real-time visual aid for deciding on appropriate resource configurations to provide the best possible service to the community. The information is displayed by the tool in a visual map-based format showing:

- Vehicle location
- Optimum vehicle locations
- Vehicle activity
- Vehicle status
- Risk
- Attendance times

The tool has a number of features which:

- Support effective positioning of our resources in the best location to maintain our 5-minute response time in a live and dynamic way, including the use of each vehicle type in the most effective way.
- Balances our response between risk and equity of cover across the area.
- Support us in making better use of our available resources.
- Provide live data in relation to attendance times across our delivery area.
- Provide guidance on the optimum cover moves to be made to enhance or maintain our attendance times to our category one to four incidents.
- Work with Automatic Vehicle Location System and have live positioning of all vehicles.
- Dynamically measure attendance times across the organisation.
- Enable us to understand key vehicles and locations for optimum fire cover and the locations and vehicles of least value.
- Produce hotspot maps of risk within our delivery area.
- Enable us to understand the impacts of changes in vehicle types and station locations.
- Enable us to have a more flexible and roaming fleet to enhance attendance times.
- Allows us to go back to a point in time to playback and assess coverage.
- Reflect actual reaction times for each of our fire stations.

The attached file provides an overview of the Dynamic Cover Tool.



## **2.2 How regularly are planning assumptions and resulting organisational plans for industrial action exercised and tested?**

Resilience arrangements for industrial action rely on non-striking operational staff. Outside of a trade dispute, no communication has taken place to understand staff intentions. We do not routinely test and exercise, the last time this was tested was in 2018.

Many of the activities and processes that would take place for IA are used for other Business Continuity arrangements as well as BAU e.g. reviewing/developing communications, requesting and allocating volunteers, standing up the Incident Room, moving resources to the appropriate place, this is not badged as Industrial Action.

**2.3 When did the last exercise/test take place and did the test of the plan meet the requirements stipulated? Please outline any actions that resulted from the exercise/test.**

Resilience arrangements for industrial action rely on non-striking operational staff. Following the announcement of a period of industrial action, communication is sent to all staff, recognising employees right to take industrial action, and highlighting our statutory duty to provide an emergency response service to our communities. The communication arrangements that are in place if staff do not intend to strike and how their intention not to strike can be confidentially communicated in advance of the period of industrial action, to support pre-planning as much as possible.

Outside of a trade dispute, no communication has taken place to understand staff intentions.

**2.4 What contingencies do you have in your preparations for strike periods in excess of 48 hours?**

Following the announcement of industrial action, a request for volunteers would be made for non-striking operational staff.

Based on returns, availability and skills would then be analysed to maximise available fire cover during the period of industrial action. A rota would then be put in place, comprising of a number of shifts and down time to cover the period of industrial action.

This approach was implemented during the 4-day (96 hours continuous) period of industrial action in October-November 2014 (31<sup>st</sup> Oct – 4<sup>th</sup> Nov) and the 24 hours continuous period of industrial action, December 2014 (9<sup>th</sup> – 10<sup>th</sup> Dec). Alternative locations used during industrial action (Army Reserve Centres) have welfare and rest/sleeping facilities. The DCT referenced in Section 2 – 2.1 outlines how resources are managed to risk.

**2.5 What do you consider to be your Services primary risks? Please provide brief details and any specific response plans you have.**

We need to consistently evolve and adapt to meet the ever-changing needs of our communities, therefore the key element of our CRMP process is in reviewing and understanding the risk. There are several tools we use within this stage of our CRMP process to continually increase our knowledge of risk and build an evidence base. These tools can be found in the documents below;

**How WMFS review and identify risk**

**CRMP Risk identification Tools**

We have also begun to undertake our next review of Risk 2023-26 the main themes being highlighted through this are contained within the presentation attached below;

**SET Overview Risk Review 20221.pptx**

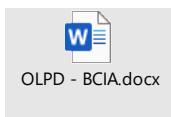
**2.6 What arrangements does your organisation have for training staff in business continuity specifically for periods of industrial action? Please provide details.**

Following the announcement of industrial action and the request for volunteers, an online form is sent to all volunteer officers to allow them to provide details of refresher training required. A schedule of refresher training sessions is then arranged and allocated to the appropriate staff. The below skills are included as part of the.

When preparing for industrial action, we have previously provided the below core skills refresher sessions for FDS:

- BA / Tac Vent (1 day) max 10 people per 5 SMAs
- BAECO Refresher (1 day) max 16 people per 2 SMAs
- BLS and Trauma refresher (1/2 day) max 16 people per 2 SMAs
- Extrication Refresher (1 day) max 10 people per 2 SMAs
- PRL & Volvo Refresher (1 day) max 2 people per day

Example overview from previous period of industrial action is attached.



**2.7 Is your industrial action business continuity plan linked with your local resilience forum community risk register? If not, why is this not included?**

Our Business Continuity Plan is not linked to our LRF Community Risk Register.

The local risk register considers all relevant risks included within the National Security Risk Assessment (NSRA). Firefighter industrial action was included in the 2019 NSRA and has therefore been assessed locally as part of the local risk assessment process. Firefighter industrial action is not specifically mentioned in the Community Risk Register publication - a public facing document to help inform communities of risks and provide information to increase their preparedness. The rationale being that the inclusion of information regarding firefighter industrial action would not enable the public to prepare, therefore the document focuses on providing information the public can act on, e.g. fire prevention and safety messages.

**2.8 Is your business continuity plan linked to your corporate risk register? If not please outline rationale.**

'Corporate Risk 6.1 Business Continuity and Preparedness' is continually monitored and reported monthly to the Chief Fire Officer and Strategic Enabling Team.

The current Corporate Risk rating for CR 6.1 is currently 16 based on likelihood 4, impact 4. This was increased in June following the publication of the White Paper in May and the recommended rejection of the 2% pay offer from the Fire Brigades' Union. The Audit and Risk Committee review the Corporate Risk Register on a quarterly basis and the full register on a 6 monthly basis.

In September 2019, evidence was presented to Fire Rescue Authority through the Audit and Risk Committee, for scrutiny, to enhance business continuity arrangements. The resolution from the Scrutiny Committee recommended that the Fire Authority continue to use existing arrangements for business continuity during industrial action, through the use of volunteers drawn from existing staff members. This recommendation was carried forward to Fire Authority in November 2019. The Corporate Risk rating has been at 12 consistently since November 2019.

In July 2022 it was raised through the Audit and Risk Committee that Corporate Risk had increased to 16, this will be presented formally to A&R in September 2022.

**2.9 What key risks do you consider to fire & rescue arrangements do you think will be under resourced during IA? How do you plan to mitigate these risks?**

Currently planning assumptions during industrial action prioritise Category One – High (life) risk incidents. As stated in the response to Question 1.15 all other incidents categories have an increased response time, the DCT enables resources to be located to ensure resources are in high-risk areas of the service.

Mobilising plans for Tall Building Fires require 13 personnel, if it is identified as persons reported then the attendance is increased to 16 and where flammable cladding is present the attendance is increased to 20. If there are multiple incidents during a period of industrial action, this may result in limited number of resources available to effectively resource a tall building fire, to ensure the safety of residents and operational staff.

