



WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Monday, 19 September 2016 at 11:00

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

Distribution of Councillors	
<u>Birmingham</u>	D Barrie K Booth A Cartwright L Clinton B Dad N Eustace M Idrees R Sealey G Singh Atwal S Spence
<u>Coventry</u>	B Singh D Skinner S Walsh
<u>Dudley</u>	A Aston N Barlow M Mottram
<u>Sandwell</u>	K Allcock J Edwards C Tranter
<u>Solihull</u>	S Davis P Hogarth
<u>Walsall</u>	O Bennett S Craddock A Young
<u>Wolverhampton</u>	G Brackenridge P Singh T Singh

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

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

Fire Authority

You are summoned to attend the meeting of Fire Authority to be held on
Monday, 19 September 2016 at 11:00

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

for the purpose of transacting the following business:

Agenda – Public Session

- 1 To receive apologies for absence (if any)
- 2 Declarations of interests in contracts or other matters
- 3 Chair's announcements
- 4 Minutes of the Annual General Meeting held on 27 June 2016 5 - 22
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- 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 (not open to public and press)

14 Planned Procurement Exercises

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

Agenda prepared by Julie Connor

Strategic Hub, West Midlands Fire Service

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Email: julie.connor@wmfs.net

This agenda and supporting documents are also available electronically on the West Midlands Fire Service website at:- www.wmfs.net

Clerk Name: Karen Gowreesunker

Clerk Telephone: 0121 380 6678

Clerk Email: Karen.Gowreesunker@wmfs.net

Minutes of the Annual Meeting of the West Midlands Fire and Rescue Authority

**27 June 2016 at 11.00 am
at Fire Service Headquarters, Vauxhall Road, Birmingham**

Present: Councillor Edwards (Chair)
Councillor Idrees (Vice-Chair);
Councillors Allcock, Aston, Singh Atwal,
Barlow, Bennett, Booth, Brackenridge,
Cartwright, Clinton, Craddock, Dad, Davis,
Eustace, Hogarth, Idrees, Mottram,
Sealey, B Singh, P Singh, T Singh, Skinner,
Spence, Tranter, Walsh and Young.

Apologies: Councillor Barrie

Observer: Mr Ager

31/16 **Election of the Chair of the Authority for the ensuing year**

Resolved that Councillor Edwards be elected Chair of the Authority for the period ending with the annual meeting in 2017.

Councillor Davis stated that the opposition Party was voting for Councillor Edwards to take the Authority through the difficult period ahead. Cllr Edwards offered his thanks.

32/16 **Election of the Vice Chair of the Authority for the ensuing year**

Resolved that Councillor Idrees be elected Vice Chair of the Authority for the period ending with the annual meeting in 2017.

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33/16 Declarations of Interest

Councillor Edwards declared a personal and non-pecuniary interest in Minute No.44/16 below (Monitoring of Finances).

Councillor Brackenridge declared a personal and non-pecuniary interest in Minute No. 44/16 (Monitoring of Finances).

Councillor Aston declared a non-pecuniary interest in Minute No 44/16 (Monitoring of Finances) as Aston Fire Station is his place of work.

Councillor Davis declared a non-pecuniary interest in Minute No 44/16 as Business Safety Ltd as he is a Director of the company. All Members of the Business Safety Ltd to declare an interest at future meetings.

34/16 Chair's Announcements

The Chair welcomed Councillors:

Booth, Cartwright and Dad from Birmingham,
Walsh from Coventry
Allcock from Sandwell
Bennett from Walsall, and
Brackenridge from Wolverhampton

The Chair had written to Members who were no longer on the Authority and wished them well for the future.

Congratulations were extended to Councillor Peter Hogarth on his recent award of Member of the British Empire in the Queen's Birthday Honours List for services to local government.

Attention was drawn to the pocket Who's Who for Members of the Authority and Members of the Strategic Enabling Team that had been provided for each Member.

Members were requested to complete a self-assessment skills grid and development requirements form. A Training and Development Plan would then be produced to meet Members' requirements.

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Members were asked to return their forms to
Julie.Connor@wmfs.net.

A Members Awareness Session had been arranged to take place on Monday 11 July 2016 at Fire Service Headquarters. All Members were invited to attend.

The Authority were also notified of the Annual Schools Safety Quiz Final which was taking place on Saturday 9 July 2016 at Safeside.

The Operational Assessment of the Service was scheduled to take place between the 17 and 20 October 2016. A briefing would be provided to Members of the Authority as they will be involved in the Assessment.

The Chair reminded the Authority of its imminent move to electronic working. Dry runs of electronic working would be held on the 25 July at Audit Committee, 15 August at Scrutiny Committee and at the Policy Planning Forum and Audit Committee on 5 September 2016. The first electronic Authority meeting would take place on Monday 19 September 2016.

The Chair wanted to thank everyone for the hard work that had been undertaken since the CSR and the beginning of austerity in 2011. The Authority's focus had been on reductions in spending, but would now need to focus on Governance too. A great deal had been achieved over the last five years against a loss of 47% of core funding, representing £38m between 2011 and 2020. The Service had retained its Service Delivery Model and through Prevention, Protection and Response continued to maintain 38 stations and a 5 minute attendance: the current response time to incidents which threaten life or property is 4.42 seconds which is thought to be the best response time in the whole of England and a major achievement.

The Authority recognised the work undertaken by everyone at all levels in the organisation including the cooks and cleaners and other historically low paid staff, who were now in receipt of the national living wage as determined by the Living Wage foundation

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The Transport Engineering Workshops at Perry Barr have been undertaking work for other sections of the Public Sector and Fire Services and generating substantial income for the service.

A review of Middle Managers has produced savings of £1.7m and Brigade Managers have also reduced from 4 to 3, which along with other changes in moving from Corporate Board to SET, has produced a further saving of £250,000.

Through collaboration with Stoke on Trent and Staffordshire Fire and Rescue Authority, and a combination of Fire Controls, a further £1m has been saved.

Through reviewing the way in which we work the Service now operates with 26% less support staff producing a saving of £2.6m and currently the Service has 385 less firefighters than in 2011 providing a saving of £15.5m.

More recently 800 firefighters have signed up to a local agreement developed in collaboration with the Fire Brigades Union to undertake additional voluntary shifts to enable West Midlands Fire Service to keep to its excellent Service Delivery Model.

The Service has seen unprecedented change and further transformation is taking place through shared learning and experience through the West Midlands Combined Authority.

The Chair stated that the Brigade Managers have led the Brigade through this difficult period delivering the Plan agreed by the FRA and ensuring that the financial plan and the Service Delivery Model are sustainable to 2020, the end of the current parliament.

On behalf of the Authority the Chair wished to thank all staff at all levels for their hard work and commitment through this difficult period of change.

Members were asked to complete their Declarations of Interest forms and return to the Monitoring Officer.

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The Monitoring Officer asked for the assistance of all Members in returning their Declarations of Interest forms and reiterated the importance of completing them and keeping them up to date.

The Chief Fire Officer (CFO) echoed the Chair's comments and welcomed new Members and thanked past Members. The CFO congratulated Councillor Hogarth on his recent award of the MBE.

Congratulations were given to Gary Taylor on his recent promotion to Assistant Chief Officer and the CFO thanked him for his work in connection with Fire Control and the integration of additional shifts, resulting in the resolution of the recent Dispute and Action Short of a Strike and ensuring the Service would continue to meet its Service Delivery Model through to 2020.

The CFO thanked the Chair for his comments about leadership and stated that interesting times were ahead with further challenges. He looked forward to working together with the Authority to meet these challenges in the future and continuing to have the best response standards in the country underpinned by the Prevention, Protection and Response agenda.

35/16 Minutes

Resolved that the minutes of the meeting held on 11 April 2016, be confirmed as a correct record.

36/16 Membership of the Authority 2016/17

The Clerk reported on the membership of the Authority for 2016/17.

37/16 Questions on the Discharge of Functions

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

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	<u>Lead Councillor</u>	<u>Substitute Councillor</u>
Birmingham	Idrees	Clinton
Coventry	Walsh	B. Singh
Dudley	Aston	Mottram JP
Sandwell	Edwards	Tranter
Solihull	Davis	Hogarth
Walsall	Young	Bennett
Wolverhampton	T Singh	Brackenridge

38/16 Governance of the Authority 2016/17

The Authority considered a report on governance of the Authority for 2016/17. The report set out amendments to the constitution and terms of reference of the Standards Committee, Audit Committee and Policy Planning Forum, a calendar of meetings for the year, Members Allowances and consequential amendments to other constitutional documents in light of decisions made with regard to governance arrangements for 2016/17.

Amendments and additions were made to:

Article 4 Matters for Authority:

- Finance and Land Matters

Article 5 Policy Planning Forum

Article 8 Audit Committee

Article 9 Standards Committee

Article 12 Joint Arrangements and Partnerships

In answer to a Member's question, it was confirmed that the financial contribution made by the Authority for membership of the West Midlands Combined Authority of £25,000, provides the ability to fully participate in the debate and work of the Combined Authority.

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The CFO confirmed that both he and the Chair attended meetings and take a full part in the debate. Holding Observer status within the Combined Authority does not entitle the Authority to vote, however, it was confirmed that voting does not tend to take place.

The CFO attends the Programme Board with the Chief Executives of the seven District Councils and non-constituent members. West Midlands Fire Service and West Midlands Fire and Rescue Authority have taken up the lead status on Troubled Individuals.

Further engagement enhanced by all Members in their own councils was providing opportunities for sustainability. Currently the Service are providing Telecare services in the Coventry and Wolverhampton areas and the Service are looking to do more work in this area, together with hospital discharges and the added value of this work is becoming clearer.

Increases to Members Allowances have been frozen since 2011/12 and the Members travelling expenses scheme within the County remains suspended as the Authority's contribution towards savings. It was agreed to review this year by year.

Resolved:

- (1) that minor amendments to the constitution and terms of reference of the Standards Committee, Audit Committee and Policy Planning Forum as set out in section 3.2, be approved;
- (2) that member role descriptions as set out in Appendix 2, be approved;
- (3) that the calendar of meetings for 2016/17 as set out in Appendix 3, be approved;
- (4) that no percentage increase be made in members' allowances in 2016/17 by way of indexing or otherwise;
- (5) that the Members' Allowances Scheme for 2016/17 as set out in Appendix 4 be approved;

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- (6) that in the light of the current financial situation, no action be taken for the time being with regard to convening an independent remuneration panel to review the members' allowances scheme and that the situation be reviewed prior to the AGM 2017;
- (7) that the Clerk be authorised to make any necessary consequential amendments to other constitutional documents in the light of decisions made with regard to governance arrangements for 2016/17.

39/16 Political Balance and Membership of Committees and Panels 2016/17

The Authority considered the constitution and political balance of committees and the assignment of members to committees and panels for 2016/17.

The Localism Act 2011 had implemented changes to the standards framework and independent members of the Standards Committee had now been replaced by an 'independent person' who must be consulted before any decision was taken on a complaint which had been investigated. The Authority had approved an arrangement whereby the independent persons appointed by Sandwell Council would also be used by the Authority. Mr Bell had been re-appointed as an independent person by Sandwell Council for the period expiring 30th June 2016 and had agreed to continue in his role for a further twelve months until the 30 June 2017 when this will be reviewed. In view of the low level of complaints activity at the Authority, it was suggested that the appointment of one independent person would be sufficient.

It was noted that at the meeting of the Authority held on 24th June 2013, Mr M Ager had been appointed as an independent member of the Audit Committee for a term of office expiring with the Annual Meeting of the Authority in 2016. Mr Ager had agreed to continue in this role until 30 June 2017. This would be reviewed at the AGM in 2017.

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Resolved:

- (1) that the political balance and membership of committees and panels for 2016/2017, as set out in the Appendix to the report be approved;
- (2) that the appointment of Mr M Ager as an independent non-voting member on the Audit Committee be affirmed;
- (3) that the appointment to the roles of Chairs and Vice-Chairs of committees and panels, as set out in the Appendix be approved;
- (4) that the appointment of Mr F Bell to the role of independent person, appointed in pursuance of Section 28 of the Localism Act 2011, for the term of office expiring 30th June, 2017, be approved.

40/16 Appointment of Representatives to Serve on Other Bodies

The Authority considered the appointment of representatives to serve on other bodies during 2016/17.

Resolved:-

- (1) that the appointments of representatives to serve on other bodies, as set out in the Appendix to the report, be approved;
- (2) that the Chair (Councillor Edwards), (or his nominee), be authorised to exercise the Authority's Corporate Vote at the Local Government Association General Assembly and that the Authority's General Assembly voted be allocated in accordance with proportionality of the Association.

41/15 Member Attendance at Conferences, Seminars and Visits

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

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Resolved that the events for 2016/17, as set out in the report be approved for the purpose of the payment of travel and subsistence allowances and conference fees (where appropriate) subject to the necessary budgetary provision being available.

42/15 Governance Statement 2015/16

The Authority considered a report seeking their comments and consideration of the Annual Governance Statement for 2015/16 attached as Appendix 1 to the report. The Audit Committee had received the draft Governance Statement for 2015/16 at their meeting held on 6 June 2016.

Under the Local Government Act 1999 the Authority has responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded. The Authority also has responsibility for proper arrangements for the governance of its affairs including arrangements for the management of Risk.

The Authority's Governance Statement was signed by the Chair of the Authority and Chief Fire Officer and was available to view at the end of June 2016.

Resolved that the Authority's Governance Statement 2015/16 be received.

43/16 Future Governance of West Midlands Fire Service

The Authority received a report on the Future Governance of the West Midlands Fire Service (WMFS). The Clerk outlined the purpose and stated that the report was to signal the Authority's intent to review the governance arrangements for WMFS. The review would be undertaken considering the options that currently exist around future governance; a Fire Authority or reduced Fire Authority, Police and Crime Commissioner (PCC), a possible future Mayoral model, including potential combination of Fire. The review would support Home Office expectations regarding accountability. Importantly, the review would ensure that any future governance model would support the delivery of services to the community in a value for money way.

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The review will focus on the need for improved scrutiny of governance arrangements as well as measuring the outcome of current and future service delivery to the communities of the West Midlands and beyond.

The Clerk to the Authority gave a comprehensive overview the options to be considered by the 'Future Governance' working group, the approach and timeline to be adopted and the structure of the core working group. Members of the Authority had also received a presentation at the Policy Planning Forum on 6 June 2016.

The Chair thanked the Clerk for the overview and stated that the government have a clear view of the future for the Fire Service in England. WMFRA is prepared to consider the four options open to them and felt that the working group would provide evidence based recommendations to contribute to any further business cases for the future governance of the Fire Authority.

The Chair requested that the Sounding Board to be supplemented by the Executive Committee.

It was noted by one Member of the Authority that the Policing and Crime Bill (the Bill) introduces a duty for each of the emergency service to collaborate more, however, he felt that WMFS already lead the way in respect of collaboration.

The suggested structure of the Future Governance Working Group was:

- 5 Authority Members
- 5 External Stakeholders; PCC office, Health expert, WMCA Office and Home Office Representative
- CFO as an advisor
- External Independent Chair – Price Waterhouse Coopers (Clerk to the Authority and Officer to support above)

The Chair stated although down to local determination, the government see the PCC as taking the lead through the Police and Crime Bill but would need to develop a business case. The business case would then be presented to the Home Secretary.

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Where local agreement cannot be reached the Home Secretary would look for an independent review of the business case, however, the nature of this review was still under discussion between the LGA and the Home Office.

The Working Group would look at the options and report back to the Authority with a series of recommendations.