The associated response actions plans for the following require a number of personnel to fill a range of roles on the incident ground or in specialist.

- MTA
- COMAH Sites
- Mitigation plan – regional and national support.
- UKISAR
- Prevention and Protection activities

WMFS have a local agreement with the FBU to enable response to a major incident during periods of industrial action. The FBU and WMFS jointly agree that the initial attendance to a Major Incident will need to be sufficient to provide an effective response and reduce risk. The purpose of this agreement is to ensure that any response is coordinated, appropriately resourced and well

managed to ensure the best outcomes for both members of the public and other agencies involved.

### **Section 3 - Planning for Industrial Action by Firefighters / Control Staff**

- 3.1 Do you have a specific business continuity plan for industrial action by firefighters/ control staff? Please provide a copy of your industrial action plan.**

Yes, Industrial Action BCP and supporting guidance attached.

- 3.2 On what planning assumptions is your plan predicated? (i.e., length of strike action/ days/ workforce involved/ appliances?)**

Planning assumptions within the plan in relation to length of strike action/ days/ workforce involved/ appliances include:

- The Reasonable worst-Case Scenario (RWCS) as identified in the National Security Risk Assessment is acknowledged within the plan (8-day continuous period of strike), however the plan includes the assumption that industrial action is likely to be discontinuous and intermittent and that industrial action may be for short periods not exceeding 24 hours at any one time. Strike tactics may vary with a difference between local and national strike, continuous/discontinuous, etc.
- Based on historical disputes e.g. 2013-15 pensions dispute, a small cadre of officers, sufficient to secure business continuity for a limited period only, have been used to maintain business continuity arrangements. However, recent National and local events and strength of feeling, along with data from volunteers requested in 2018, existing arrangements alone are no longer sufficient.
- Previous Home Office expectation required WMFS to maintain at least 30% of normal resources during industrial action. There is limited confidence this figure can be met.

- 3.3 What is the assumed duration your planning is based on? (i.e., x days at 100%, y days at 50%)**

The planning assumptions are based on industrial action of up to 8 days of discontinuous strike action for periods not exceeding 24 hours at any one time.

- 3.4 How many firefighters do you plan to have available during any period of strike action? (Please provide breakdown of Wholetime, On-call, Day Crewed (+), Mixed or Other - Specify)**

Resilience arrangements for industrial action rely on non-striking operational staff, there is currently limited confidence or understanding of the predicted cover that might be achieved for future periods of IA. Previous staff availability is not a measure of intent due to the driving factors previously outlined.

**3.5 How many appliances (excl specials) do you plan to have available during any period of strike action? (Please provide breakdown of Wholetime, On-call, Day Crewed (+), Mixed or Other - Specify)**

Resilience arrangements for industrial action rely on non-striking operational staff, there is currently limited confidence or understanding of the predicted appliance cover that might be achieved for future periods of IA. As above we are unable to gauge the level of resource availability due to the previous driving factors.

**3.6 How many special appliances (e.g. Aerials Hose layers water bowsers etc.) do you plan to have available during any period of strike action? (Please provide breakdown of Wholetime, On-call, Day Crewed (+), Mixed or Other - Specify)**

We would aim to maintain as many special appliances as possible based on the skills volunteers - these would be dual-staffed.

**3.7 What National Resilience Assets that your FRS hosts will remain available during any period of strike action?**

National Resilience Assets we expect to have available during IA include MTA, Type B flood response and type C flood response. These would be dual staffed during periods of IA so would not require additional staff. We have only selected National Resilience assets that we can maintain due to contractual arrangements.

**3.8 How many officers (station manager and above) do you plan to have available during any period of strike action? Would any of these officers take an operational role during strike action? (Including riding fire appliances)**

Due to resilience arrangements for industrial action relying on non-striking operational staff, there is currently limited confidence or understanding of the predicted numbers of officers that may volunteer to work during periods of IA. Most officers that did volunteer would take an operational role during strike action, including riding fire appliances following refresher training as detailed in question 2.6.

**3.9 What arrangements does your service have to maintain a control capability during strike action?**

There are several members of FC who are not part of a trade union and who would be willing and able to work in FC during periods of industrial action. This includes the FC sector competent management team.

Flexi Duty Support Officers are trained in the role of FC Support Officer and have received input on managing the Control Room.

A call handling support group has been established which is made up of predominantly green book staff who have received training on emergency call management and mobilising as per manual fallback (paper based)

arrangements. This group of staff would require familiarisation training to support Fire Control during IA.

Ex Staffordshire FC members have previously been engaged and stood up to provide support in the management of SFRS on call availability.

***Attach plans here***

**3.10 If strike action includes Control staff, how many do you plan to have available during any period of strike action?**

Five Fire Control staff plus additional call handling support volunteers.

Previous planning assumptions were higher however due to a high turnover of new staff we are unable to predict the intentions of the new members.

**3.11 Will you have use of your primary Control during strike action, if not have you identified alternative sites? Please provide details of alternative sites including x, y co-ordinates.**

Primary Control – Yes

Alternative site – WMFS Command Development Centre, Potterton Way, Smethwick, B66 1AL. xy co-ordinates – Easting 401947 Northing 289516

**3.12 Outline what support arrangements your service has with other FRSS/control capabilities and if these are tested for extended periods of industrial action.**

Tri service buddy arrangement with London FC and North West FC. Quarterly exercises take place however do not last for more than 2 hours.

Operation Willowbeck – this arrangement is intended to support periods of spate conditions, however provides a national arrangement for all FC rooms to receive a percentage of other FC rooms calls

**3.13 Does your service have any arrangements with third party control providers? If yes, please provide details.**

No existing arrangements with third party control provider.

#### **Section 4 - Resilience Arrangements**

**4.1 In advance of any industrial action do you intend to contact operational staff asking if they would work during a strike?**

We have only contacted operational staff asking if they would work during a strike following the announcement of a period of industrial action. At present, no communication has been shared to gather this information prior to the announcement of industrial action.

**4.2 How frequently is this process repeated?**

We only contact operational staff asking if they would work during a strike following the announcement of a period of industrial action. This request will go out as soon as possible following the announcement of industrial action dates.

- 4.3 Do you utilise reserve/contingency firefighters during strike action? If YES go to question 4, if NO please answer N/A for questions 4 to 8.**

N/A

- 4.4 Is this arrangement secured through your service or via a third party? Who provides this service and please provide an overview of the costs associated with the provision of services.**

N/A

***Attach file***

- 4.5 What arrangements do you have for maintaining competence and availability of resilience crews?**

N/A

- 4.6 Have you experienced any challenges in maintaining this provision?**

N/A

- 4.7 Have you introduced local arrangements for improving resilience / firefighter availability that you consider good practice?**

N/A

- 4.8 In principle are you content for this practice to be shared with other Chief Fire Officers? (NB it will not be shared without your further consent.)**

N/A

- 4.9 What do you consider to be the main risks/threats to your services preparations/planning detailed above?**

The limited confidence in the number of volunteers that would work, alongside the limited understanding around the numbers due to no recent engagement to gather this information.