It was noted that there would be five Authority Members on the Working Group and the first meeting would be held in July. The Terms of Reference and Scoping Document would be available after the first meeting and there would be four Members of the Controlling Group (Labour) and one Member of the Opposition (Conservative).

It was requested that all political parties should have representation on the group i.e. two Members of the Controlling Group, one Member of the Opposition Group, one Member of UKIP and one Member of the Liberal Democrats. Or, there could be two Members of the Controlling group, two from the Opposition and one Member of the Liberal Democrats.

It was held that the working group would consist of four Members of the controlling group and one Member of the opposition.

Expenses would be paid to the Independent Chair once they had been identified.

The Chair was asked if, as highlighted in the report, political balance or representation from all Authority areas had been taken into account in respect of the working group arrangements.

In response, the Chair stated the only way to have one representative from each authority area (7 in total) would also mean that 7 independent members would also need to be appointed and the working group would be over populated. All local authorities would be represented by the Sounding Board, where Members of each authority would be able to contribute.

The Chair reiterated that there would be four Members of the Leading Group and one member of the Opposition Group and the Sounding Board will play a scrutiny role via the Executive Committee.

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All Members of the Authority can and do attend the Committee.

The nominations were:

Councillor John Edwards, Chair
Councillor Mohammed Idrees, Vice Chair
Councillor Lynda Clinton
Councillor Greg Brackenridge
Councillor Stuart Davies

Following a vote, the nominations to the working group were agreed with one abstention.

Resolved:

- (1) that the strategy as proposed in the report concerning reform of the West Midlands Fire and Rescue Authority be approved.
- (2) that the implementation of a 'Future Governance' working group be approved.
- (3) that the outcomes, purpose, approach and timeline for the 'Future Governance' working group as set out in the report be approved.

44/16 Monitoring of Finances

In response to a Members question regarding refurbishments to a building known as the "Old Bank", the Treasurer confirmed that the building had been part of the Property Report to the Authority in February 2016. The building would require circa £100,000 to be spent to bring it back into use, but a modest amount of up to £15,000 would be set aside in the revenue budget to improve the appearance of the building. Options were still being considered as to whether any work could be carried out via a Youth Training Scheme.

The Authority were informed that the Coventry City Council Planning Committee had approved the Planning Application for the new Coventry Fire Station. The Members from Coventry City Council on the Authority were thanked for their support with the application.

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The Authority noted a report on the Monitoring of Finances to the end of May 2016.

45/16 Annual Report of the Audit Committee 2016/17

The Annual Report of the Audit Committee was received.

46/15 Annual Report of the Scrutiny Committee 2016/17

The Chair of the Scrutiny Committee presented a short report on the positive prevention work and the CFO stated that the attendance of the Chair of the Scrutiny Committee at Quarterly Performance Reporting meeting was of value. The CFO reiterated that the 26,000 Safe and Well visits undertaken were the new way of fighting fires, managing call demand and managing down risk in the community.

The Annual Report of the Scrutiny Committee was received.

47/16 Minutes of the Audit Committee

The minutes of the Audit Committee held on 15 June 2016 were received.

48 /16 Minutes of the Executive Committee

The minutes of the Executive Committee held on 21 March 2016 were received.

49/16 Notes of the Policy Planning Forum

The notes of the Policy Planning Forum held on 21 March 2016 were received.

50/16 Minutes of the Audit Committee

The minutes of the Audit Committee held on 11 April 2016 were received.

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51/16 Notes of the Joint Consultative Panel

The notes of the Joint Consultative Panel held on 11 April 2016 were received.

52/16 Minutes of the Appointments Committee

The minutes of the Appointments Committee held on 2 June 2016 were received.

53/16 Notes of the Policy Planning Forum

The notes of the Policy Planning Forum held on 6 June 2016 were received.

54/16 Minutes of the Audit Committee

The minutes of the Audit Committee held on 6 June 2016 were received.

55/16 Minutes of the Scrutiny Committee

The minutes of the Scrutiny Committee held on 6 June 2016 were received.

56/16 Exclusion of the Public and Press

Resolved that the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 relating to the financial or business affairs of any particular person (including the authority holding that information) and information relating to any action taken, or to be taken in connection with the prevention, investigation or prosecution or crime).

57/16 **Fire Control Update**

The Authority received an update on the proposal to relocate both Primary Fire Control and Secondary Fire Control facilities, Secondary Fire Control from the Academy to the Command Development Centre (CDC) site in Smethwick, and Primary Fire Control from Safeside into the main Headquarters building.

Fire Control was moved into Safeside as a temporary measure prior to the move the proposed Regional Fire Control Centre in Wolverhampton. However, this scheme was cancelled by the government. The impact of the proposed HS(2) Railway works and the risk of prolonged periods of disruption, together with a need to change the way the Service wishes to operate as an organisation have provided an opportunity to bring Fire Control into the main building.

Compensation for the move will be applied for through the 'compensation code' within the HS2 project. The moves should be completed in 12 – 18 months. However it should be noted that HS2 has not received Royal Assent or agreed to fund the above move.

In answer to a member's question, the Deputy Chief Fire Officer confirmed that the Service had a statutory duty to manage and maintain arrangements for dealing with calls for help and for summoning personnel and was happy to provide further details of the move outside the meeting.

It was also confirmed that the move would not affect the leased parts of Headquarters and there was enough space to accommodate Fire Control in the centre of the building and would incorporate the Incident Room. A full architectural check would also be made.

There had been a level of interest in the Academy building and market conditions would provide the most appropriate price.

Resolved that the proposal to relocate both Primary and Secondary Fire Control be approved.

(The meeting ended at 1230 hours)

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27 June 2016

Contact Officer: Julie Connor
Strategic Hub
West Midlands Fire Service
0121 380 6906

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

19 SEPTEMBER 2016

1. **AUDIT FINDINGS 2015/2016**

Joint report of the Chief Fire Officer and the Treasurer.

RECOMMENDED

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

2. **PURPOSE OF REPORT**

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

3. **BACKGROUND**

- 3.1 The AFR sets out and reports the key messages arising from the external audit work undertaken during the year. The AFR is designed to support the Auditor's opinions and conclusions and is a requirement of the Code of Audit Practice.
- 3.2 The AFR was presented to the Audit Committee on 25 July 2016 and outlined the findings of the audit work undertaken. The Auditor indicated that the AFR was a very good report.
- 3.3 Following the Audit Committee meeting, the auditor issued an unqualified opinion on the Authority's 2015/16 financial statements included in the Authority's Statement of Accounts.
- 3.4 As part of the external audit work programme, the auditor was also required to provide a value for money conclusion. In carrying out this work, the auditor is required to follow the National Audit Office's Auditor Guidance Note 3 (AGN 03). The AGN 03 identifies the following criterion for auditors to evaluate:

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

- 3.5 As a consequence of this work, the auditor concluded that for 2015/16 the Authority had proper arrangements in all significant respects to secure economy, efficiency & effectiveness and to ensure it delivered value for money in its use of resources.
- 3.6 Representatives from Grant Thornton will present and explain the findings detailed in the AFR to the Authority.
- 3.7 The AFR is attached as Appendix A.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

The agreed scale fee for the provision of external audit services for the audit year 2015/16 was £38,636.

BACKGROUND PAPERS

Statement of Accounts 2015/2016 located in the Financial Management Section.

The Audit Findings 2015/16 - Agenda item 4 – Audit Committee 25 July 2016

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

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

The Audit Findings

West Midlands Fire & Rescue Authority

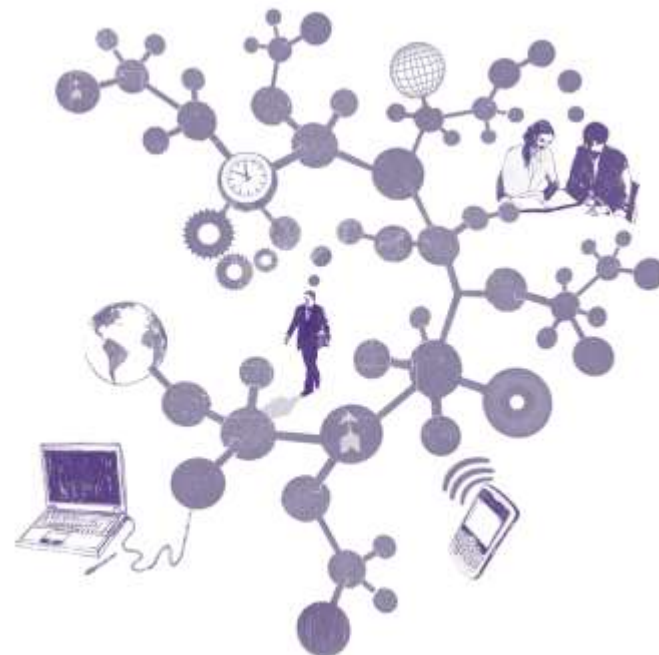
Year ended 31 March 2016

July 2016

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Audit Findings for West Midlands Fire and Rescue Authority for the year ending 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of West Midlands Fire and Rescue Authority, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management prior to this meeting and will be presented to and discussed with the Audit Committee at their next meeting on 25th July 2016.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

James Cook

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of West Midlands Fire & Rescue Authority's ('the Authority') financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 11th April 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of final signed Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion, and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Authority's reported financial position (details are recorded in section two of this report).

The draft financial statements for the year ended 31 March 2016 recorded net expenditure of (£186,512k). This is in effect a surplus, mainly due to adjustments from the valuation of the pension liability which have been made in year. The deficit on the provision of services was £60,617k (£67,217k in 2014/15), which was broadly in line with the budget.

We also identified a relatively small number of disclosure errors, and requested some adjustments to improve the presentation of the financial statements. Those of note are detailed in section two of this report.

The key messages arising from our audit of the Authority's financial statements are:

- The draft accounts and working papers were of an excellent quality.
- Finance staff responded promptly to all audit queries in all departments.
- The audit has been delivered in a shorter timescale with an opinion being issued in July 2016. In previous years we have issued our opinion in September. This places the Authority in a strong position to meet the reduced timescales for delivery of the audit which will impact in 2017/18.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

A summary of our follow up of the control issues identified in 2014/15 is included in Appendix C. These issues have all been cleared.

Value for Money

We are pleased to report that, based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Other statutory powers and duties

There are no other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

The way forward

Matters arising from the financial statements audit and review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Strategic Enabler of Finance and Resources.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Strategic Enabler of Finance and Resources and the finance team.

Acknowledgement

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

Grant Thornton UK LLP
July 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £2,368k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and (have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £118,400. This remains the same as reported in our audit plan .

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Authority affect the balance and it is therefore considered to be material by nature.	Any errors identified by testing in excess of triviality would be deemed to have implications on the users understanding of the financial statements
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users understanding of the financial statements
Related party transactions	Related party transactions have to be disclosed if they are material to the fire authority or to the related party	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the Authority and the related party.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Midlands Fire and Rescue Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Midlands Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition within the financial statements.</p>
2.	Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> • We have reviewed the journal control environment and not identified any significant control weaknesses. • We have tested key journal entries and not found any items which impacted on our opinion. • We have reviewed the accounting estimates, judgements and decisions made by management • We have reviewed any unusual, significant transactions and not identified anything which would impact on our opinion. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	Pensions commutation liability The Authority processed a material payment in the year in relation to pensions commutation liabilities that arose as a result of the GAD Vs. Milne case. Under ISA 315, this is a significant non-routine transaction.	<ul style="list-style-type: none">Reviewed prior year provision in comparison with the actual payment made to pensionersAgreed payments made to pensioners or the estate of deceased former scheme membersAgreed receipt of the top-up grant receivable from DCLG to meet the liabilityReviewed disclosure requirements are appropriate.	Our audit work has not identified any issues in respect of the pensions commutation liability.

Audit findings against other risks





In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none">• We have documented the processes and controls in place around the accounting for operating expenses• We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding• We have tested the completeness of the subsidiary system (purchase ledger) and how it interfaces with the ledger• We have documented the processes in place for month and year end accruals• We have performed cut off testing of purchase orders and goods received notes• We have reviewed a schedule of goods received that have not yet been invoiced and concluded that they are below materiality and do not present a risk to the financial statements.• We have performed testing of a sample of operating expenses to ensure they have been accurately accounted for and in the correct period	Our audit work has not identified any significant issues in relation to the risk identified/

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> We have documented the processes and controls in place around the accounting for Employee Remuneration We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding. We have performed a review of monthly trend analysis of payments to identify and investigate any usual or irregular movements We have reviewed the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and the financial statements. We have performed substantive testing of employees for accuracy of payment and the agreement of employment remuneration disclosures to supporting documentation. 	Our audit work has not identified any further significant issues in relation to the risk identified.
Firefighters Pensions Benefit Payments	<p>Benefits improperly computed/ claims liability understated</p> <p>Payments to retiring officers are low in volume but high in value and the service is reliant on effective controls both within and outside the organisation to ensure that payments made are valid and accurate.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> We have documented processes and controls in place around the accounting for Fire Fighters' Pensions. We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding. We have agreed pension disclosures in the financial statements to supporting evidence. We have tested a sample of Fire Fighters' pension payments covering the period 1st April 2015 to 31 March 2016 to ensure that they have been accurately accounted for and in the correct period. 	Our audit work has not identified any significant issues in relation to the risk identified

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Authority's policy is set out in its accounting policies:</p> <ul style="list-style-type: none"> Accounting Policy 2 – Accruals of Income and Expenditure, Accounting Policy 9 – Government Grants and Contributions, and Accounting Policy 14 – Provisions and Contingent Liabilities 	<ul style="list-style-type: none"> The Authority's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice Minimal judgement is involved The accounting policy is appropriately disclosed 	 GREEN
Estimates and judgements	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Useful lives and £nil residual value of property, plant and equipment, Property valuations including revaluations, impairments and fair valuations, Government Funding and the high degree of uncertainty, Insurance – the Authority operates a self insure scheme with Sandwell MBC, Pension fund valuations and settlements, and Provisions. 	<p>We have not identified any issues in relation to accounting estimates and judgements which we wish to bring to your attention.</p>	 GREEN
Going concern	<p>The Strategic Enabling Team has a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Strategic Enabling Team's assessment and are satisfied that the going concern basis is appropriate for the 2015/16 financial statements.</p>	 GREEN
Other accounting policies	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p>	 GREEN

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

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

Adjusted and unadjusted misstatements

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

There were no adjustments identified during the audit.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. The disclosure requirements for Financial Instruments were changed for 2015/16 as the public sector Code of Audit Practice adopted IFRS13 which sets out the disclosures required.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Disclosure	N/A	Note 9 Financial Instruments	Per guidance in CIPFA LAAP bulletin 104, the fair value of PWLB loans as provided by the PWLB is no longer an acceptable calculation under the provisions of IFRS13. This is because the redemption rate used to discount the loans to present value is specific to the fire authority and no market participants. Therefore, the present value should be re-calculated based on an equivalent loan with the PWLB at the balance sheet date.
2	Disclosure	various	Note 9 Financial Instruments	The Fire Authority have omitted the fair value hierarchy from the financial instruments disclosure. This should show consideration for the methodology used in calculating the fair value of loans with the PWLB and also what level inputs were used. This should be categorised as level 2 (some observable inputs).

Section 3: Value for Money

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Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

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

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated March 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

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

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

Significant qualitative aspects

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

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

- The Authority has historically managed its finances well, achieving financial targets and delivering against its 2015/16 budget, as well as being on course to deliver its 2016/17 budget. Despite the significant reductions in service and the pace of change involved, the Authority continues to financially plan appropriately making medium term decisions and assessing the impact of these with sensitivity analysis.
- The Authority is in a period of considerable external change which will inform how it functions and provides services within the wider context of the West Midlands. Decisions are being considered and made at an appropriately senior level and whilst there is an understandable caution, the Authority are clear that greater collaboration and partnership working is the way forward. It is just not clear at this stage what that will look like and what governance arrangements will support this.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on the next page.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed that:

- The pace of change results in these external modifications to working arrangements, partnerships and governance structures will continue to present a significant risk for the Authority going forward and as such, this should remain a key focus for the Authority over the coming months and years.