***Attach file***

- 4.10 Is there anything not covered in the questions above that you would like to have taken into consideration? Please provide details.**

***Attach file***

- 4.11 Would you be prepared to loan a fully equipped appliance for use by a strategic reserve which may be established during Industrial Action? If yes, how many appliances would your FRS loan?**

2 fully equipped appliances (this is what we have submitted previously)

## **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

### **AUDIT AND RISK COMMITTEE**

**26 SEPTEMBER 2022**

#### **1. THE PENSION REGULATOR SUPERVISORY REVIEW REPORT**

Report of the Chief Fire Officer.

##### **RECOMMENDED**

- 1.1 THAT the Committee note the content and recommendations of the 2020/21 Relationship Supervision Review report (the Review report) of the West Midlands Fire Service Firefighter Pension Scheme, provided by the Pension Regulator
- 1.2 THAT the Committee delegate responsibility for forming a draft action plan to the Pension Board for agreement by the Chair of Audit and Risk Committee, with further evaluation of progress against the action plan to take place at the next meeting of the Audit and Risk Committee meeting.

#### **2. PURPOSE OF REPORT**

- 2.1 This report is intended to support the presentation of the Pension Regulator's Review Report to the Audit and Risk Committee in their role as the West Midlands Fire Service Firefighter Pension Scheme Manager. Given the range of recommendations made within the Review Report, it suggests that Audit and Risk Committee delegate to Pension Board the creation of an Action Plan for agreement by the Committee Chair to be agreed with The Pension Regulator Supervisor within the next month, as set out within the Review Report next steps.

#### **3. BACKGROUND**

- 3.1 The Pension Regulator undertakes supervision of pension schemes it regulates to assess the risks and strengths of the schemes. It does this by reviewing areas such as the management and governance,

systems and processes, IT and infrastructure, control functions, administration and member communications. This is used to create supervisory reports which include recommendations for improvement. Schemes are expected to create action plans to address these recommendations.

- 3.2 The Pension Regulator began their latest supervision review with the West Midlands Fire Service Pension Scheme in March 2020, which included meetings with the Payroll and Pension Manager, and attendance at the 5 March 2020 Pension Board meeting.
- 3.3 The COVID-19 Pandemic interrupted the usual running of the review, although there were regular contact calls and the Pension Regulator team were able to review Scheme documentation in August 2021 and updated information in July 2022.

#### **4. FINDINGS AND RECOMMENDATIONS**

- 4.1 The Review report indicates an overall assessment of Management and Governance as **Amber** and of Systems and Processes as **Amber**. In total the report makes 17 recommendations to the Scheme Manager, Pension Board and Scheme administrators. An Amber rating indicates a potential gap in processes, tools or actions which could pose a risk to your ability to meet legal requirements or more generally achieve the standards we set out in our code.
- 4.2 The recommendations are summarised below. The full set of recommendations are included in the full Review report, which is included in **Appendix A**, attached alongside this report.
- 4.3 **Management and Governance**
  - Pension Board (PB) to develop an annual training plan, which is reviewed on an ongoing annual basis; ensuring emerging themes, such as cyber security, are considered and knowledge gaps are incorporated to the plan through the annual appraisal process.
  - Develop a succession plan to ensure the PB retains appropriate skills to operate effectively, revisiting the tenure position
  - When managing any changes to the composition of the PB consider this from an ED&I angle to help enhance diversity and inclusion.
  - Moving forward as part of the Board review process consider the effectiveness of information sharing and where training can support and improve the overall PB performance.
  - Review of current BCP arrangements. The BCP should be regularly tested in full and procedural notes checked for accuracy.

- Recommend reviewing the quality and frequency of dialogue between the PB, Scheme Manager (SM) and the in-house administration team. This would be supported by a high-level narrative to help provide clarity on progress and emerging issues for pension meetings.
- Recommend the PB have a Conflicts of Interest register available, supported by a 'Record of Interests'. Document shared with TPR.
- For the Scheme's management of risk, we recommend incorporating the formatting suggestions to the risk register; consideration of corporate risks and their impact on the management of the Scheme and its members; cyber security is considered as a scheme risk including the assurances required for software providers and undertaking an internal review of the escalation processes. Following formatting suggestions, document to be shared with TPR.

#### **4.4 Systems and Processes**

- Recommend all records are digitised and accessible to support data collection, especially with readiness for Pensions Dashboard, and with the management of member data in relation to Remedy.
- Develop a Data Improvement policy to support the management and maintenance of high-quality data.
- Develop and implement a Data Improvement Plan in three to six months.
- Undertake a data review on an ongoing, annual basis.
- Record common and scheme specific (conditional) data scores in Exchange ideally within three months.
- Provide a supporting narrative to support KPI scores to help measure performance.
- Document and regularly review procedures for checking and validating data.
- Consider the use of automation in checking and managing data, as well as other functions of the in-house administrator to improve process efficiency and effectiveness.
- Document pension administrative task timescales to help all representatives meet and improve performance and consider implementing Firefighters Pension SAB Pensions Administration Strategy.

#### **5. NEXT STEPS**

- 5.1 The report requires that the Scheme Manager (Audit and Risk Committee) formulate an action plan to implement the

recommendations within approximately one month. A template action plan, provided by the TPR, is attached as **Appendix B**. Once agreed with the TPR Supervisor, it is expected that the recommendations will be implemented within three to six months.

- 5.2 It is recommended that the Audit and Risk Committee delegate responsibility for forming a draft action plan to the Pensions Board for agreement by the Chair of Audit and Risk Committee, with further evaluation of progress against the action plan to take place at the next meeting of the Audit and Risk Committee meeting.

## **6. EQUALITY IMPACT ASSESSMENT**

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

## **7. LEGAL IMPLICATIONS**

- 7.1 The Pension Regulator is the statutory regulator of public sector pension schemes such as the West Midlands Firefighter Pension Scheme. Supervision is the process by which the Regulator monitors schemes more closely, outlining expectations, and preventing problems from developing. Supervision involves building strong relationships with schemes regardless of whether they trigger traditional risk indicators. However, significant concerns and recommendations that are not fulfilled can be taken forward for enforcement action.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 There may be a number of financial implications as a consequence of implementing the recommendations, for example as a result of introducing new digital systems or making improvements to communications.

The contact officer for this report is Gary Taylor, Assistant Chief Fire Officer and Director, Service Delivery.

PHIL LOACH

CHIEF FIRE OFFICER



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# Supervisory review report to the Scheme Manager and Pension Board

West Midlands Fire Service Firefighters Schemes  
September 2022

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# Overview

We are pleased to provide the Scheme Manager (SM), Pension Board (PB) and Scheme representatives with the results of the 2020/21 TPR relationship supervision review of the West Midlands Fire Service Firefighters Schemes (referred to as ‘the Scheme’ throughout this report)

The purpose of the review was for TPR to gain an understanding of, and to provide comments to the SM, PB and Scheme representatives on how the Scheme operates and the management and governance controls in place. The review provided the opportunity for TPR to understand how the SM and PB ensure compliance with legislation, adherence to codes of practice and application of good industry practice.

We acknowledge the cooperation of Neil Chamberlain, former PB Chair and Paul Gwynn, Payroll and Pensions Manager in assisting us with this review and thank them for their time and willingness to share information on the Scheme.

It is important to note that this review was undertaken at a high-level and for the above purpose only, based on meetings in 2020 with Paul Gwynn, the Payroll and Pension Manager from the in-house administration team. These meetings were supplemented by a review of Scheme documentation\* as well as observing the March 2020 Pension Board meeting. We also collected updated Scheme documentation in August 2021 to supplement these findings. We subsequently enquired about updated material in July 2022. The review is not an in-depth evaluation of all facets of the Scheme and is not intended to be used for any other purpose, relied upon by third parties, or replace audit requirements. Nor is it to be considered as an endorsement of the Scheme by TPR.

This report is based on information obtained before and during the Covid-19 pandemic. Since the pandemic began in March 2020, we have maintained light-touch contact with the Scheme. The Scheme provided TPR with an update on how they have focused their activities on the key risks to pension savers and maintained their operation.

\*Details of meetings and documentation are located in Appendix 1 and 2

# Executive Summary (1)

Overall, we found the Scheme to be run appropriately, and is operating and performing broadly to our expectation against the public service code, guidance and legislation. However, our findings lead us to conclude that there are opportunities to make improvements in some areas.

We are encouraged by the dedication and commitment of the Scheme representatives we have met. Our review was facilitated by openness and transparency, in both virtual meetings and with the supply of information.

Through our observations and discussions with scheme representatives, it appears to us that the Scheme has appropriate management and governance structures for a scheme of this size, as well as oversight provided through the Audit and Risk Committee (the delegated Scheme Manager). We note there is regular engagement with the Firefighters Pension Scheme Advisory Board through their network forums and working groups to stay alert to fire industry-wide issues which may affect the Scheme and its members. We note a PB member is member of the Firefighters Pension SAB Local Pension Board Effectiveness Committee.

Nonetheless, as the report outlines, we have identified some areas to assist the SM and PB in improving the Management and Governance and Systems and Processes to the benefit of its members.

Training is one such area where we have recommended improvement. Developing an overall training plan will help to identify and improve knowledge and skills to ensure the PB operates as effectively as possible. The plan provides an opportunity to consider PB member training needs, identify current skills or knowledge gaps, consider emerging or topical issues and align with PB succession planning. Considering equality, diversity and inclusion as part of the training and succession plans will help lead to robust decision making on behalf of the scheme's members.

We understand a documented succession plan is not in place for the PB, therefore in line with best practice, we suggest one is implemented to ensure the PB maintains its knowledge, skills and expertise.

There are opportunities to improve the scheme's Business Continuity Planning, ensuring tests are fully implemented, procedures are understood, documented and accessible and the scheme can continue to deliver regular functions if normal activity is disrupted.

# Executive Summary (2)

Good administration is the bedrock of a well-run scheme, with the scheme's data quality critical in ensuring members receive the benefits they are due, and savings are accurate. To ensure PB members have ongoing oversight of the in-house administration, and that PB members have an opportunity to consider and apply their knowledge and understanding to effectively challenge pension administration reports, it is valuable for the Administrator to attend and be present at meetings.

Data quality and reporting is an area we recommend for improvement. We expect administrators to ensure that data within their organisation is well governed, and to place a high priority on data quality. The quality of scheme data is of material significance to the success of key data related projects, such as Pensions Dashboards. A Data Management Policy helps to provide a framework to manage and maintain data quality, with regular reviews to ensure it is fit for purpose and reflective of changes in regulation and scheme working practices. An essential part of any data improvement policy is to ensure good quality data is maintained at source and accurate processing takes place to create new, accurate data items. Data Improvement Plans help to address poor or missing data in a defined period. We recognise there has been work to digitise records and to reach agreed data scores, however, we feel there are opportunities alongside this digitisation to implement a robust framework and a clear plan to take steps towards complete and accurate records. With the move to digitise records, we recognise there may also be an opportunity to explore automation, reducing the risk of human error inherent with manual processes.

Other improvements are recommended including consideration of information sharing processes between scheme representatives, developing conflicts of interest record and register, risk register formatting, developing a supporting KPI narrative and producing procedural notes.

In conclusion, we recognise that steps may have been taken, or are planned to be taken, to address these matters, and those addressed in the report. The following pages provide a high-level summary of our findings across the two key areas in scope with our recommendations for improvement.

**Overall assessment:** As the report indicates, we assessed Management and Governance as **amber** and Systems and Processes as **amber**.

# Key Findings

Areas of Focus: Management and Governance

Assessment: Amber

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

Good governance involves having a motivated, knowledgeable and skilled pension board in place. It's also about having the right structures and processes to enable effective, timely decisions and risk management, in line with clear scheme objectives. Board members must remain current and up to date in their knowledge and understanding, reviewing at least annually and undertaking learning to fill any gaps identified.

| Findings  | Recommendations   |
|---|---|
| <p>We found the Scheme has a knowledgeable PB. The Scheme actively engages with the Firefighters Pension Scheme Advisory Board (SAB). The Scheme discussed current matters openly with the SAB through active participation in networking forums and working groups.</p> <p>Knowledge and understanding was demonstrated by the PB during our evaluation when comfortably conversing on pension related matters, such as the implications of the McCloud Remedy - a critical piece of work for public service schemes.</p> <p>The PB Terms of Reference (ToR) set out the requirements for knowledge and skills. It is for individual PB members to keep their knowledge up to date and maintain a written record of training / CPD and any other development. This is reviewed on an individual basis to identify gaps and weaknesses, but the frequency of review is not stated. It is unclear whether any planned training is based upon any gaps identified in the PB's knowledge and understanding. An overall PB training review record, providing a board wide picture of knowledge and skills, was not been shared with the Supervisor.</p> | <p>We recommend a proactive approach to training be undertaken and co-ordinated. We suggest that the PB develops an annual training and development programme, which incorporates the induction process. The training should record details of the individual training / CPD activities undertaken by the PB members (including but not limited to, attending conferences, webinars, sessions with advisers, reading etc) so a full record of all training undertaken is kept, maintained and supported with annual appraisals. We recommend that any training planned also looks to address any gaps identified in the PB's knowledge and understanding. Any gaps can be identified using a skills matrix, questionnaires, performance reviews etc.</p> <p>We recommend cyber security training is part of the training programme, and the SM stays vigilant to emerging issues which will have a training need, such as diversity and inclusion and dashboards. Maintaining involvement with the SAB will support this awareness.</p> |

# Key Findings

Areas of Focus: Management and Governance

Assessment: Amber

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings  | Recommendations  |
|---|--|
| <p>We found that a documented succession plan is not in place for the PB. This will help ensure consistency of knowledge and understanding is maintained on the PB, and may also help in the event of unexpected situations such as the recent pandemic, sickness, unexpected leave etc.</p> <p>In addition, implementing a succession plan may also help with discussions about equality, diversity and inclusion.</p> | <p>In line with best practice, we recommend a documented succession plan is prepared to ensure knowledge, skills and expertise of the PB are maintained.</p> <p>With PB member tenures fixed to three years, with extensions considered, as outlined in the ToR, there may be a point where key experience, knowledge and skills are lost in a short period of time. This loss may weaken the PB ability to operate effectively. We recommend revisiting the tenure position as part of succession planning.</p> |