Management's response to these can be found in the Action Plan at Appendix A.

Key findings

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

Significant risk	Work to address	Findings and conclusions
<p>Informed decision making</p> <p>The Authority has historically managed its finances well, achieving financial targets and delivering against its 2015/16 budget, as well as being on course to deliver its 2016/17 budget</p> <p>Nevertheless the scale and pace of change for the Fire Service will effect future projections, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the final Local Government Finance Settlement 2016/17 published in February 2016.</p>	<p>We reviewed the Authority's arrangements in place for identifying, agreeing and monitoring its sustainability and operational plans, and communicating key findings to the Governing Body and Audit Committee.</p> <p>We reviewed the Authority's updated medium term financial plan and monthly financial monitoring reports and assess the assumptions used.</p>	<p>Service delivery is focussed on: prevention, protection and response.</p> <p>Performance is analysed on a quarterly basis and reported to the Scrutiny Committee. This is measured based on Key Performance Indicators (KPI's) set out in 'The Plan 2015 to 2018'.</p> <p>Authority funding is reducing year on year. Core Government funding is currently 63% of overall annual income. The Medium Term Financial Strategy (MTFS) anticipates that by 2019/20 the core funding received from Government will have reduced by a further 16% or in monetary terms £10 million. Measures are set in each annual budget to ensure the on-going sustainability of the fire authority. We have reviewed progress against these, as reported to the Fire Authority Committee on a quarterly basis.</p> <p>Overall we can conclude that adequate arrangements are in place to ensure the appropriate level of oversight at board level. The comprehensive organisation structure and frequency of meetings mean that information is relayed to members in a timely manner allowing them to resolve or challenge matters in relation to the operational and financial sustainability of the authority.</p> <p>We did not identify any material weaknesses in medium term strategy identified, either financial and non-financial, and the strategy acknowledges the funding restraints the Authority faces both now and in the future. The main assumptions are around the increase in precept income. The long term forecast also takes in to account general inflation and price increases, pay awards, pensions and rental increases. These appear reasonable based on our understanding of the wider economy. An accompanying sensitivity analysis has been undertaken, demonstrating the robustness of the MTFS projections.</p> <p>The Authority has surpassed budgeted expectation for both revenue and capital. This demonstrates an ability to deliver the medium term financial strategy and set realistic budgets based on reasonable assumptions.</p> <p>The fire authority set extensive and challenging key performance indicators (KPIs). In year monitoring demonstrates a trend of consistent under achievement against a number of these KPIs. However, these are not as a result of deficiencies in the deployment of resources or poor decision making, but more where factors are to a large extent outside of the Authority's control. The narrative commentary confirms that procedures in place are adequate for ensuring informed decision making.</p> <p>On this basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements</p>

Key findings

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

Significant risk	Work to address	Findings and conclusions
<p>Working with partners and other third parties</p> <p>The Government is clear that the public sector needs to rethink the boundaries to create efficiencies and deliver services in a more meaningful way to the taxpayer. As such, they have passed legislation which devolves powers to localities. Furthermore, the Government also recently moved ministerial responsibility for Fire & Rescue to the Home Office from January 2016, with a view to supporting closer working within the blue light sector.</p> <p>The Authority is positioning itself to maximise the opportunities from the West Midlands Combined Authority which will be created in 2016/17 and the closer working which is anticipated between West Midlands Police and Fire services.</p>	<p>We have understood the partnership working within the West Midlands and how this is evolving to support the delivery of public sector services across the area.</p> <p>We have assessed the governance arrangements which are being established to support any significant partnerships and consider how these plans are reflected in the longer term strategic planning of the Authority.</p>	<p>The West Midlands Combined Authority, formed (in principle) in July 2015, is seeking agreement to devolve powers from Whitehall (Government) to the Midlands to be deployed by the local authorities. The aim is to meet the needs and demands of the community better. Funding was initially devolved in November 2015. Whilst the process is in its infancy nationally, the West Midlands arrangements make specific reference to the blue light partners.</p> <p>The Authority considered and agreed to be a non-constituent member of the combined authority to widen the level of services they provide and achieve better outcomes for the community while reducing the burden to the public sector. They have 'observer' status at the Board of the Combined Authority without membership. They make a financial contribution of £25,000 per annum and participate in debates leading up to the full approval of the combined authority but not participate in any voting should a vote arise. There is no formal blue print for connection to the Combined Authority, so this represents a starting point for collaboration and joint working going forward. This places them in a strong position to integrated with the development of the combined authority for the purpose of providing a value added, holistic service to the local community and wider public. Governance arrangements are still in their infancy.</p> <p>Following the transfer of ministerial responsibility for Fire & Rescue to the Home Office in January 2016, discussions between the Fire Service and Chief Constable's Police Force have progressed. There is an agreement within the West Midlands that closer working between the blue light sectors, where synergies can be identified, is a positive move. There is limited information around how this will develop and the Authority is clear that there should be a clear focus on benefits and outcomes. Closer working at a senior level or at an operational level will present different opportunities and risks and should enhance the overall service for the public, rather than be an expensive distraction, particularly to the developments within the Combined Authority. However, where costs savings can be identified, this should be progressed at a pace, as the asset review is demonstrating.</p> <p>On this basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements at this time.</p> <p>The pace of change results in these external modifications to working arrangements, partnerships and governance structures will continue to present a significant risk for the Authority going forward and as such, this should remain a key focus for the Authority over the coming months and years.</p>

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 5: Fees, non-audit services and independence

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We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Authority audit	38,636	38,636
Total audit fees (excluding VAT)	38,636	38,636

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

Fees for other services

Service	Fees £
Audit related services	0
Non-audit services	
Presentations regarding changes in pension contribution allowances	3,500

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 6: Communication of audit matters

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Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The pace of change results in these external modifications to working arrangements, partnerships and governance structures will continue to present a significant risk for the Authority going forward and as such, this should remain a key focus for the Authority over the coming months and years.	Medium		

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS FIRE AND RESCUE AUTHORITY

We have audited the financial statements of West Midlands Fire and Rescue Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative

Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

[Signature]

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

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

XX July 2016

Appendix C: Review of internal control issues raised in the prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Weak password access controls for the Active Directory</p> <p>There is no requirement for users to periodically change their password used to log on to the corporate network. There is also no limit on the number of failed attempts that a user may have at entering their password. Both of these are significant weaknesses in access controls.</p> <p>Without adequate password access controls in place there is an increased risk of unauthorised access being gained to information assets.</p> <p>Recommendation</p> <p>We recommended that the Authority comply with recognised best practice:</p> <ul style="list-style-type: none"> the 'maximum password age' value within Active Directory to between 30-60 days the 'account lockout threshold' is set to between 3-5 attempts. 	<p>Network password amendments:</p> <ul style="list-style-type: none"> Maximum age set to 60 days, history set to 10 passwords remembered, and complexity enabled. Lockout not applied to avoid mobile devices causing issues on retry.
2.	✓	<p>No Change Management Procedures</p> <p>There is no documented Change Management Policy in place for IT system changes and no documented evidence of the controls implemented for the changes that have taken place on the network and applications during the year. This was also raised as a finding in 2013/14</p> <p>The lack of documented change management procedures for staff to adhere to could result in changes not being effectively administered on the corporate network causing system down-time or service disruption.</p> <p>Recommendation</p> <p>IT should implement and maintain formal procedures for the change management process which will describe how they will deal with both minor and major changes and ensure traceability is maintained throughout.</p>	<ul style="list-style-type: none"> A draft Change Management policy document has been issued. All ICT staff have been trained to ITIL foundation level with an outcome of understanding change management and change management processes. An ITIL consultant has been engaged to implement Change Management procedures based on ITIL's 3 specified change types. (Standard, Normal and Emergency). Recommendation was not to do this in isolation, but instead, perform a total review. it is envisaged that the implementation of a change management process for Standard Changes will be completed by the end of September 2016.

Appendix C: Review of internal control issues raised in the prior year (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3.	✓	<p>Excessive number of domain administrators</p> <p>There were 21 users who are members of the powerful 'domain administrators' Active Directory group. Users in this group have the ability to perform a wide range of system functions. This is seen as an abnormally high in relation to the number of users.</p> <p>There is a risk that individuals could override system controls, either deliberately or by accident. In addition information assets within the organisation may not be adequately secured against unauthorised or inappropriate access.</p> <p>Recommendation Membership of the domain administrators group should be regularly reviewed and restricted to only those trained staff with a requirement to have this level of privilege.</p> <p>Work is on-going to reduce the number of users with domain administration access to the system.</p>	<ul style="list-style-type: none"> The number of named individual accounts in the Domain Administrators group has been reduced to 9. This is considered to mitigate the risk to an acceptable level.
4.	✓	<p>Lack of formal review for Information Security policies and procedures</p> <p>At time of review, the existing IT security policy had not been formally reviewed or updated since its establishment in September 2010. Lack of controls create the following risks:</p> <p>a) Security administration processes and control requirements may not be formalized, understood by, or communicated to those within the organization responsible for observing and/or implementing them</p> <p>b) Effectiveness of security administration processes and controls may be diminished due to environmental and/or operational changes</p> <p>c) Information security processes, requirements and controls may be inconsistently defined, understood and implemented throughout the organization.</p> <p>d) The lack of formal (documented) information security requirements may make sanctioning employees for inappropriate use of information resources more difficult. For example, a user who caught sharing personal passwords with other employees may be able to claim ignorance of any wrongdoing as this action did not violate any organizational policy documents.</p> <p>Recommendation Information security policies and procedures should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness.</p>	<ul style="list-style-type: none"> As an organisation the Authority is moving away from policies and procedures and the matters are covered under Standing Orders 1/19, 1/20, 1/33 and 2/16. In addition a further Standing Order 1/30 is being created. Standing Orders 1/19, 1/20, 1/33 have been updated and published Standing Order 2/16 has been updated. This now is pending review form PSS who are considering amalgamation of other SOs Standing Order 1/30 has been submitted for publication. This is awaiting response.



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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

19 SEPTEMBER 2016

1. STATEMENT OF ACCOUNTS 2015/2016

Joint report of the Chief Fire Officer and the Treasurer.

RECOMMENDED

- 1.1 THAT the Statement of Accounts for 2015/2016 set out in Appendix A be noted.
- 1.2 THAT the Statement of Accounts summary for 2015/2016 set out in Appendix B be noted.

2. PURPOSE OF REPORT

This report is submitted for Members to note the Authority's Statement of Accounts for the financial year ended 31 March 2016.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of September. The Audit Committee at its meeting on 25th July 2016 approved the Statement of Accounts for 2015/2016.
- 3.2 It is a further requirement of the Regulations that Members are informed of any material changes required by the external auditors. The Audit Findings Report was presented to the Audit Committee on 25th July 2016 outlining the findings of the audit work undertaken. Following the Audit Committee meeting, the auditor issued an unqualified opinion on the Authority's 2015/16 financial statements included in the Authority's Statement of Accounts.
- 3.3 The Accounts show net cost of services in 2015/2016 of £107.8 million including an appropriation to earmarked reserves of £3.899 million. General balances have increased by £0.002 million to £9.233million.

- 3.4 The total Provision of Services in 2015/2016 shows a deficit of £60.617 million, after allowing for the required accounting treatment of pensions governed by International Accounting Standard – Nineteen (IAS19). Within this deficit is £103.004 million on the provision of Fire Services, £62.684 million on Pensions and £0.121 million on Fire Service Emergency Planning and Civil Defence. Capital expenditure totalled £3.075 million.
- 3.5 A Statement of Accounts is attached as Appendix A and a summary of accounts is attached as Appendix B, both are available on the Fire Service Internet and can be viewed at <https://www.wmfs.net/your-fire-service/openness/documents>.
- 3.6 A hard copy of the full Statement of Accounts can be supplied to individual Members on request and will be available to view at the Authority meeting.

4. EQUALITY IMPACT ASSESSMENT

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

5. LEGAL IMPLICATIONS

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

6. FINANCIAL IMPLICATIONS

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

BACKGROUND PAPERS

Accounts and Audit Regulations 2015
Code of Practice on Local Authority Accounting 2015/2016
Final Accounts Files – Finance Office

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

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

WEST MIDLANDS FIRE SERVICE

WEST MIDLANDS FIRE AND RESCUE AUTHORITY



Financial Statements & Notes to the Accounts

2015/2016

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS FIRE AND RESCUE AUTHORITY

We have audited the financial statements of West Midlands Fire and Rescue Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ☐ present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- ☐ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- ☐ in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- ☐ we issue a report in the public interest under section 24 of the Act; or
- ☐ we make a written recommendation to the Authority under section 24 of the Act; or
- ☐ we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

James Cook

James Cook for and on behalf of Grant Thornton UK LLP, Appointed Auditor
The Colmore Building
20 Colmore Circus
Birmingham B4 6AT
28 July 2016

NARRATIVE REPORT BY THE TREASURER

The West Midlands Fire Service (WMFS) covers an area approaching 92,000 hectares (350 sq. miles) and provides a fire and rescue service to a population of approximately 2.8 million people living in a million dwellings. It covers the cities of Birmingham, Coventry and Wolverhampton and the Metropolitan Boroughs of Dudley, Sandwell, Solihull and Walsall.