# Key Findings

Areas of Focus: Management and Governance

Assessment: Amber

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings  | Recommendations   |
|---|---|
| <p>We found from our discussions that the PB is appropriately resourced with 3x employer; 3x member and 1x independent representatives.</p> <p>We found the PB to have a broad composition in terms of equality, diversity and inclusion (ED&amp;I). This was apparent with the gender, experience, background and knowledge range evident from the PB meeting.</p> | <p>TPR considers a governing body made up of people who have a greater range of backgrounds, life experiences, expertise and skills will tend to lead to wider discussions. Additionally, people challenging each other from different perspectives is likely to result in more robust decision-making.</p> <p>We encourage the SM and PB to consider any changes to the composition of the PB from an ED&amp;I angle to help enhance diversity and inclusion.</p> <p>When considering the succession plan, as outlined on the previous page, we recommend the SM and PB consider ED&amp;I within its PB recruitment policy moving forward.</p> |

# Key Findings

Areas of Focus: Management and Governance (cont'd)

Assessment: Amber

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings  | Recommendations   |
|---|---|
| <p>We note there is a Board review process at the first annual meeting of the year (usually March) to assess how well the PB, committees and members are performing with a view to seeking continuous improvement, as stated in the Annual Report of the Pension Board 2020-2021. This follows the review process outlined in the PB Terms of Reference.</p> <p>We note a PB member is a member of the SAB Local Pension Board Effectiveness Committee; 'providing reminders of good governance tools and progress actions necessary as a result of TPR's annual governance and administration survey'.</p> | <p>Whilst we note a PB member is a member of the SAB Local Pension Board Effectiveness Committee; well placed to feed in good practice to the PB, we recommend the SM should review the information sharing between key scheme representatives. See slide 14 for related example.</p> <p>We suggest the Board review process is considered in parallel to the individual PB training review process, helping to identify how PB members are adding value, as well as identifying any potential gaps in knowledge and understanding which can feed into the PB training programme.</p> |

# Key Findings

Areas of Focus: Management and Governance (cont'd)

Assessment: Amber

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings   | Recommendations  |
|--|--|
| <p>The payroll and pension administration is managed by a small in-house administration team. During our visit, the Payroll and Pensions Manager shared that they had an overarching organisational business continuity plan (BCP), and that their most recent continuity test had covered payroll functions, but did not cover pensions tasks, e.g. how to process new retirements.</p> <p>We found as part of our initial evaluation that the in-house administration team held paper records. We understand that these have all now been digitised.</p> <p>A BCP was not shared with TPR; either the overarching organisational BCP or continuity plans for the payroll and pensions team.</p> <p>The Supervisor acknowledges that since the initial evaluation in 2020, the BCP documentation may have been reviewed as part of a response to the Covid-19 pandemic.</p> | <p>We recommend the SM reviews the current BCP arrangements with both payroll and pension functions in mind and considers, whether the overarching plan requires updating or that the payroll and pensions team require a bespoke BCP.</p> <p>The SM should consider the need for procedural notes as part of the continuity planning to help to mitigate key person risks in a small administration team and provide clear instructions on pension tasks as personnel change. The BCP should be regularly tested in full; and both BCP and procedural notes reviewed regularly.</p> <p>Any new processes should be accompanied by new or updated procedural notes, such as the 'Annual certificate of identity process' highlighted in the Scheme's risk register, which was planned to be introduced in October 2021. We understand from a recent update that this is planned for summer 2022.</p> |

# Key Findings

Areas of Focus: Management and Governance (cont'd)

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings  | Recommendations  |
|---|--|
| <p>We found that information is shared appropriately during PB meetings and the Audit and Risk Committees (ARC)*. However, from our engagement it is perceived that an improved information sharing approach would be beneficial when the in-house administrator is appraising these groups of its duties.</p> <p>We note from more recent documentation that there have been more regular PB meetings due to Covid-19 arrangements, and engagement appears to have improved between the PB and in-house administrator. We note within June 2021 PB minutes the PB has requested to be appraised of matters more frequently, such as the 'performance update provided monthly as part of internal monitoring figures' on the delivery of Annual Benefit Statements and the request to receive regular updates on performance in administration delivery activities.</p> <p>We note the scheme-specific data scores referenced in the March 2020 PB pack, where the Chair of the ARC was surprised to understand the scheme-specific data had not been measured, suggesting remedial work was undertaken as soon as possible to alleviate the vulnerability to the SM.</p> <p>* The Scheme operates with an Audit &amp; Risk Committee which looks at governance, risk, control, internal audit, external audit, financial reporting and accountability arrangements. Supervisor has not observed this committee (due to Covid-19 restrictions), but has viewed minutes. The Audit and Risk Committee is the delegated Scheme Manager.</p> | <p>We recommend reviewing the quality of engagement between the in-house administration team, SM and PB, reviewing how, to whom and when the in-house administrator will report on progress of its duties. This is to encourage a dialogue forward looking and solution focused to ensure any issues that may arise on forthcoming scheme events such as record keeping/ dashboard, 2022 benefit statements, McCloud remedy, governance and administration and other key projects/milestones are considered and managed appropriately.</p> <p>We recommend the in-house administration team support this dialogue by providing a regular high-level narrative on ongoing work to help keep relevant parties informed on progress and appraised of emerging issues. With the scheme-specific data score reference in mind, we note the in-house administrator was already working to improve data quality and digitise records. An ongoing narrative, keeping the groups appraised would help to alleviate concerns, keep key personnel informed, avoiding surprises.</p> |

# Key Findings

Areas of Focus: Management and Governance (cont'd)

Assessment: Amber

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings   | Recommendations  |
|--|--|
| <p>Conflicts of interest is a standing agenda item at PB meetings, with a policy in place and a declaration form available.</p> <p>From observation, conflicts of interest are handled with the appropriate gravitas at PB meetings.</p> <p>We found as there are no conflicts of interest to date, there is no register. TPR was not provided with a Conflicts of Interest Register, or a document where PB members could register their interests.</p> | <p>We recommend you continue to regularly identify, manage and monitor conflicts of interest, as outlined in points 61-89 in code of practice – Code 14: Governance and administration of public service pension schemes.</p> <p>To support this, we recommend maintaining a central record of interests. This will detail each member of the PB, a date when interests (or not) were declared, the details of the PB member interest, and when the interests for the PB member should be reviewed. This record can then be used as a tool to manage any potential conflicts that may arise or cease to exist.</p> <p>Although, as we understand, you have no conflicts of interest registered to date, we recommend the PB should have a standard <a href="#">register</a> available to use when required, as outlined at point 84 in Code 14. A TPR template is available on the hyperlink above.</p> <p>For completeness, please share a Conflicts of Interest register with TPR when prepared.</p> |

# Key Findings

Areas of Focus: Management and Governance (cont'd)