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

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

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

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

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

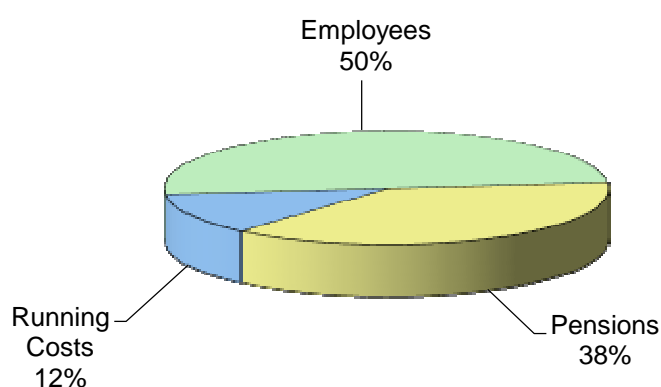
- Value for Money - Government funding reductions are met and the Service Delivery Model is maintained. Flexible and sustainable funding opportunities are identified and secured. Assets are used as effectively and efficiently as possible.
- People - Leadership and personal accountability at all levels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

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

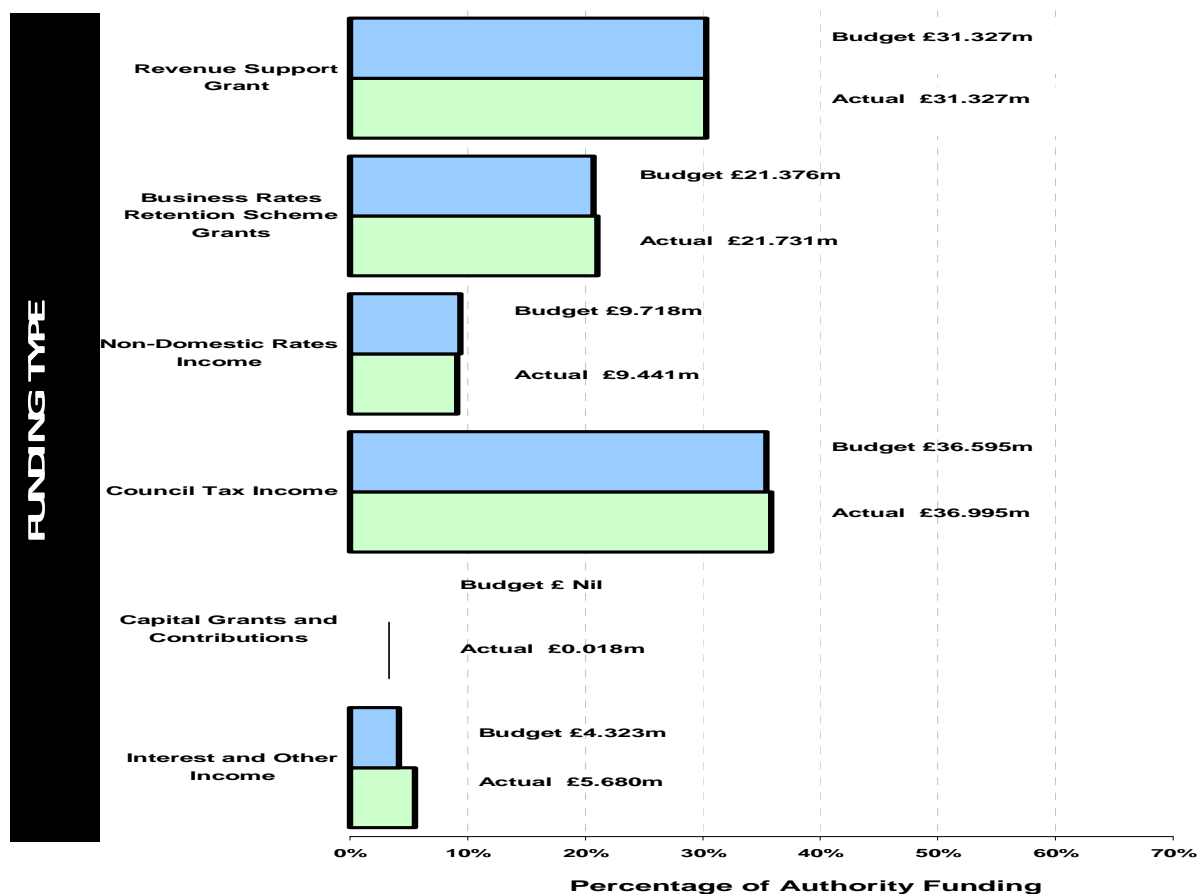
- 1 The Authority's accounts for the financial year 2015/2016 are set out on the following pages and consist of:
- The Movement in Reserves Statement (MIRS), which shows the movement in the year on the different reserves held by the Authority.
 - The Comprehensive Income and Expenditure Statement (CIES),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

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

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



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



7. In 2015/16 the Authority spent £3.075m on capital projects, the largest of these being £1.852m on Vehicle Replacements, £0.340 on Station Modifications (Dignity at Work) and £0.306m on Window/Door Replacements. The total expenditure on capital schemes was financed directly by the application of capital grants. Note 24 provides details of capital expenditure and capital financing.
8. In 2015/16 appropriations of £3.899m were made to earmarked reserves and £0.002m to general reserves.
9. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in the notes to the accounts.
10. The Authority, at its February 2015 meeting authorised the limit for external debt at £44m and the statutory limit for external debt at £48m. As at 31st March 2016, the Authority's actual long-term principal borrowing was £38.627m and short-term principal borrowing was £1.073m as per Note 9.3.
11. The 2015/16 accounts include the impact of IAS19. The effects of IAS19 are shown within the CIES and Balance Sheet. There is no effect on Council Tax from the implementation of this standard. The figures disclosed represent a snapshot in time. The accounts show that there is a significant shortfall between the forecast cost of pensions and the current level of assets built up in the pension fund.

12. Financial Outlook

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

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

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

13. Performance Indicators (PI)

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

The setting of targets against operational and other performance indicators enables the Service to identify key areas for improvement which contribute to making the West Midlands safer, stronger and healthier. During 2015/16 the Scrutiny Committee received quarterly updates of the organisation's performance.

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

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


Key:
Blue
Green
Red

Over performance against the tolerance levels


Performance is within the tolerance levels


Under performance against the tolerance levels


RESPONSE

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


PREVENTION


PI 2		The number of accidental dwelling fires Annual Forecast : 1704 (1619 – 1738 tolerance) Actual to date: 1702
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PI 3		Injuries from accidental fires in dwellings (taken to hospital for treatment) Annual Forecast: 61 (49 – 67 tolerance) Actual to date: 63
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PI 4		The number of deaths from accidental dwelling fires Annual Forecast: N/A Actual to date: 9
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PI 5		The percentage of Home Safety Checks referred by our partners Annual Forecast: 40% Actual to date: 28.8%
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PI 6		The number of Home Safety Check / Safe & Well Visit points achieved by the Brigade Annual Forecast: 130000 Actual to date: 204445
-------------	---	--


PI 7		The number of people killed or seriously injured in road traffic collisions Annual Forecast: Not applicable Actual to date: 469
-------------	---	--

PI 8		The number of arson fires in dwellings Annual Forecast: 185 (215 – 251 tolerance) Actual to date: 198
-------------	---	--


PI 9		The number of arson fires in non-domestic premises Annual Forecast: 159 (143 – 167 tolerance) Actual to date: 151
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PI 10		The number of arson vehicle fires Annual Forecast: 610 (549 – 641 tolerance) Actual to date: 725
--------------	---	---

PI 11		The number of arson rubbish fires Annual Forecast: 2304 (2189 – 2350 tolerance) Actual to date: 2133
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PI 12		The number of arson fires in derelict buildings Annual Forecast: 133 (120 – 140 tolerance) Actual to date: 144
--------------	---	---

PROTECTION

PI 13		The number of accidental fires in non-domestic premises Annual Forecast: 507 (456 – 532 tolerance) Actual to date: 461
--------------	---	---

PI 14		The number of false alarm calls due to fire alarm equipment Annual Forecast: 6334 (6018 – 6461 tolerance) Actual to date: 5735
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14. Further information about the accounts is available from:

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

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

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




Mike Griffiths, C.P.F.A
Treasurer

Date: 25th July 2016

STATEMENT OF APPROVAL FOR THE STATEMENT OF ACCOUNTS

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



Tersaim Singh
Chairman of the Audit Committee

Date: 25th July 2016

ACCOUNTING POLICIES

1. General Principles

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

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

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

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

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

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

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

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

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

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

5. Charges to Revenue for Non-Current Assets

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

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

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

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

6. Employee Benefits

6.1 Benefits Payable during Employment

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

6.2 Termination Benefits

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

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

6.3 Post Employment Benefits

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

- Uniformed Firefighters – Original (1992) Scheme

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

- Uniformed Firefighters – (2006) Scheme

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

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

- Uniformed Firefighters – (2015) Scheme

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

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

- The Local Government Pensions Scheme

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

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

These schemes are accounted for as defined benefits schemes:

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

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

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

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

6.4 Discretionary Benefits

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

7. Events after the Reporting Period

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

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

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

8. Financial Instruments

8.1 Financial Liabilities

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

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

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

Creditors are carried on the balance sheet at contract amount.

8.2 Financial Assets

Debtors are carried on the balance sheet at contract amount.

8.3 Fair Value Measurement

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

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

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

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

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

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

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

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

9. Government Grants and Contributions

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

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

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

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

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

10. Inventories

Inventories are included in the Balance Sheet at the latest price. This does not comply with the standard which requires the lower of cost and net realisable value. The total value of stocks held is approximately £582k (2014/15 £877k) and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

11. Overheads and Support Services

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

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

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

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

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

12. Property, Vehicles, Plant and Equipment

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

12.1 Recognition

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

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

12.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

12.3 Impairment

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

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

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

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

12.4 Depreciation

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

The following depreciation policies have been adopted:

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

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

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

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

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

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

13. Minimum Revenue Provision

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

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

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

The Treasurer has the discretion to make an additional provision.

14. Provisions and Contingent Liabilities

14.1 Provisions

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

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

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

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

14.2 Contingent Liabilities

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

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

15. Reserves

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

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

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

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

17. Value Added Tax (VAT)

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

18. Restated Figures 2014/2015

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

19. Roundings

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

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

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

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

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

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

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

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

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance.

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

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

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the MIRS.

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

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services.

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



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

CASH FLOW STATEMENT

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

1. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

2. EVENTS AFTER THE REPORTING PERIOD

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

3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2014/2015	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		-	-
Pension costs (transferred to/(from) the Pensions Reserve)	*(75,389)	-	-
Council tax and non-domestic rates income (transfers to/(from) Collection Fund)	266	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	8	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	*588	-	(5,028)
Total Adjustments to Revenue Resources	(74,527)	-	(5,028)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	19	(19)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,659	-	-
Total Adjustments between Revenue and Capital Resources	1,678	(19)	-
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	-	-	2,288
Total Adjustments to Capital Resources	-	-	2,288
Total Adjustments	(72,849)	(19)	(2,740)

* These figures have been aggregated.

2015/2016	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to/(from) the Pensions Reserve)	(62,684)	-	-
Council tax and non-domestic rates income (transfers to/(from) Collection Fund)	201	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	78	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,036)	-	-
Total Adjustments to Revenue Resources	(65,441)	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	220	(220)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	703	-	-
Total Adjustments between Revenue and Capital Resources	923	(220)	-
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	-	-	3,057
Total Adjustments to Capital Resources	-	-	3,057
Total Adjustments	(64,518)	(220)	3,057

4. TRANSFERS TO/FROM EARMARKED RESERVE

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

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

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

5. UNUSABLE RESERVES

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

5.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Vehicles, Plant, and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

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

5.2 Capital Adjustment Account

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

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

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

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

5.3 Pensions Reserve

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

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

5.4 Collection Fund Adjustment Account

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

5.5 Accumulated Absences Account

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

2014/2015			2015/2016	
£000	£000		£000	£000
	3,045	Balance 1 April		3,037
(3,045)		Settlement or cancellation of accrual made at the end of the preceding year	(3,037)	
3,037		Amounts accrued at the end of the current year	2,959	
	(8)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(78)
	3,037	Balance 31 March		2,959

6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

7. TAXATION AND NON SPECIFIC GRANT INCOMES

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

8. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

8.1 Comparative Movements in 2014/2015

2014/15	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2014	122,331	32,394	1,765	2,835	159,325
Additions	332	719	-	1,985	3,036
Donations	-	80	-	-	80
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,304	-	41	-	2,345
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(459)	-	4	-	(455)
De-recognition – disposals	-	(1,600)	(48)	-	(1,648)
Assets reclassified (to) / from Held for Sale	(200)	-	-	-	(200)
Other movements in cost or valuation	4,205	440	-	(4,645)	-
At 31 March 2015	128,513	32,033	1,762	175	162,483
Accumulated Depreciation and Impairment					
At 1 April 2014	62	22,857	302	-	23,221
Depreciation charge	2,744	1,992	23	-	4,759
Depreciation written out to the Revaluation Reserve	(2,806)	-	(23)	-	(2,829)
De-recognition – disposals	-	(1,550)	(48)	-	(1,598)
At 31 March 2015	-	23,299	254	-	23,553
Net Book Value					
At 31 March 2014	122,269	9,537	1,463	2,835	136,104
At 31 March 2015	128,513	8,734	1,508	175	138,930

8.2 Movements on Balances 2015/2016

2015/16	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2015	128,513	32,033	1,762	175	162,483
Additions	741	370	-	1,942	3,053
Donations	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,163	-	33	-	12,196
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,896	-	4	-	1,900
De-recognition – Disposals	-	(699)	(125)	-	(824)
De-recognition – Other	-	(262)	-	-	(262)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	193	74	-	(267)	-
At 31 March 2016	143,506	31,516	1,674	1,850	178,546
Accumulated Depreciation and Impairment					
At 1 April 2015	-	23,299	254	-	23,553
Depreciation charge	2,876	1,852	-	24	4,752
Depreciation written out to the Revaluation Reserve	(2,876)	-	-	(24)	(2,900)
De-recognition – Disposals	-	(699)	(125)	-	(824)
De-recognition – Other	-	(262)	-	-	(262)
At 31 March 2016	-	24,190	129	-	24,319
Net Book Value					
At 31 March 2015	128,513	8,734	1,508	175	138,930
At 31 March 2016	143,506	7,326	1,545	1,850	154,227

8.3 Depreciation

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

8.4 Capital Commitments

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

The largest of these contractual commitments represents:

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

8.5 Revaluations

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

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

9. FINANCIAL INSTRUMENTS

9.1 Balance Sheet

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

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

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

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

9.2 Income, Expense, Gains and Losses

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

9.3 Loans Outstanding

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

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

The amounts owing are as follows:

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

9.4 Fair Value Measurement

IFRS 13 requires that local authorities measure some of their financial instruments at fair value and to apply the relevant input levels of the fair value hierarchy that are detailed in 8.3 of the Authority's accounting policies.

9.4.1 Fair Value of Assets and Liabilities at Amortised Costs

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

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

9.4.2 Financial Liabilities

The fair values are as follows:

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

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

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

9.4.3 Financial Assets

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

9.4.4 Fair Value Hierarchy for Financial Assets and Financial Liabilities

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

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

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

9.5 Nature and extent of risks arising from Financial Instruments

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

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

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

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

9.5.1 Credit risk

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

The Authority does not generally allow credit for customers, such that £0.552m of the £15.065m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

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

9.5.2 Liquidity risk

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

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

9.5.3 Market risk

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

During 2015/16, if interest rates on investments had been 0.25% lower with all other variables held constant, the impact on the CIES would be a fall in interest received of £0.165m (2014/2015 £0.164m). The impact of a 0.25% increase in interest rates would be the same but reversed, interest would increase by £0.165m (2014/2015 £0.164m).

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

10. INVENTORIES

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

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

11. DEBTORS

11.1 Long Term Debtors

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

11.2 Short Term Debtors

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

12. CASH AND CASH EQUIVALENTS

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

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

13. CREDITORS

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

14. PROVISIONS

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

- An insurance provision of £0.409m for previous years' employee and public liability claims is held in line with recommendations of the actuarial valuation. Whilst the Actuary can give advice about the total value of claims they are not able to confirm when these will be submitted.
- The Scheme Administrators for Municipal Mutual Insurance Limited (MMI), notified the Authority in April 2016 that they reviewed the assets and liabilities to determine whether a further Levy on Scheme Creditors was required. They concluded that a further Levy was required in the near term and advised that the rate of the Levy will be increased to 25% (an additional 10%), which for the Authority is calculated to be £0.268m.

14.2 GAD v Mr. Milne

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

15. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

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

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

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

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

2014/2015 £000		2015/2016 £000
19	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	221
5,856	Capital Grants credited to Surplus or Deficit on the provision of services	18
5,875	Net cash (inflows)/outflows from adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	239

16. CASH FLOW STATEMENT - INVESTING ACTIVITIES

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

17. CASH FLOW STATEMENT - FINANCING ACTIVITIES

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

18. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

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

Reconciliation of Net Expenditure to cost of services in the CIES

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

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

Reconciliation to Subjective Analysis

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

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

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

19. OFFICERS' REMUNERATION

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

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

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

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

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

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

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

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

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

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

20. MEMBERS' ALLOWANCES

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

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

21. EXTERNAL AUDIT COSTS

Fees payable to external auditors:

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

22. RELATED PARTIES

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

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

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

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

Grants received are set out in Note 23.

23. GRANT INCOME

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

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

23.2 Grants – Receipts in Advance

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

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

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

24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

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

25. DEFINED BENEFIT PENSION SCHEMES

25.1 Participation in Pension Schemes

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

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

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

25.2 Transactions Relating to Post-employment Benefits

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

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

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

25.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

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

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

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

25.6 Local Government Pension Scheme assets comprised:

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

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

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

25.7 Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

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

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

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

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

The tables below show the sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions and the impact on the total liability as at 31 March 2016 for the Firefighters' Pension Schemes:

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

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

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

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

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

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

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

25.8 Impact on the Authority's Cash Flows

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

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

The authority anticipated to pay approximately £3m expected contributions to the Local Government Pension scheme in 2016/17.

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

26. CONTINGENT LIABILITIES

26.1 Municipal Mutual Insurance Limited (MMI)

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

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

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

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

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

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

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

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

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

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

27. WEST MIDLANDS FIRE SERVICE BUSINESS SAFETY LTD

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

PENSION FUND ACCOUNT

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

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

NOTES TO THE PENSION FUND ACCOUNT

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

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

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

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

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

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

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

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

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

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

2. The Purpose of the Governance Framework

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

3. The Governance Framework

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

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

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

4. Review of Effectiveness

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the statutory officers and principal managers of the Authority who have responsibility for the development and maintenance of the governance environment, the internal audit annual report and comments made by the external auditors in their annual audit letter and other reports.

4.2 Department and section unit business plans contain a variety of performance indicators and targets that are regularly reviewed.

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

- Chief Fire Officer
- Treasurer
- Monitoring Officer

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

4.4 The arrangements for the provision of internal audit are contained within the Authority's Financial Regulations. The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003 as amended in 2006. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority.

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

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

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

4.7 From the work undertaken by Internal Audit in 2015/2016 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.

- 4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 4.9 We have been advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

5. Significant governance arrangements within the Authority

- 5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-
- Prevention – Safer and healthier communities
 - Protection – stronger business communities
 - Response – dealing effectively with emergencies
- 5.2 These form the basis of the Authority's Corporate Strategy known as The Plan 2016-2019 which sets out the outcomes and priorities based on the Community Safety Strategy. The five-minute attendance standard lies at the heart of the Service Delivery Model. The model shows how staff provide the core prevention, protection and response services to make the West Midlands safer, stronger and healthier.
- 5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2014/2015 audit work which reported an unqualified opinion on the financial statements. It also issued an unqualified value for money conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 5.4 Based on audit work undertaken during the year an Annual Internal Audit Report was presented to the Audit Committee on 6 June 2016, Audit work which was completed in 2015/2016 included:-
- Pensions Certification
 - Budgetary Control
 - Procurement
 - Accounts Receivable
 - Fixed Asset Accounting/Asset Planning
 - Accounts Payable
 - Risk Management
 - Governance
 - Performance Management
 - Workforce Planning
 - Business Continuity
 - IT
 - Payroll

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

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

5.6 All issues highlighted in the Annual Internal Audit Report have been raised with relevant managers and actions have been taken to achieve improvements.

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

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

6. Certification

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



John Edwards
Chairman



Phil Loach
Chief Fire Officer

GLOSSARY OF TERMS

Accruals

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

Accumulated Absences Account

The estimated cost of any untaken employee benefits.

Balance Sheet

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipt

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code – code of practice on local authority accounting

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

Creditor

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

Current Assets

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

Current Liabilities

Amounts falling due for payment in the next accounting period.

Current Service Cost (Pensions)

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

Debtor

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

Deferred Liability

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

Defined Benefit Pension Scheme

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

Depreciation

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

Emoluments

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

Employee Benefits

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

Fixed Asset

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

General Fund

The total services of the Authority, the net cost of which is met by Precepts, Government Grants and Non-Domestic Rates.

Government Grants

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

Heritage Assets

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

Impairment

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

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Liabilities

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

Long term Borrowing

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

Long term Debtors

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

Materiality

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

Minimum Revenue Provision

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

Non-Domestic Rates

Rates which are levied on business properties.

Net Book Value

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

Net Realisable Value

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

Non Operational Assets

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

Operational Assets

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

Past Service Cost (Pensions)

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

Payment in Advance

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

Precept

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

Provisions

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

Receipts in Advance

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

Related Party

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

Central Government.

West Midlands Local Authorities.

Members of the Authority or parties related to them.

Chief Officer or parties related to them.

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

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

Temporary Loans

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

Useful Life

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

Item 6

SUMMARY OF ACCOUNTS



2015-2016

INTRODUCTION

This document is a summary of the Authority's Statement of Accounts for 2015/16.

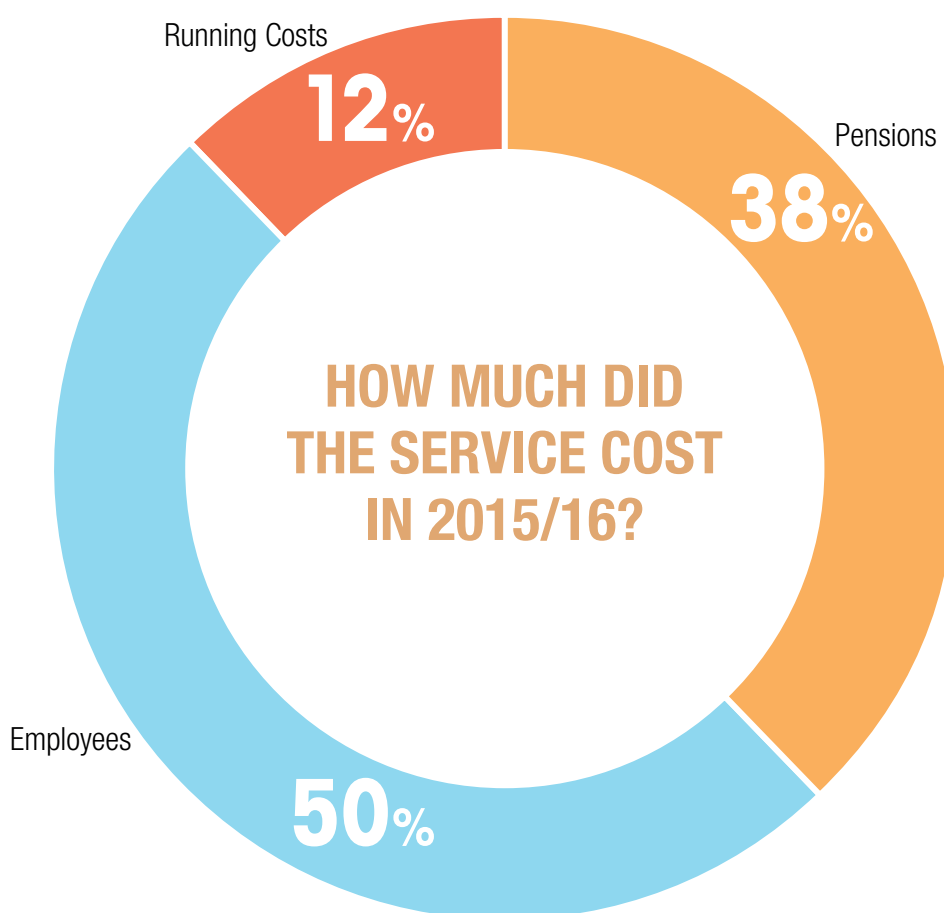
The Authority is responsible for the Stewardship of public money and the production of summary accounts allows it to enhance its accountability to the residents of the West Midlands.

The Authority's 2015/16 Statement of Accounts is prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, under International Financial Reporting Standards (IFRS).

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

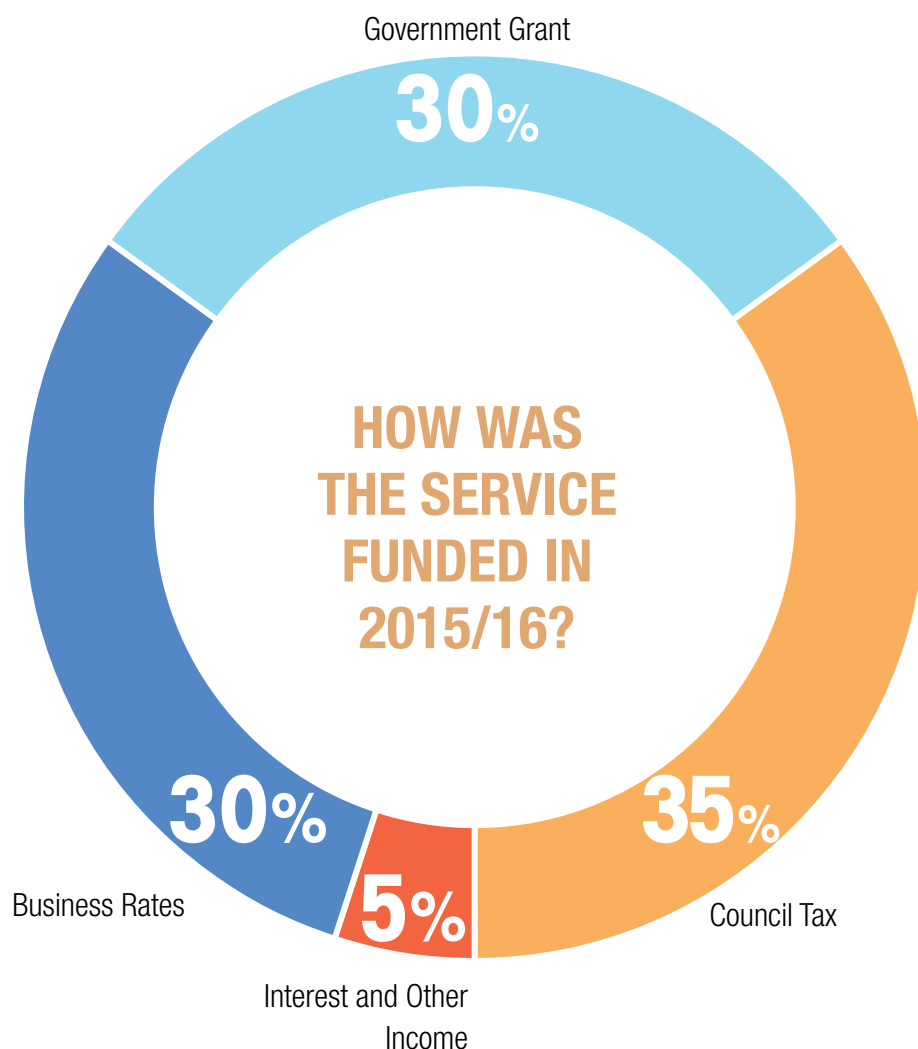
The majority of the net cost of Fire Service expenditure relates to firefighting and rescue operations (£92m) and community fire safety work (£14m).

The total Provision of Services in 2015/16 shows a deficit of £60.617m. Within this deficit is £103m on the provision of Fire Services, £62.7m on Pensions and £0.1m on Fire Service Emergency Planning and Civil Defence. The type of costs can be broken down as shown opposite:



The total income of the Authority in 2015/16 was £105.2m. The majority of funding came from the government in the form of grant and a share of business rates.

The main sources of funding are shown opposite.



BALANCES AND RESERVES

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

In order to set a balanced budget in 2015/16 the Authority assumed no movement in general balances. The actual level of general balances increased in the year by £0.002m, leaving £9.233m general balances at the end of the financial year. The Authority holds general balances as funding to meet any unforeseen events which it may need to respond to. Interest is earned on any unused balances.

In addition, as part of the closedown of accounts process, consideration needs to be given to the level of earmarked reserves required. These are amounts set aside to meet specific anticipated future demands. The level of earmarked reserves increased by £3.899m, this brought the total level of these reserves to £40.165m. Interest is earned on any balances until expenditure is committed against the demands identified.

CAPITAL EXPENDITURE AND FUNDING

In 2015/16, the Authority spent £3.075 million on capital projects.

The expenditure was incurred on the following:

	£m
Vehicles	1.852
Land and buildings	0.985
ICT & Equipment	0.238

The total expenditure was financed directly by the application of capital grants.

No borrowing was undertaken to assist with purchase of assets during 2015/16. Borrowing in earlier years meant that at the end of 2015/16 the Authority had total loans of £39.7m (the interest and principal on any loans needs to be met from future revenue budgets). The value of long-term assets held by the Authority as at 31 March 2016 which the loans had helped fund was £154m, of which approximately 95% related to land and buildings and 5% 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.

The Authority's full 2015/16 audited Statement of Accounts can be found on our website www.wmfs.net/

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

19 SEPTEMBER 2016

1. **MONITORING OF FINANCES**

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

THAT the report be noted.

2. **PURPOSE OF REPORT**

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

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

3. **BACKGROUND**

3.1 **Revenue Expenditure**

Appendix A compares the revenue budgeted to the end of August 2016 with the actuals to that date. Devolved budgets are managed by the Department responsible for incurring the expenditure as opposed to corporate budgets, which are managed by the named Department on behalf of the Brigade as a whole.

The Authority's 2016/2017 Council Tax requirement is £37.874 million and the revenue budget is £97.413 million. Actual spend to August 2016, including commitments, was £41.600 million compared to a projected budget of £41.710 million, an overall favourable variance of £0.110 million. This mainly relates to savings arising from staff vacancies across Support Services and additional income, offset by an overspend in expenditure on Operational staffing.

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

3.2 **Capital Expenditure**

The Authority's approved capital programme for 2016/2017 is £7.933 million. A scheme analysis is shown on Appendix C. Expenditure to the end of August 2016 is shown as £0.828 million.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

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

BACKGROUND PAPERS

Authority's Budget and Precept Report – February 2016
Finance Office Budget Monitoring Files

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

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

REVENUE MONITORING SUMMARY TO AUGUST 2016
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	LATEST BUDGET 2016/2017 £'000	PROFILED BUDGET £'000	ACTUALS + COMMIT- MENTS £'000	VARIANCE TO PROFILED BUDGET £'000
DEVOLVED BUDGETS				
Corporate Management	3,319	2,017	1,975	-42
Service Support				
People Support Services	5,549	2,308	2,238	-70
Business Development	94	44	47	3
Operational Preparedness	1,199	527	482	-45
Operational Assurance	407	177	188	11
Finance & Resources	4,473	1,724	1,676	-48
ICT	4,042	1,500	1,432	-68
Service Delivery				
Operations	50,659	21,061	21,225	164
CORPORATE BUDGETS				
Service Support				
People Support Services	2,645	1,036	1,032	-4
Operational Preparedness	0	55	64	9
Finance and Resources	19,996	9,188	9,170	-18
Service Delivery				
Response	5,065	2,106	2,123	17
Prevention	-14	0	0	0
Protection	-21	-33	-52	-19
TOTAL (NET BUDGET REQUIREMENT)	97,413	41,710	41,600	-110
Grant Funding	- 59,539	-29,658	-29,658	0
TOTAL (COUNCIL TAX REQUIREMENT)	37,874	12,052	11,942	-110

FIREFIGHTERS' PENSION SCHEMES**NON-FINANCIAL
INFORMATION**

	2016/17 PROJECTION				ACTUAL POSITION AS AT AUGUST 2016*			
	1992 FPS	2006 FPS	2015 FPS	TOTAL	1992 FPS	2006 FPS	2015 FPS	TOTAL
Members of FPS at 1st April 2016	470	16	887	1,373	470	16	887	1,373
New Members	-	-	-	-	-	-	-	-
Opt-In	-	-	-	-	-	-	-	-
Transitional Members during year	-33	-5	38	-	-9	-4	13	-
Transfers from Other Pension Schemes	-	-	2	2	-	-	-	-
Transfers to Other Pension Schemes	-	-	-5	-5	-	-	-	-
Retirements	-66	-1	-	-67	-20	-	-	-20
Opt-Out	-	-	-4	-4	-	-	-8	-8
Leavers	-	-	-	-	-	-	-7	-7
Ill-Health Retirements	-3	-	-	-3	-	-	-	-
Members of the Fire Pension Schemes as at 31st August 2016					441	12	885	1,338