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings  | Recommendations  |
|---|--|
| <p>As per slide 11, the Scheme has a sub-committee on Audit &amp; Risk.</p> <p>We found the Scheme identified, monitored and managed risk through a risk register. The initial risk register reviewed was fit for purpose, however, improvements to formatting could be made to make the information more digestible and audit trail easy to follow. This was highlighted by the PB in the December 2019 Pension Board meeting and we can see that subsequently, TPR has received an updated risk register which addresses most of these issues.</p> <p>We found cyber security was not on either of the reviewed risk registers, as this is managed and monitored by the IT team at a Corporate level.</p> <p>(continued overleaf)</p> | <p>To record the audit trail of discussion(s), proposal, decision and action in managing and mitigating risks in the risk register, we recommend:</p> <ul style="list-style-type: none"> <li>- utilising a cover sheet to provide a snapshot of the current risks, helping to clearly identify the current major risk(s) to the Scheme. The Scheme may wish to identify emerging risks in this location as well.</li> <li>- ensuring all risks have mitigating actions and owners</li> <li>- documenting closed risks</li> </ul> <p>We recommend the PB also take a holistic view of risk; ensuring oversight of Corporate risks are more broadly considered in terms of impact on the Scheme and its members.</p> <p>In addition, although considered a Corporate risk, we recommend cyber security is added to the Scheme's risk register as per <a href="#">TPR cyber security guidance</a>, especially with the direct threat to savers/retirees being scammed and considering the Scheme's progress to digitally transform its systems. The SM should seek assurances on a regular basis that the security provided by the IT team is appropriate for any software providers.</p> <p>(continued overleaf)</p> |

# Key Findings

Areas of Focus: Management and Governance (cont'd)

Assessment: Amber

## Code of Practice 14 – Governing your scheme / Knowledge and understanding

| Findings  | Recommendations  |
|---|--|
| <p>During TPR's assessment in March 2020, we learnt about an internal sample check which had taken place between a member nominated PB member and the in-house administration team. This was for sample checking of payments/calculations where members had been temporarily 'acting-up' in roles, and whether payments were accurate.</p> <p>Although the matter may not have been of material significance to the scheme (i.e. not on the scheme's risk register), we would have expected this sample check to have been undertaken by an independent and qualified individual, rather than a member nominated PB member.</p> <p>The issue was not raised at the subsequent PB meeting later that day, however, the Supervisor acknowledges conversations may have occurred since, and steps taken to avoid reoccurrence.</p> | <p>Once these formatting recommendations have been implemented, the risk register should be finalised and shared with TPR for completeness.</p> <p>We recommend the SM continues to maintain close contact with the Firefighters SAB to ensure awareness of any emerging industry-wide risks.</p> <p>We recommend with matters such as the internal sample check, that Scheme representatives consider appropriate actions to avoid conflict, and for any action to be undertaken by an independent and appropriately qualified individual. Matters of this nature should be documented and recorded accordingly.</p> <p>The recommendation made on slide 11, on the regularity of engagement and the use of an open dialogue between scheme representatives, should help issues be raised with appropriate personnel through the appropriate channel.</p> |

# Key Findings

Areas of Focus: Systems and Processes

Assessment: Amber

## Code of Practice 14 – Administration

Pension boards should consider administration as a substantive item at every meeting, with ongoing oversight of administration providers a priority. Processes for monitoring timeliness and accuracy of financial transactions, record keeping, administrative tasks and responses to member requests should be in place with regular MI reports received on performance of providers against agreed SLAs.

| Findings   | Recommendations  |
|--|--|
| <p>Member records are maintained by the in-house administration team. During our assessment we were informed the records were held on paper and digital systems. Since our initial review in 2020, we are encouraged that all paper records have been scanned and saved electronically, as stated in the Scheme's current risk register.</p> <p>The PB raised concerns over the quality of data scores in March 2020 PB pack. This was echoed in the PB meeting in March 2020 when a 'local view' of 98% for common data was provided, and 94.6% for scheme specific data. Currently Exchange shows a common data score of 95% in 2018, with no score on scheme specific (conditional) data or any scores for the 2021 return. We found the in-house administrator is working to improve data scores in the meantime, through a manual process, which once complete, the team are confident of achieving improved data scores.</p> | <p>We recommend all records are digitised and accessible to support data collection, supporting readiness for Pensions Dashboard and the management of data in relation to Remedy. Whilst we acknowledge data is reviewed on a regular basis via the monthly reconciliation work and among discussions held with the employer and members, TPR expects schemes to carry out a data review exercise at least annually. This should include an assessment of the accuracy and completeness of member data held. A data review will allow the SM and PB to have an overall picture of the status and completeness of the data.</p> <p>We also expect the data scores from the data review exercise are submitted to TPR as part of the Scheme Return and on an annual basis thereafter.</p> |

(continued overleaf)

(continued overleaf)

# Key Findings

Areas of Focus: Systems and Processes



Assessment: Amber

## Code of Practice 14 – Administration

| Findings  | Recommendations  |
|---|--|
| <p>Whilst these are positive steps, we would expect regular reporting of overall data quality to the PB, supported with a Data Improvement Plan (DIP) to outline the steps to addressing poor or missing data.</p> <p>We note the PB raised the requirement for a Data Improvement Plan in March 2020 which, as we understand, has not been addressed as yet.</p> | <p>If any gaps are identified as part of the annual data review exercise TPR expects a Data Improvement Plan to be put in place to address these gaps. Any data review work will also support the forthcoming dashboard requirements.</p> <p>We recommend a data improvement policy is produced to support the management and maintenance of high-quality data.</p> <p>We recommend as part of this policy the in-house administrator reports regularly to the SM and PB on data scores. We expect the SM and PB to monitor data scores closely and undertake a data review exercise at least annually. Where common and scheme-specific data scores are not complete we expect the SM to implement a Data Improvement Plan as per Code 14, section 141, in the next 3 to 6 months, and update data scores on Exchange, ideally in 3 months.</p> <p>In line with TPR guidance, the Data Improvement Plan should have a reasonable end date and be reviewed on a regular basis.</p> <p>For completeness, the Data Improvement Plan should be shared with TPR.</p> |

# Key Findings

Areas of Focus: Systems and Processes (cont'd)

Assessment: Amber

## Code of Practice 14 – Administration

| Findings   | Recommendations   |
|--|---|
| <p>We found regular key performance indicator (KPIs) reporting is provided at PB meetings, supported by a verbal update. We found the verbal update is recorded in PB minutes, however, the narrative behind the results is not added to the KPI report.</p>   | <p>We recommend the in-house administration team provide a written narrative with the KPI report to the PB, outlining the justification as to why the indicators are being met or not.</p>                        |
| <p>As per slide 15, during our assessment, we were informed records are maintained on paper and digital systems by the in-house administration team. These have subsequently been saved electronically. The team validate the data, with checks for new starters, leavers, deaths and changes of circumstance.</p> | <p>As per slide 15, we recommend the Scheme digitises the records to ensure information is accessible.</p>  |
| <p>The small in-house pensions administration team regularly perform record keeping checks. They are familiar and comfortable with the procedures for checking records, however, we found the processes to complete the task(s) are not documented.</p>  | <p>We recommend procedures for checking and validating records are documented accordingly and regularly reviewed. This will help to reduce key person risks and support ongoing business continuity planning.</p> |
| <p>We did not find the use of automation in checking and managing data. The Supervisor appreciates that exploration into automation may have been discussed since our assessment.</p>  | <p>Similar to other schemes of this size, we recommend the Scheme explores the use of automation to manage data and to understand where process efficiency and effectiveness can improve.</p>                     |