* Note: Excludes any Auto-Re-Enrolments in August 2016

CAPITAL MONITORING STATEMENT 2016/17

Scheme	Year 2016/17	Latest Budget £'000	Actuals August 2016 £'000	Forecast £'000	Variance £'000
<u>LAND & BUILDINGS</u>					
Coventry Fire Station	2 of 3	2,412	87	2,412	-
Aston Fire Station	2 of 4	191	9	179	-12
Training at Height Facilities	11 of 11	363	3	363	-
Boiler Replacement Programme	Ongoing	306	3	306	-
Roof Replacements	Ongoing	132	0	132	-
Windows/Door Replacement	Ongoing	131	0	131	-
Rewires	Ongoing	210	0	210	-
Bilston Modification Works	1 of 1	90	32	88	-2
X-Plan	1 of 1	299	0	299	-
Haden Cross Fire Station	4 of 4	49	1	50	+1
Dignity at Work	3 of 3	4	4	4	-
Secondary Control Room Relocation	1 of 1	350	7	350	-
<u>VEHICLES</u>					
Vehicle Replacement Programme	Ongoing	3,007	630	3,001	-6
<u>ICT & EQUIPMENT</u>					
MDT Upgrade / Replacements	1 of 1	310	0	300	-10
Oracle Licensing	8 of 8	25	0	25	-
PBX Upgrade	2 of 2	54	52	54	-
Grand Total		7,933	828	7,904	-29
<u>Funded By</u>					
Prudential Borrowing		0		0	-
Capital Grants / Contributions		2,485		2,485	-
Capital Receipts to be Applied		1,105		1,105	-
Revenue Financing / Earmarked Reserves		4,343		4,314	-29
TOTAL		7,933		7,904	-29
SURPLUS(-)/DEFICIT(+)					

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

19 SEPTEMBER 2016

1. **CONTRACT AWARDS SUMMARY FOR PERIOD TO 31 AUGUST 2016**

Report of the Chief Fire Officer

RECOMMENDED

THAT the Authority note the attached Appendix which summarises the contracts in excess of £250,000 that have been awarded since 1 March 2016.

2. **PURPOSE OF REPORT**

This report provides a six month summary of all contracts that have been awarded since 1 March 2016.

3. **BACKGROUND**

3.1 At the Authority meeting on the 29 June 2015, Members approved a number of revisions to the Constitution. One of the revisions was that a retrospective twice yearly summary report of tender contract awards in excess of £250,000 be submitted to the Executive Committee/Fire Authority for information purposes.

3.2 In accordance with the above requirement, a summary of those contracts awarded is attached as Appendix 1.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

The procurement processes that were followed for the procurement exercises detailed in the Appendices to this report were conducted

in accordance with the Authority's Procurement Standing Orders and the Public Contract Regulations 2015.

6. **FINANCIAL IMPLICATIONS**

These are contained in the attached Appendices.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

Authority Meeting 21 September 2015

Authority Meeting 29 June 2016

Standing Order 1/8 – Procurement Procedures

The contact name for this report is Deputy Chief Fire Officer Phil Hales -
Telephone Number - 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

APPENDIX 1

Contract Title	Winning Supplier	Approval Date	Contract Period (Including Extension Options)	Annual Contract value or Total Value for one off Purchase	Total Contract Value (including extension periods)	Budget PA	Basis of award e.g. Lowest Price or MEAT*	Date and Minute Number of Planned Tender Report	Any Other Relevant Information
Professional Fees for the Reconstruction of Aston Fire Station	Bond Bryan Architects	3 May 2016	24 months	£265,000	£265,000	£550,000	MEAT	15 February 2015	
Reconstruction of Coventry Fire Station	Willmott Dixon	26 April 2016	18 months	£6,500,000	£6,500,000	£6,000,000	MEAT	23 November 2015	
Hi-Viz Jackets Framework Agreement	Oxford Safety Supplies and Future Garments Limited	13 May 2016	4 years	Up to £200,000	Up to £800,000	£800,000	MEAT	23 November 2015	Framework value of £800,000 is for all UK Fire and Rescue Services. The Authority's expenditure would be £46,000 over the life of the framework
Liquid Fuels	Certas Energy UK Ltd	24 August 2016	2 years	£470,000	£940,000	£470,000	Direct Award from Framework Agreement	11 April 2016	
Boilers and associated works	Bilston Fire Station – Three Pines and J. Tomlinson	25 May 2016	One off purchase	£60,000 and £21,000	£81,000	Part of £408,000 for Boiler replacements	Price Only	11 April 2016	
	Aldridge, Binley and Highgate Fire Stations – Carter Synergy	16 th June 2016		£175,000	£175,000		MEAT		

* Most Economically Advantageous Tender (MEAT)

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

19 SEPTEMBER 2016

1. WEST MIDLANDS FIRE SERVICE FLEET AVAILABILITY

Report of the Chief Fire Officer

RECOMMENDED

- 1.1 THAT Members note policy changes creating an impact on the Ridership factor leading to pressures on the Staffing Model.
- 1.2 THAT Members note West Midlands Fire Service's fleet availability within the Service Delivery Model.
- 1.3 THAT Members note the delegations to the Chief Fire Officer (CFO) relating to resource deployment.

2. PURPOSE OF REPORT

This report is to inform Members of the approach taken to determining the requirements of our Service Delivery Model and the day to day management of fleet availability.

3. BACKGROUND

3.1 Integrated Risk Management Planning

- 3.1.1 The strategy of West Midlands Fire and Rescue Authority (WMFRA) is focused on making our communities Safer, Stronger and Healthier. To achieve this strategy requires the Service to undertake Integrated Risk Management Planning (IRMP).
- 3.1.2 IRMP is a duty on all Fire and Rescue Services under the National Fire and Rescue Framework which requires West Midlands Fire Service (WMFS) to identify, assess and mitigate fire and rescue related risks. Our IRMP consists of four elements which include:

- Risk Analysis
- The Community Safety Strategy
- The Plan
- Statement of Assurance.

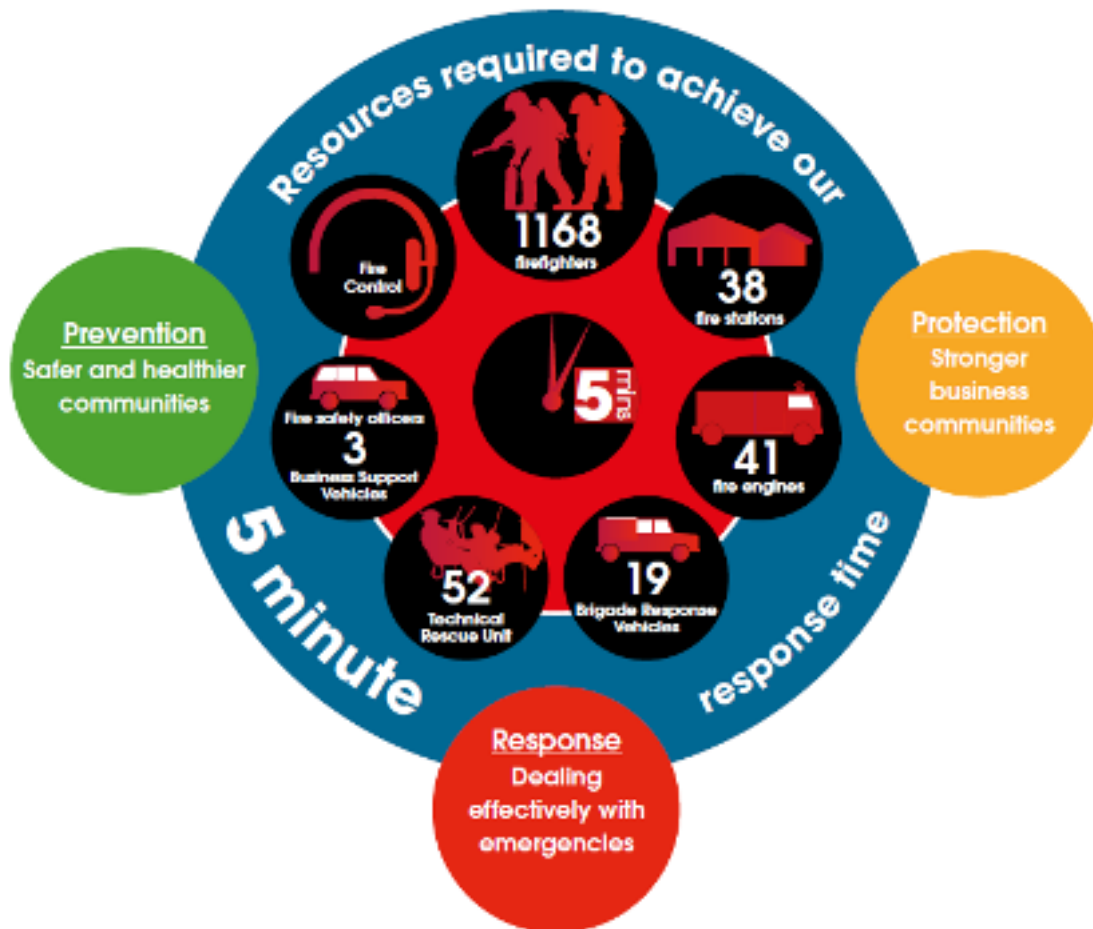
3.1.3 The ongoing analysis of incident data allows WMFS to map the risks across the West Midlands to determine where incidents are likely to occur and who is at the greatest risk. This is achieved by understanding the factors which contribute towards the risk and putting in place mitigating steps to reduce this risk through our Prevention, Protection and Response activities.

3.1.4 Since 2015 the Service has widened this analysis to include academic research around survivability which has enabled WMFS to understand response requirements. We have been able to put this alongside our incident data to determine that a 5 minute attendance time is critical to the likelihood of survival in a fire or any incident where significant trauma has been incurred.

3.1.5 An output of this risk analysis is the public facing Community Safety Strategy (CSS) which feeds into The Plan detailing how the Service intends to reduce risk through an integrated approach through the core functions of Prevention, Protection and Response Priorities. Assurance of WMFS's IRMP process is provided to the Authority through the annual Statement of Assurance.

3.2 **Service Delivery Model**

3.2.1 The Service Delivery Model (SDM) is at the heart of all planning and analysis and provides the level of resources required in order to be able to respond to high risk (life and property) incidents within a risk based 5 minute attendance standard. Our SDM utilises whole-time personnel to deliver our Prevention, Protection and Response activities.



3.2.2 We manage our performance in responding to emergency incidents based upon the principle of proportionality, dependent on the risk involved. When linked to our CSS and IRMP, the SDM ensures WMFS is able to meet the performance requirement to get the right resources to the right place at the right time and is flexible enough to adapt to changing risk overtime. We currently deliver our SDM through a fleet of 41 fire appliances, 19 Brigade Response Vehicles (BRVs) and 3 Business Support Vehicles (BSVs) strategically located at 38 fire stations whose locations are informed by our IRMP.

3.3 Attendance Standards

3.3.1 Attendance standards enable WMFS to reduce risk to firefighting whilst also reducing the impact of an incident on members of the public, the local community and economy.

3.3.2 Our response standards are categorised dependent on the level of risk an incident presents based on the analysis of incident data and outcomes. By doing this, the Service can distribute our resources most effectively across the West Midlands area not just day by day but dynamically from one minute to the next using Fire Control staff to maintain the most effective distribution of available resources at all times.

Emergency Incidents are categorised in the following way:

Incident Risk Category	Description	First Resource Attendance Standard
Category 1 (High Risk)	Incidents which present the most significant risk to life and/or property.	5 minutes
Category 2 (Medium Risk)	Incidents where there is a potential risk, but there is a reduced likelihood of this risk being realised.	7 minutes
Category 3 (Low Risk)	Incidents where there is a significantly reduced risk to life.	10 minutes
Secondary Fires attracting 2	Incidents that are secondary fires and where there is a very low risk to life.	20 minutes
Category 5	AFA	

3.3.3 In recognition of the importance of attending high risk incidents within an average of 5 minutes, Performance Indicator 1 (PI 1) was created to measure the Service's performance against this standard. PI 1 sets the standard of an average 5 minute attendance time for category 1 Incidents, although the Service aims to reach a category 1 incident as quickly as possible. The recent performance against PI1 reported to Quarterly Performance Review (QPR) was 4 minutes 40 seconds but Section 3.6.5 further details our yearly average performance against PI 1 from 2011.

3.4 **Budget Reductions**

Over the next four years the Authority is due to receive reductions to core funding of approximately £10 million. This means that by 2020 core funding will have reduced by approximately £38 million since 2011. Over a nine year period this has seen up to a 50% reduction in our core funding.

3.5 **Service Reform to Support Fleet Availability**

3.5.1 A reduction in core funding has resulted in the need for the Service to develop alternative approaches to delivering our services to the communities of the West Midlands. This has seen a number of changes which includes the type of resources used in our fleet, the method in which these resources are crewed and the availability of resources during a 24 hour period. This has been alongside a progressive integration of our prevention and protection resources and services.

3.5.2 **Blended Fleet**

- (i) The IRMP process allows the Service to consider how a change in resource aligned to our SDM will impact on the delivery of services to our communities.
- (ii) WMFS operates a blended fleet with a range of vehicles delivering Prevention, Protection and Response activities. These include fire appliances crewed at five, BRV's crewed at three and BSV's crewed at one.
- (iii) Through adopting a blended fleet, this ensures we are able to provide a proportionate response to incidents utilising our personnel in the most cost efficient way possible. As a result of matching the resource to the risk, we are able to protect resources required for high risk incidents which affect life and property, including when carrying out our commissioning work or attending low risk incidents.

3.5.3 **Staffing Model**

- (i) WMFS uses the Ridership Factor to calculate how many operational personnel the Service need to employ at each fire station based on the crewing levels needed to maintain emergency cover for resources. This Ridership Factor is determined by considering a wider range of factors that will reduce staff availability to ride appliances such as leave and sickness. A number of these factors are impacted by policy decisions made by the Fire Authority such as Maternity/Paternity leave and flexible working.

- (ii) To ensure that we match the availability of resources to demand, we utilise analysis from the IRMP to run two shift patterns (Core and Lates) alongside each other to ensure that at peak utilisation times we have maximum resources available which drops during low activity times.
- (iii) WMFS has reduced the number of firefighter posts by 277 since April 2010. The introduction of a new staffing model has delivered the most significant proportion of financial savings whilst maintaining our fleet availability. Fleet availability supports our risk based 5 minute response time, maximises survivability, minimises the cost of fire and the burden on business.
- (iv) The move to dual staffing of our specialist vehicles has allowed us to maintain a fleet of specialist response vehicles whilst reducing firefighter posts by 96, securing approximately £3.6 million savings per annum.
- (v) The trial new staffing model utilises Voluntary Additional Shifts (VAS) where staff make themselves voluntarily available to provide cover either in a planned manner or at short notice. Agreement for these trials has been gained from the trade unions. Running alongside VAS is the use of uniformed personnel working in departments who provide resilience on station where required whilst sharing skills and promoting integration across the SDM.

3.6 **Fleet Availability**

3.6.1 The whole-time SDM we operate ensures the greatest level of fleet availability over alternative staffing models such as the retained or on-call duty shift systems. Further benefits of a whole-time model are:

- Improved availability of personnel to deliver Prevention, Protection and Response activities.
- The ability for the Service to develop a highly trained workforce to deliver excellence to the communities of the West Midlands.

3.6.2 The CFO is accountable and responsible for delivering services to the community whilst maintaining a balanced budget. Under the West Midlands Fire and Rescue Authority Constitution, Officers have the authority to control all matters relating to the administration of the Authority's functions under the Fire & Rescue Services Act 2004. This includes taking and implementing decisions that are concerned with maintaining the operational effectiveness of the Service, including varying the deployment of resources in order to ensure the effective delivery of The Plan.

3.6.3 It is recognised that whilst our SDM consists of 41 PRLs, 19 BRVs and 3 BSVs, the availability of these resources can fluctuate due to a number of factors which include routine vehicle maintenance, shift patterns, off shift training, staff sickness and operational commitments. This is managed through Fire Control who ensure that adequate cover is provided across the West Midlands based on risk.

3.6.4 The Service has previously operated a system called 'Strategic Reserve' to manage the number of resources unavailable to immediately attend emergency incidents due to conducting pre-planned events such as significant training or prevention activities. Strategic Reserve allowed up to 18 resources at times to be unavailable which was not consistent with the principles that underpin our SDM. A new system called 'Maximised Response' has been designed which supports the SDM in a more effective manner by maximising the availability of the fleet alongside a series of policy changes. Maximised Response will be implemented by January 2017 and is complemented by our Distributed Training Model (DTM). The DTM allows for greater availability of resources when training at station-based training hubs which are located in the highest risk areas of the West Midlands.

3.6.5 Despite the budget reductions WMFS has been able to maintain a positive direction of travel both in relation to attendance times and fleet availability which can be seen below:

Attendance Times and Fleet Availability (Category One Incidents)			
	Time minutes	Incident count	Average Fleet availability %
2012/13	4:53	5451	93
2013/14	4:58	5394	94
2014/15	5:01	5569	92
2015/16	4:47	5678	95

3.6.6 To maintain our SDM we will need to operate a lean staffing model which relies on VAS. It is therefore recognised that, on occasions, due to issues such as unplanned absences and limited volunteers for VAS, there will be an impact on appliance availability. However, this model remains the most effective and efficient option available to WMFRA.

3.6.7 To more effectively manage resources WMFS is developing the Dynamic Cover Tool (DCT). The DCT analyses and models 150k historical incidents to support the decision making by Fire Control, deploying and moving resources to provide optimum response times, matching resource to risk and managing prevention and protection priorities. The DCT will be implemented during the Autumn of 2016.

4. **EQUALITY IMPACT ASSESSMENT**

Whilst this paper has been prepared for note and not to inform the Authority of any policy changes, fleet availability does have the potential to impact high risk groups across the West Midlands. However, this is mitigated by the risk based approach to resource management and distribution the Service takes where fleet availability reduces.

5. **LEGAL IMPLICATIONS**

There are no direct legal implications.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications.

The contact name for this report is Assistant Chief Fire Officer Gary Taylor, contact number 0121 380 7500.

PHIL LOACH
CHIEF FIRE OFFICER

Ref. AU/2016/Sep/20109161

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 10

19 SEPTEMBER 2016

1. EFFICIENCY PLAN 2016/2020

Report of the Chief Fire Officer.

RECOMMENDED

THAT Members consider and comment on the proposed Efficiency Plan 2016/2020.

2. PURPOSE OF REPORT

This report is submitted to Members to seek comments and consideration of the proposed Efficiency Plan 2016/2020 due for submission by 14th October 2016.

3. BACKGROUND

- 3.1 As part of the finance settlement announced in February 2016, in addition to the funding allocation for 2016/17, an offer was made for a multi-year funding settlement covering the period 2016/2020, subject to the submission of an efficiency plan.
- 3.2 When the budget was approved at the Fire Authority meeting on 15th February 2016 it was highlighted that the Government core funding figures referred to over the period 2017/18 to 2019/2020 were provisional and subject to the submission of an efficiency plan. At that point no details were available regarding the requirements of such plans and so the budget report recommended that the Authority accept in principal the offer of a four year finance settlement and direct the Treasurer to prepare and submit an Efficiency Plan and any other required documentation to the Home Office as required.
- 3.3 Subsequently, the Minister for Policing, Fire, Criminal Justice and Victims issued a letter indicating the issues that need to be contained within the Efficiency Plan. The letter is attached as Appendix 1.

- 3.4 As a consequence of the above, the proposed Efficiency Plan has now been drafted and is attached as Appendix 2.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

- 6.1 Securing indicative funding allocations for 2017/18 to 2019/20 would support good financial planning over the relevant period.
- 6.2 Specific financial implications are contained in Appendix 2.

BACKGROUND PAPERS

Authority Report, Budget and Precept 2016-2017 15 February 2016.

PHIL LOACH
CHIEF FIRE OFFICER

APPENDIX 1



Rt Hon Mike Penning MP
Minister for Policing, Fire,
Criminal Justice and Victims

2 Marsham Street
London
SW1P 4DF
www.gov.uk/home-office

24 May, 2016

Dear Fire Authority Chair,

Fire and Rescue Authorities' Efficiency Plans

As announced last year, the Government is offering single purpose Fire and Rescue Authorities firm four-year funding allocations to 2019-20 in return for robust and transparent efficiency plans. This will provide funding certainty and stability to enable more proactive planning of service delivery and to support strategic collaboration with local partners.

I am offering flexibility to Fire and Rescue Authorities on the format of your efficiency plans, but it is important that they should be locally-owned and published in a way which allows for transparency and progress to be scrutinised by local people.

I have set out some requirements for applying to accept this offer in the attached annex. It remains open to any Fire and Rescue Authority not to apply, and to continue to work on the basis of year-by-year funding allocations.

If you wish to take up the offer of a firm four-year funding allocation to 2019-20 please email Firefunding@homeoffice.gsi.gov.uk by **5pm on Friday 14 October 2016** and include a link to your published efficiency plan. Please be aware that we reserve the right to publish such plans to enable greater transparency if needed. We will of course inform you if we intend to do so.

To assist us with the easy identification of key information on forecast income and savings, a simple template will be provided shortly which should be completed and returned to my officials. For further enquiries please contact harsha.thaker1@homeoffice.gsi.gov.uk in the Fire Strategy and Reform Unit.

I look forward to hearing from you if you would like to take up the offer.

A handwritten signature in blue ink, appearing to read "Mike Penning", with a horizontal line underneath it.

Rt Hon Mike Penning MP

Annex

Conditions of the multi-year settlement

The Home Office will offer any Fire and Rescue Authority a four-year funding settlement to 2019-20, in return for a robust, transparent and locally owned efficiency plan.

Each efficiency plan should:-

- be published and easily accessible to the public on the fire and rescue authority's website, clearly stating what it contains;
- include the full 4 year period to 2019-20, and be open and transparent about the benefits the plan will bring to both the fire and rescue authority and the local community;
- demonstrate the level of cashable and non-cashable savings you expect to achieve through the Spending Review period, the timetable for delivery, and key risks and mitigation strategies;
- include the approach to increasing collaboration, including with the police and local public sector partners and in relation to procurement;
- demonstrate how more flexible working practices will be achieved, including more effective utilisation of retained firefighters;
- include a commitment to the publication of transparent performance information;
- include a clear strategy for the use of reserves; and
- include a commitment to publishing annual reports on the progress of the efficiency plan alongside the fire and rescue authority's statutory assurance statement, enabling local people to scrutinise progress.

Efficiency plans do not need to be a separate document. They can be combined with Medium Term Financial Strategies or the strategy set out in the guidance (<https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts>) on how you intend to make the most of capital receipt flexibilities if appropriate.

The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should authorities choose to accept this offer.

We reserve the right to publish efficiency plans.

Process for applying for the offer

Interest in accepting this offer will only be considered if a link to a published efficiency plan is received by 5pm Friday 14th October. We will provide confirmation of the offer shortly after the deadline.

Process for those who do not take up the offer

Those Fire and Rescue Authorities that choose not to accept the offer will be subject to the existing yearly process for determining the local government finance settlement. Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

APPENDIX 2

WEST MIDLANDS FIRE SERVICE **EFFICIENCY PLAN 2016-2020**

Background

West Midlands Fire and Rescue Authority (WMFRA) fully supports service wide transformation and has achieved significant savings following reductions in central government funding of approximately £28 million over the Comprehensive Spending Review (CSR) period 2011/12 to 2015/16. This has impacted on both service support and service delivery functions by implementing more challenging and innovative approaches to the delivery of internal and external community facing services.

Service transformation has been achieved whilst at the same time meeting the Service's priorities and outcomes as set out in the 3 year rolling corporate strategy 'The Plan'. Critical to the delivery of The Plan is the Service Delivery Model (SDM). The SDM is the foundation of all planning and analysis and provides the level of resources needed to be able to respond to high risk (life and property) incidents within a risk based 5 minute attendance standard. This attendance standard enables the Service to reduce risk to firefighting and increase the survivability of the victim, as well as reducing the impact of fire on the local community and economy. The SDM is the lynch pin to supporting an integrated approach to the delivery of the Authority's prevention, protection and response services

Since the beginning of the CSR, the Service has worked alongside staff, representative bodies, partners and communities to implement changes which have delivered public service transformation. Through innovation and reform, new concepts and ways of working have been introduced.

Looking forward over the next four years (2016/17 to 2019/20), the Authority is set to receive further reductions in core funding of approximately £10 million. The Service will explore different approaches to achieve efficiencies to offset these funding reductions by focusing on growing and improving the services delivered to communities whilst seeking alternative funding streams to support the SDM.

The Plan 2016-2019

The Authority's strategy for the provision of a fire and rescue service is driven by The Plan 2016-2019.

The Plan for 2016-2019 links closely with the Integrated Risk Management Plan, which is designed to enable West Midlands Fire Service to be responsive to react to the increasingly changing environment of the public sector.

The Service remains committed to its core services and their delivery through the Service Delivery Model - Prevention, Protection and Response. In addition, an area of focus within The Plan aims to demonstrate the strategic intent around the delivery of the organisation's Vision, Priorities and Outcomes via "Effective Delivery through Collaboration".

The Plan 2016-2019 can be viewed at <https://www.wmfs.net/your-fire-service/our-plan/>.

Savings to meet the funding gap 2016/17 to 2019/20

The provisional four year settlement for the period 2016/17 to 2019/20 would result in a cumulative budget deficit of circa £10m if the Service did not make any efficiency savings. The areas where savings are anticipated and reflected within the medium term financial strategy are:

- | | |
|---|-----|
| • Staffing | £4m |
| • Flexible funding through business development | £2m |
| • Internal restructures | £1m |
| • General budget reductions | £1m |
| • Council tax | £2m |

Staffing - £4m

The strategy of West Midlands Fire Service (WMFS) is focused on making our communities Safer, Stronger and Healthier. To achieve this strategy requires the Service to undertake Integrated Risk Management Planning (IRMP). The ongoing analysis of

incident data allows WMFS to map the risks across the West Midlands to determine where incidents are likely to occur and who is at the greatest risk. This is achieved by understanding the factors which contribute towards the risk and putting in place mitigating steps through our integrated Prevention, Protection and Response activities, delivered by a whole-time workforce. When mapped against academic research around survivability, we have determined that a 5 minute risk based attendance time is crucial to increasing an individual's chances of survival during a fire.

WMFS employs a whole-time operational workforce to maximise the effectiveness of delivering prevention, protection and response activities. The organisation has considered alternative staffing models such as the retained duty system. However, when fully evaluated against our community safety strategy and The Plan, these models are unsuitable due to the:

- increase in attendance times which would work against the survivability research, impacting negatively on the likelihood of a person's survival at a high risk incident.
- Increased employment difficulties combined with higher turnover rates of retained duty system personnel resulting in higher overall employment costs.
- significantly reduced productivity of retained resources when delivering prevention, protection and health commissioned activities through an integrated prevention, protection and response model, e.g. West Midlands Fire Service whole-time firefighters provide a 'falls response' to some of the areas of the West Midlands which improves community outcomes by delivering a more effective and efficient joined up service approach which would not be achieved using a retained duty system.
- difficulties of retained crews gaining operational experience and maintaining competences which increases corporate risks associated with ensuring compliance with health & safety legislation.

There are also benefits to be realised for neighbouring Fire and Rescue Services as a number of our whole-time fully trained, competent firefighters live 'over the border' and also provide retained cover for their local fire and rescue service. In addition,

to support the SDM, the Service is trialling the use of Voluntary Additional Shifts whereby whole-time personnel make themselves available on an on-call basis to cover shortfalls in personnel, either on a pre-stated or reactive basis, thereby effectively providing a retained arrangement undertaken by whole-time firefighters.

The most effective way to ensure delivery of the budget savings was to suspend recruitment which ensured a reduction in the organisation's operational strength, primarily by individuals leaving the organisation through retirement. The reducing staff numbers have produced budget savings but in order to continue to deliver the current Service Delivery Model it requires increased flexible staffing arrangements including:

- Voluntary Bank Shifts
- Integrated resilience arrangements
- Voluntary Additional Shifts.

In considering new staffing model proposals, it is anticipated that there will be a reduction in the overall operational staffing establishment of 154 posts with the introduction of voluntary additional shifts to supplement the organisations operational capacity.

Flexible Funding Through Business Development - £2m

In the current financial scenario a challenging target of £2m ongoing core funding has been identified to be achieved through alternative funding arrangements. This has been termed as 'flexible funding'.

Flexible funding services will be delivered as an integrated business model alongside core services through the Service's staffing establishment.

The key areas identified for income generation through flexible funding include:

- Commissioning through supporting the health sector and reducing risk to vulnerable people and through other public bodies such as local authorities etc.
- Income generation

- Sponsorship through social value opportunities.

Internal Restructures - £1m

The Service has already made considerable savings over the last five year period following a number of internal restructures, predominantly across the Support Service functions. This approach will continue over the next four financial years with specific functional reviews scheduled for People Support Services, Administration and Fire Control. The intention moving forward is to consider once more the arrangements and structures for all Service Support functions combined with a management review across the Service as a whole.

General Budget Reductions - £1m

As part of the Authority's budget process there is an annual exercise which requires budget holders to review and update their budget requirements for future years. It is anticipated that there will be reductions across a range of budgets as part of this exercise.

Also, as part of the Authority's overall budget setting exercise, a number of assumptions and estimates need to be considered. For example, an estimate is made to allow for increases in general inflation against the Authority's overall budget. This and other similar issues will be reviewed to determine whether budget holders should be required to operate within a nil inflation budget.

Council Tax Base - £2m

Included within the medium term financial planning is an assumption that the Council Tax Base will continue to increase on average 1.25% each year, which would generate additional income of £2m over the period 2016/17 to 2019/20.

Collaboration

WMFRA has maintained and built upon a strong collaborative relationship with other blue light services, local authorities and other partners throughout the West Midlands. Since 2014 West Midlands Fire Service (WMFS) and Staffordshire Fire and Rescue Service have worked in collaboration to provide a shared fire control function based at WMFS headquarters in Birmingham. In addition, the relationship with the health sector has been a critical

success factor in the way progress has been made in reducing emergency response demand and reducing the likelihood of having an emergency by taking preventative action in many different ways.

These include the Safe and Well check, road safety education, school visits and working with businesses. There will be even greater opportunities for collaboration following the formation of the West Midlands Combined Authority.