# Key Findings

Areas of Focus: Systems and Processes (cont'd)

Assessment: Amber

## Code of Practice 14 – Administration

| Findings   | Recommendations   |
|--|---|
| <p>During our assessment the administrator referenced target timescales used to complete pension administration tasks. These timescales helped to understand task performance for processes, such as processing retirements. However, we found the target timescale was not documented in a procedural note.</p> | <p>We recommend the SM ensures the in-house administration team documents and formalises pension administrative task timescales to help the SM and PB measure and improve performance as required. This will also assist the SM to ensure legal timescales are adhered to. It may also help identify any training areas for the in-house administration team.</p> <p>Whilst there is no legislative requirement for FRAs to have such a strategy in place, the Firefighters Pension SAB have developed a Pensions Administration Strategy <a href="#">template</a>. This template is for authorities to adopt to demonstrate best practice in the administration and governance of the scheme. We recommend you consider utilising this template to document administration, management and governance information.</p> |

## Next steps –

- SM to formulate an action plan to address the recommendations. The action plan should be provided to the TPR Supervisor within 1 month.
- Action plan to be agreed by TPR Supervisor. TPR Supervisor will be available to discuss the action plan format in the interim if helpful.
- SM to implement recommendations in 3 to 6 months.
- TPR Supervisor to arrange a 3-month and 6-month meeting to understand action plan progress.

# Summary of recommendations

## Management and Governance

- A - PB to develop an annual training plan, which is reviewed on an ongoing annual basis; ensuring emerging themes, such as cyber security, are considered and knowledge gaps are incorporated to the plan through the annual appraisal process.
- B - Develop a succession plan to ensure the PB retains appropriate skills to operate effectively, revisiting the tenure position.
- C - When managing any changes to the composition of the PB consider this from an ED&I angle to help enhance diversity and inclusion.
- D - Moving forward as part of the Board review process consider the effectiveness of information sharing and where training can support and improve the overall PB performance.
- E - Review of current BCP arrangements. The BCP should be regularly tested in full and procedural notes checked for accuracy.
- F - Recommend reviewing the quality and frequency of dialogue between the PB, SM and the in-house administration team. This would be supported by a high-level narrative to help provide clarity on progress and emerging issues for pension meetings.
- G - Recommend the PB have a Conflicts of Interest register available, supported by a 'Record of Interests'. Document shared with TPR.
- H - For the Scheme's management of risk, we recommend incorporating the formatting suggestions to the risk register; consideration of Corporate risks and their impact on the management of the Scheme and its members; cyber security is considered as a scheme risk including the assurances required for software providers and undertaking an internal review of the escalation processes. Following formatting suggestions, document to be shared with TPR.

# Summary of recommendations

## Systems and Processes

- I - Recommend all records are digitised and accessible to support data collection, especially with readiness for Pensions Dashboard, and with the management of member data in relation to Remedy.
- J - Develop a Data Improvement policy to support the management and maintenance of high-quality data.
- K - Develop and implement a Data Improvement Plan in 3 to 6 months.
- L - Undertake a data review on an ongoing, annual basis.
- M - Record common and scheme specific (conditional) data scores in Exchange ideally within 3 months.
- N - Provide a supporting narrative to support KPI scores to help measure performance.
- O - Document and regularly review procedures for checking and validating data.
- P - Consider the use of automation in checking and managing data, as well as other functions of the in-house administrator to improve process efficiency and effectiveness.
- Q - Document pension administrative task timescales to help all representatives meet and improve performance and consider implementing Firefighters Pension SAB Pensions Administration Strategy.



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# Appendices

# Appendix 1: Meetings held

- 5 March 2020 – Introduction and Evaluation meeting with Payroll and Pensions Manager
- 5 March 2020 – Pension Board observation including introduction to Relationship Supervision
- 9 April 2020 – Covid-19 call to discuss response to pandemic. Informed Payroll & Pensions Manager about pausing relationship supervision engagement.
- 10 July 2020 – Covid 19 call to discuss current status of relationship supervision
- 30 September 2020 - Covid 19 call to discuss current status of relationship supervision
- 9 August 2021 – Catch-up call to discuss receipt of updated information
- 30 June 2022 – Catch-up call to discuss latest documentation/information and Supervisory Report delivery

NB: 23 March 2020 – Audit and Risk Committee (Delegated Scheme Manager) observation – meeting cancelled due to pandemic.

# Appendix 2: Materials reviewed

Pension Board Agenda 4 June 2019

Risk register March 2019 Updated by Paul Gwynn WBS 1st October 2019

Pension Board Activity Log 2019 20

Terms of Reference of the Audit and Risk Committee 2019

Pensions Board Work Programme 2019-20

Scheme Manager Discretions

Final Payroll Report WMFS

Statement of Policy for FPS 1992 Discretion

West Midlands – Organogram

Pension Board Terms of Reference Approved by A&RC

01 - Member Code of Conduct Approved June 2012 (002)

02 - statutory undertaking - elected member - form (002)

03 - Master Declaration Of Interest Form wef June 2012 (002)

Breaches policy - West Midlands

Organogram showing Admin & Governance structure

Biography of Scheme Clerk Karen Gowreesunker

Payroll & Pension KPI report for November 2019 (002)

Pay Policy Statement 2019-2020 (1)

Pension Board Pack - Sept 2019

Pension Board Pack - Dec 2019

Audit and Risk Committee\_agenda doc pack - 13\_01\_2020 12\_30\_00

Payroll & Pensions - KPI November 2019

Pension Board Pack - Mar 2020

WMFS Pension Board Risk Register. Meeting 2 - 9th June 2021

Annual Report of the Pensions Board 2020-21 DRAFT 0721

Appendix 1 - Annual Report of the Pensions Board 2020-21

Minutes of the Pension Board on the 09 June 2021

The Pensions Regulator Supervisory Report to the Scheme Manager and Pension Board

## Recommendations – Action Plan



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****AUDIT AND RISK COMMITTEE****WORK PROGRAMME 2022/23**

| <b>Date of Meeting</b> | <b>Item</b>  | <b>Responsible Officer</b>  | <b>Completed</b>  |
|------------------------|--|---|---|
| <b>2022</b>            |  |   |   |
| 18 July 2022           | Statement of Accounts 2021/22 (Draft Unaudited Approval)<br><br>Treasury Management Annual Report 2021/22<br><br>Minutes of the Audit and Risk Committee held on 6 June 2022<br><br>Minutes of the Pension Board held on 28 March 2022<br><br>Audit and Risk Committee Draft Work Plan 2022/23 | Treasurer<br><br>Treasurer<br><br>Democratic Services Officer<br><br>Democratic Services Officer<br><br>Democratic Services Officer | Deferred to September 2022.<br><br><br><br><br>Deferred to November 2022. |
| 26 Sept 2022           | Terms of Reference of Audit and Risk Committee<br><br>Audit Progress & Sector Update   | Democratic Services Officer<br><br>Grant Thornton   | Deferred<br><br>Deferred.   |