Nationally, Fire and Rescue Services now report into the Home Office, which maintains our close working with the West Midlands Police and Crime Commissioner. Recent examples of collaboration include:

- Joint work on strategic holding areas with Police and Ambulance
- Joint planning for events such as Political Party Conferences
- A joint Estates Strategy to identify the most effective and efficient use of buildings between the two Services
- Supporting West Midlands Police with Detection, Identification and Monitoring services

One key functional area of ongoing collaboration is Procurement. WMFRA Officers are already active participants at a national level in terms of collaborative fire service procurement and have made a commitment to the current national fire service procurement strategy. The opportunity is taken, where appropriate, to use existing procurement frameworks including a current joint collaborative procurement with the Police Service for ICT Hardware.

Other examples are highlighted on our website www.wmfs.net.

It all makes for a challenging but exciting new landscape in which to operate and influence – so we can be sure we're providing the best possible service to the communities of the West Midlands to make them safer, stronger and healthier.

Flexible Working

Thanks to the commitment and professionalism of the workforce

Ref. AU/2016/Sep/93108163

the Service has been able to continue to deliver a world class service to our communities. The Service is committed to continuously improving the way it works but, in the face of reducing budgets, must look at different ways of delivering our services.

Thanks to new and more flexible approach to how fire stations are staffed, the Service continues to meet the average five minute attendance time for more serious incidents. This is in spite of having fewer operational staff. WMFRA are committed to this attendance standard.

Performance Information

WMFRA has a commitment to the communities of the West Midlands to provide them with the confidence that we are continuously delivering excellent prevention, protection and response services in an efficient, effective and value for money way.

Through transparency reporting we continue to publish information and data which demonstrates we are doing things in the best way possible. This includes but is not limited to:

- The Plan 2016-2019
- Quarterly Performance Monitoring
- Statement of Accounts
- Statement of Assurance and The Report
- Annual Audit Letter.

Use of Reserves

Reserves are an essential part of good financial management and WMFRA considers the level of general balances it considers appropriate to maintain before it determines the level of Council Tax to charge in any year.

In order to set a balanced budget in 2016/2017, WMFRA assumed no movement in general balances, leaving £9.2m general balances at the start of the financial year. The Authority holds general balances as funding to meet any unforeseen events and to support ongoing service transformation.

In addition, consideration is given to the level of earmarked reserves required. The total level of these reserves at the start of the financial year was £40.2m. These mainly relate to the Authority's commitment to fund its Capital Programme (£25.4m)

and maintain its Insurance arrangements (£7.5m). The remaining £7.3 million will support the delivery of a number projects which will deliver operational training, ICT systems and equipment enhancements. It is intended the earmarked reserves (other than the Insurance Reserve) will be utilised over the four year life of the Efficiency Plan.

Progress of the Efficiency Plan

WMFRA is committed to publishing an Annual Report which will include progress on delivering the Efficiency Plan.

19 SEPTEMBER 2016

1. **100% BUSINESS RATES RETENTION**

Report of the Chief Fire Officer.

RECOMMENDED

THAT Members note the proposed response to question 13 of the Government's 100% business rates retention consultation exercise.

2. **PURPOSE OF REPORT**

This report is submitted to bring to Members' attention the first consultation exercise in relation to the proposed introduction of a 100% business rate retention funding model for local government.

3. **BACKGROUND**

- 3.1 The Chancellor of the Exchequer announced in the Autumn Statement on 25 November 2015 the intention to replace all core funding to local authorities with one hundred per cent rates retention by 2020.
- 3.2 This proposed change in local government funding arrangements was highlighted in the budget report submitted for Member approval at the Authority Meeting on 15 February 2016.
- 3.3 On 5 July 2016 the Department for Communities and Local Government issued the first consultation exercise in relation to the significant proposed changes to local government funding arrangements. The consultant includes 36 questions and the link to that consultation exercise is shown below.

<https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention>

- 3.4 There is only one Fire Service specific question within the consultation exercise (question 13) and the proposed response to this is shown on appendix A. The other questions do not have a direct impact on the Fire Service, although it is intended to reflect the views of the West Midlands District Councils as and where appropriate in the final submission.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

- 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.
- 5.2 Primary legislation will be required for the 100% retention of business rates.

6. **FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications arising from this report although the proposed introduction of a 100% business rates funding model represents a radical overhaul of the local government finance system.

BACKGROUND PAPERS

Authority report, Budget and Precept 2016-2017, 15 February 2016.

PHIL LOACH
CHIEF FIRE OFFICER

APPENDIX A

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

At this stage in considering arrangements within a 100% business rates retention model, detailed information on the likely implications is limited but in principle it is felt the rate retention option provides the best and most appropriate option. The benefit of remaining within the business rates system may vary between individual Fire Services but in particular where Combined Authorities and devolution deals are closely linked to economic strength and Fire Services are part of those overall arrangements, it would be important to maintain the business rate link for funding of the Fire Service. In addition, as experienced by this Authority, where significant reliance is placed on Government funding, any periods of Government funding reductions can have a disproportional impact on the overall funding of the Service.

The fact that Fire Services have only been funded by two per cent via the business rates system since its inception indicates that there is not such a strong direct link with economic growth/economic stability as there is for billing authorities. However, the inclusion of the Fire Service in the scheme in the first instance did indicate a link, which would at least in part have been through a recognition that a proportion of Fire Service time and resources is devoted to protecting the business community and the fact that the Fire Service plays a key role in the maintenance of the conditions for economic development. Clearly the Fire Service has a strong role to play in keeping businesses safe and avoiding businesses going out of business as a consequence of fire. Whilst this is a statutory role, a more partnership based approach for the Fire Services with local businesses, highlighting the need to keep their premises safe, and as a consequence not suffer from fire incidents, is a major contributor to the stability of the local economy. In extreme cases enforcement action may be required but by providing guidance and advice the Fire Service can keep businesses open and compliant which contributes to a strong local economy and employment levels. It is well recognised that a large proportion of businesses that suffer from significant fire damage has an immediate impact on the employment within the local economy and that the Fire Service has a key role to play in avoiding this catastrophic set of events. There is wide recognition that approximately 80% of small and medium sized businesses do not recover if they suffer from a significant fire related incident.

In addition to the above, the Fire Service plays an important role of avoiding costs to business by responding effectively to road traffic collisions. As well as the devastating impact of personal injury etc., the knock on effect of RTC's can create significant traffic delays. It is recognised that traffic delays have a detrimental impact on businesses and therefore the economy, with figures indicating that the cost to the economy of traffic delays, specifically motorway closures, is circa £2,000 per minute.

By being able to respond quickly and effectively to RTCs means that the Fire Service can directly influence the speed by which the road network can be operating under 'normal' circumstances and minimise any delays as a consequence of such incidents, thereby supporting business. Furthermore, West Midlands Fire Service responds to telecare calls in some of the areas in the West Midlands and also provides the supporting infrastructure to enable some of the most vulnerable members of the community to remain in their homes in live independent lives. This reduces the amount of time that would otherwise impact on the ambulance service and the NHS and helps reduce the number of hospital admissions that would otherwise occur. It is estimated to save on average approximately £1,500 on each such occasion.

In terms of funding the Fire Service for national resilience related activities, it is felt that this should continue to be supported by central Government grant.

Minutes of the Audit Committee

Item 12

25 July 2016 at 10.30 pm
at Fire Service Headquarters, Vauxhall Road, Birmingham B7 4HW

Present: Councillors Aston, T Singh and Barrie

Apologies: Councillors B Singh and P Singh
Mr Ager (Independent Member)

30/16 **Minutes of the Audit Committee held on 6 June 2016**

Resolved that the minutes of the meeting held on 6 June 2016, be approved as a correct record.

31/16 **Audit Findings 2015/16**

The Committee considered the Audit Findings Report (AFR). The AFR set out and reported the key messages arising from the external audit work undertaken during the year. The AFR is designed to support the Auditor's opinions and conclusions and is a requirement of the Code of Audit Practice.

The Auditor from Grant Thornton UK presented the AFR and explained the findings to the members of the Committee. The Auditor highlighted the key messages arising from their audit of the draft accounts.

The AFR will be presented to the Fire Authority at its meeting on the 19 September 2016. The Auditor explained that he was required to provide an Opinion by the end of September 2016 and he congratulated the Financial Management Team on their achievement of producing the Statement of Accounts two months earlier than in previous years.

A requirement by the National Audit Office is that an amended sentence will be required in the Audit Opinion (Appendix B) due to the late publication of the Whole of Governments Return (WGA).

A standard Letter of Representation has been requested by the Auditor from the Authority indicating that all relevant information has been disclosed. The Letter of Representation was circulated to the Committee for their information.

The Auditor indicated that the AFR was a very good report and there was very little wrong with the accounts and stated that any issues were inconsequential.

The Auditor anticipated providing a clean and unqualified opinion on the Financial Statements. Based on a review of the Authority's arrangement to secure economy, efficiency and effectiveness in its use of resources, the Auditor also proposed to give a clean and unqualified Value for Money conclusion.

The Auditor's assessment of accounting policies, estimates and judgements was green, indicating that accounting policies were appropriate and the disclosures were sufficient.

Only one change was required to Note 9 Financial Instruments, this was reported under "misclassifications and disclosure changes".

The Auditor felt that the Authority had some challenges to face going forward due to the pace of change, particularly following the move to the Home Office and the Police and Crime Bill, and stated that the Authority should continue to keep partnerships and governance under review over the coming months and years.

The Auditor concluded that through the Authority's Medium Term Financial Strategy, adequate financial arrangements are in place.

The Auditor confirmed the final fees charged for the audit and provision of non-audit services. The additional charge was for presentations regarding changes in pension contribution allowances.

The Auditor anticipated providing the Authority with an Unqualified Audit Opinion.

Resolved that the contents of the Audit Findings Report (AFR) be noted.

32/16 **Statement of Accounts 2015 - 2016**

The Audit Committee's approval was sought for the Authority's Statement of Accounts for the financial year ended 31 March 2016. The full Statement is attached as Appendix A to the report and can be viewed at www.wmfs.net.

A summary of the statement outlined the main issues is attached at Appendix B to the report. The Treasurer stated the Statement links closely with the Audit Findings Report.

It was confirmed that the Letter of Representation circulated to the Audit Committee would be circulated and signed at the end of the meeting.

Members were informed that the Statement linked to the Workshop held for Members of the Audit Committee on 6 June 2016.

The Treasurer highlighted the overall revenue budget and that the actual level of general balances had shown a slight increase of £0.002m resulting in £9.233m general balances at the end of the financial year.

The level of earmarked reserves increased by £3.899m, bringing the total earmarked reserves to £40.165m at the end of the financial year.

The Treasurer summarised the earmarked reserves and anticipated spend. Approximately half of the total amount relates to capital projects. No direct government grant funding had been received for 2015/16 and a specific programme of work related to Aston and Coventry Fire Stations.

The other main earmarked reserves related to the Authority's Insurance arrangements, Project/Management Support, and systems enhancements/upgrades.

The balance of the £40.165m was set aside for specific items and Members of the Audit Committee had been provided with the details at their meeting on 6 June 2016.

The balance sheet showed the value of the Authority's long term assets, land and buildings as £154m. The balance sheet is a snapshot of the financial position at a point in time. Member's attention was brought to long term borrowing of £38.627m and short term borrowing of £1.073m as at 31/3/16. This is the total amount outstanding and this affects our interest payments.

A summary of the accounts was provided as Appendix B to the report.

In response to a Member's question regarding insurance, it was confirmed that the £100,000 excess was based on historic records and past claims. It was confirmed that buildings are fully insured separately.

In response to another Member's enquiry, the Treasurer confirmed that he felt that the Authority's level of reserves are appropriate and compared well to other Metropolitan Fire Authorities.

The Auditor felt that the Authority were in a healthy position in respect of its reserves and this enabled the work to be undertaken at Aston and Coventry Fire Station but also stated that reserves can only be spent once.

The Deputy Chief Fire Officer reiterated that the Authority were making an investment in the Estate ensuring that the Authority were able to support the Service Delivery Model which is based on the 38 fire stations and how the Service manages risk. It also provides investment for the future and continually ensures the assets are fit for purpose.

It was noted by a Member that the Fire Service were the only emergency service investing in its estate. It was also noted that the Police and Ambulance Services were collaborating and sharing facilities on fire stations.

Resolved:

1. that the Statement of Accounts for 2015/16 as set out in Appendix A be approved.
2. that the Statement of Accounts summary for 2015/16 set out in Appendix B be noted.

33/16 **Treasury Management Annual Report 2015/16**

The Committee received the Treasury Management Annual Report 2015/16, which covered the Treasury Activity during 2015/16 and the actual Prudential Indicators for 2015/16.

The Authority approved its Treasury Management strategy as part of the Budget Setting process in February and the Audit Committee received a mid-year Treasury Management update in November 2015.

The key Treasury Management activities were:

- Capital Expenditure
- The Authority's Debt
- The Authority's Investment

In answer to a Member's question, relating to the ex-West Midland County Council's debt, it was unclear at this stage if the West Midlands Combined Authority would take on any of the outstanding debt.

Resolved that the report and Appendix be noted and the Prudential and Treasury Indicators be approved.

Further to minute number 25/16, the Committee received a Corporate Risk Update and considered the current and new themed Corporate Risks attached as Appendices to the report. The risks had been revised to include existing and emerging influences that have the potential to impact on the Authority's ability to delivery against the priorities set out in The Plan. These were considered to be the changing governance arrangements, the Police and Crime Bill, and the funding opportunity through business development.

The outcomes of the review have sought to simplify the approach to identify corporate risks, to better explain what the risk is and also theming each risk into one of the following themes:

- External (Political and legislative) environment
- People
- Delivery of Services – Prevention
- Delivery of Services – Protection
- Delivery of Services – Response
- Business continuity and Preparedness
- Information, Community and Technology
- Finance and Assets
- Business Development

Two additional risks were identified as:

- External (Political and Legislative) Environment
- Business Development

At future Audit Committees, interim briefings will be provided on specific risks and any changes to risk will be brought to the Audit Committee between the six monthly Corporate Risk Updates.

In answer to a Member's question, the Deputy Chief Fire Officer confirmed that the Risk Assurance map provided more detail on how the risk is being reviewed, managed and controlled below Audit Committee.

The DCFO stated that if Members wanted to see the Risk Assurance Map this could be arranged, however due to the amount of detail it was not thought suitable to go through at an Audit Committee meeting.

Resolved that the changes to the Corporate Risks be approved.

35/16 **CIPFA Audit Committee Update 19**

The Committee noted the CIPFA Audit Committee Update No. 19, this edition focused on the new framework for Good Governance in Local Government and the process for appointing local auditors. The update also provided a list of workshops and training events for Audit Committee Members.

36/16 **Self-assessment of good practice and effectiveness**

The Committee received a report requesting that Members of the Audit Committee complete and return the knowledge and skills framework in advance of the next Audit Committee on 5 September 2016.

It was explained that the self-assessment forms part of an overall review of the Audit Committee based around the CIPFA guidance and includes three separate activities:

Self-assessment exercise;
Members knowledge and skills framework;
Evaluation.

Members agreed to complete the framework, either electronically or manually and were provided with a short checklist at the end of the meeting to assist with the completion of the form.

The Internal Auditor requested that all forms to be returned to him before 15 August 2016.

Resolved that all members of the Audit Committee complete stage two of their self-assessment of good practice and effectiveness exercise and return the forms to the Internal Auditor by the 15 August 2016.

37/16 **Audit Committee Work Programme 2016/17**

The Committee noted its Work Programme for 2016/17 and that the next meeting of the Audit Committee would be on 5 September 2016. It was also noted that the meeting scheduled for 10 October 2016 would now be held on 14 November 2016 at 1030 hours.

38/16 **Update on Topical, Legal and Regulatory Issues**

There was no new information to be presented

(The meeting ended at 11.15 am)

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