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|  | Internal Audit Progress Report<br><br>Pensions Board - Appointment of Independent Chair<br><br>Internal Audit Report - Data Governance<br><br>Update on the Corporate Risk 6.1 - Business Continuity Arrangements<br><br>The Pension Regulator Supervisory Report Update<br><br>Statement of Accounts 2021/22 (Draft Unaudited Approval)<br><br>Approach to be Taken in Respect of Immediate Detriment Cases under the McCloud Sargeant Ruling<br><br>Treasury Management Annual Report 2021/22<br><br>CIPFA Report | Audit Manager<br><br>Deputy Clerk<br><br>ACFO Strategic Enabler (Enabling Services) /Data and Governance Manager<br><br>ACFO Strategic Enabler (Enabling Services)<br><br>Deputy clerk<br><br>Treasurer<br><br>ACFO Strategic Enabler (Enabling Services)<br><br>Treasurer<br><br>Audit Manager | Deferred.<br><br>26 September 2022<br><br>Deferred.<br><br>26 September 2022<br><br>26 September 2022<br><br>26 September 2022<br><br>26 September 2022<br><br>26 September 2022 |
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|                            | Minutes of the Audit and Risk Committee held on 06 June 2022 and 18 July 2022<br><br>Audit and Risk Committee Work Plan 2022/23   | Democratic Services Officer<br><br>Democratic Services Officer   | 26 September 2022<br><br>26 September 2022 |
| 10 Oct 2022<br>[Authority] | Minutes of the Audit and Risk Committee held on 06 June and 18 July 2022  | Democratic Services Officer  |  |
| 28 November 2022           | Minutes of the Audit and Risk Committee held on 26 September 2022<br><br>Audit Findings 2021/22<br><br>Statement of Accounts 2021/22 (for approval)<br><br>Audit Progress & Sector Update<br><br>Internal Audit Progress Report<br><br>Treasury Management Mid-Year Report 2022/23<br><br>Corporate Risk Update Q1 & Q2 2022/23<br><br>Audit and Risk Committee Work Plan 2022/23<br><br>Minutes of the Pension Board held on 28 March 2022 and Minutes of the Pension Board held on 10 June 2022 | Democratic Services Officer<br><br>Grant Thornton<br><br>Treasurer<br><br>Grant Thornton<br><br>Audit Manager<br><br>Treasurer<br><br>ACFO Strategic Enabler (Enabling Services)<br><br>Democratic Services Officer<br><br>Democratic Services Officer |  |

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|                              | Fraud Awareness Training (tbc)                              | Phil Tromans<br>John Matthews                                      |  |
| 12 December 2022 (Authority) | Audit Findings 2021/22<br><br>Statement of Accounts 2021/22 | Democratic Services Officer<br><br>Grant Thornton<br><br>Treasurer |  |

**2023**

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| 13 February 2023 (Authority) | Minutes of the Audit and Risk Committee held on 28 November 2022<br><br>Audits Annual Report 2021/22 (May be A&R March 2023)  |  |  |
| 20 March 2023                | Minutes of the Audit and Risk Committee held on 28 November 2022<br><br>Audit Progress & Sector Update<br><br>Internal Audit Progress Report<br><br>Corporate Risk Update Q1 & Q2 2022/23 | Democratic Services Officer<br><br>Grant Thornton<br><br>Audit Manager<br><br>ACFO Strategic Enabler (Enabling Services) |  |

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|  | <p>Vacant Residential Properties Update</p> <p>Monitoring Policies and RIPA<br/>(Annual Whistleblowing Report)</p> <p>Internal Audit Plan 2023/24</p> <p>Audit Plan 2022/23 (possibly in June 2023 - tbc)</p> <p>Internal Audit Charter – Annual Review</p> <p>Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2022/23<br/>(possibly in March 2023 but may need to be June 2023 - tbc)</p> <p>Auditors Annual Report (May be Authority in February 2023)</p> <p>Annual SIRO report</p> <p>Minutes of the Pensions Board held on TBC</p> <p>Audit and Risk Committee Work Plan 2022/23</p> | <p>Treasurer</p> <p>Monitoring Officer/ACFO Strategic Enabler (Enabling Services)</p> <p>Audit Manager</p> <p>Grant Thornton</p> <p>Audit Manager</p> <p>Grant Thornton</p> <p>Grant Thornton</p> <p>ACFO Strategic Enabler (Enabling Services)</p> <p>Democratic Services Officer</p> <p>Democratic Services Officer</p> |  |
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|              | Fraud Awareness Training<br><br><i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i>   | Phil Tromans<br>John Matthews<br><i>Audit Manager</i>  |  |
| 19 June 2023 | Annual Internal Audit Report 2022/23<br>Governance Statement 2022/23<br>Monitoring Policies and RIPA<br>(Annual Whistleblowing Report)<br>Corporate Risk Update Q3 & Q4 2022/23<br>Audit Plan 2022/23 (possibly in March 2023 - tbc)<br>Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2022/23<br>(possibly in March 2023 but may need to be June 2023 - tbc)<br>Annual Report of the Audit and Risk Committee 2022/23 for approval<br>Audit Progress & Sector Update | Audit Manager<br>Treasurer<br>Monitoring Officer/ACFO Strategic Enabler (Enabling Services)<br>ACFO Strategic Enabler (Enabling Services)<br>Grant Thornton<br>Grant Thornton<br>Chair, Audit and Risk<br>Grant Thornton |  |

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|                             | <p>Internal Audit Progress Report (TBC)</p> <p>Minutes of the Audit and Risk Committee held on 20 March 2023</p> <p>Minutes of the Pensions Board held on XXXX - tbc</p> <p>Annual Report of the Pension Board 2022/23</p> <p>Audit and Risk Committee Work Plan 2022/23</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts 2022/23</i></p> | <p>Audit Manager<br/>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>Chair, Pensions Board<br/>Democratic Services Officer</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p> |  |
| 26 June 2023<br>[Authority] | <p>Governance Statement 2022/23</p> <p>Minutes of the Audit and Risk Committee held on 20 March 2023</p> <p>Annual Report of the Audit and Risk Committee 2022/23</p>  | <p>Treasurer<br/>Democratic Services Officer</p> <p>Chair, Audit and Risk</p>   |  |
| 24 July 2023                | Minutes of the Audit and Risk Committee held on 19 June 2023   | Democratic Services Officer   |  |

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|  | Statement of Accounts 2022/23 (Draft Unaudited Approval)<br><br>Treasury Management Annual Report 2022/23<br><br>Audit and Risk Committee Draft Work Plan 2023/24<br><br>Minutes of the Pension Board (tbc) | Treasurer<br><br>Treasurer<br><br>Democratic Services Officer<br><br>Democratic Services Officer |  |
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