

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**22ND JUNE 2009**

**1. STATEMENT OF ACCOUNTS 2008/2009**

Report of the Treasurer.

RECOMMENDED

**1.1 THAT the following be approved:**

1.1.1 the Statement of Accounts for 2008/2009 as set out in Appendix A.

1.1.2 the Authority's backward looking 2008/2009 efficiency statement, the basis of which is set out in Appendix B.

**1.2 THAT the Statement of Accounts summary set out in Appendix C be noted.**

**2. PURPOSE OF REPORT**

This report is submitted to seek the approval of Members for the Authority's Statement of Account for the financial year ended 31<sup>st</sup> March 2009.

**3. BACKGROUND**

3.1 The production of Local Authority accounts is governed by the Accounts and Audit Regulations 2003. These require, amongst other things, that the accounts are closed by 30<sup>th</sup> June, following the accounting period and published by 30<sup>th</sup> September. It is also a requirement that the accounts be submitted to Members for approval by the end of June.

3.2 It is a further requirement of the Regulations that Members are informed of any material changes required by the external auditors. The accounts have not yet been audited and are attached as Appendix A.

3.3 The Accounts show net cost of services in 2008/2009 of £120.359 million, including an appropriation from earmarked reserves of £3.117 million. General balances have increased by £0.391 million.

- 3.4 Fire Service net operating expenditure was £164.754 million and includes the Fire Service Pensions deficit which was £59.5 million. Capital expenditure totalled £9.799 million, of which £3.967 million was financed from borrowing.
- 3.5 The backward looking 2008/2009 efficiency statement is shown at Appendix B.
- 3.6 A Summarised Statement of Accounts (see Appendix C) is made available on the Fire Service Internet in addition to the full set of accounts.

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 2003. The Clerk has been consulted in the preparation of this report.

6. **FINANCIAL IMPLICATIONS**

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

**BACKGROUND PAPERS**

Accounts and Audit Regulations 2003  
Code of Practice on Local Authority Accounting 2008  
Final Accounts Files – Finance Office

L. BATEMAN  
TREASURER

WEST MIDLANDS FIRE SERVICE

# WEST MIDLANDS FIRE AND RESCUE AUTHORITY

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## STATEMENT OF ACCOUNTS

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**2008/2009**

# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

## **STATEMENT OF ACCOUNTS 2008/2009**

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2003 and comply with all relevant accounting standards.

A handwritten signature in black ink, appearing to read 'L Bateman', is written over a horizontal line.

L Bateman, C.P.F.A

Treasurer to the Authority

Date: 22<sup>nd</sup> June 2009

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

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## **EXPLANATORY FOREWORD**

1. The Authority's accounts for the year 2008/2009 are set out on the following pages. They consist of:
  - The Income and Expenditure Account, 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 31<sup>st</sup> March 2009.
  - The Statement of the Movement on the General Fund Balance and The Note of Reconciling Items for the Statement of Movement on the General Fund Balance.
  - The Statement of Total Recognised Gains and Losses which brings together all the recognised gains and losses of the Authority.
  - The Cash Flow Statement showing movements in cash during the year and the cash position at the year-end.

These accounts are supported by the Statement of Accounting Policies, which follows this foreword and by various notes to the accounts.

2. This foreword provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.
3. The total income of the Authority in 2008/09 was £122m, which came from:

	Budget	Actual		
	£000's	£000's		
Revenue Support Grant	9,651	9,651	8	%
National Non-Domestic Rates	69,326	69,326	57	%
Precept/collection fund surplus/deficit	36,433	36,433	30	%
Interest and Other Income	4,052	6,597	5	%
	<u>119,462</u>	<u>122,007</u>	<u>100</u>	<u>%</u>

4. Net Operating Expenditure in 2008/09 totalled £164.8m of which £116.7m was on the provision of Fire Services, £47.7m on Pensions and £0.4m on Emergency Planning. The types of costs incurred were:

Employees	59	%
Pensions	29	%
Running Costs	12	%
	<u>100</u>	<u>%</u>

5. The Authority made appropriations from earmarked reserves of £3.117m. An appropriation was made to general reserves amounting to £0.391m.
6. In 2008/09, the Authority spent £9.799m on capital projects, the largest scheme was the Headquarters Replacement, £6.495m. Of the total expenditure £3.967m was financed by borrowing and £4.878m financed directly from revenue. The balance was funded by the application of grants and the utilisation of capital receipts. Note 10 on page 43 lists the major items of capital expenditure incurred.
7. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in the notes to the accounts.
8. The Authority, at its February 2008 meeting, approved the revenue budget of £115.410m for 2008/09 and also authorised the limit for external debt at £60m and the statutory limit for external debt at £55m. The Authority's actual long-term liabilities at 31<sup>st</sup> March 2009 are £49.157m, see Note 18 on page 47.
9. The 2008/09 accounts include the impact of Financial Reporting Standard 17 – Retirement Benefits (FRS17). The effects of FRS17 are shown within the income and expenditure account and balance sheet. There is no effect on Council Tax from the implementation of this standard. The figures disclosed represent a snapshot in time, at present 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.
10. 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 Fax : 0121-380-7009  
or E-Mail : kal.shoker@wmfs.net

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 in the local press.



## **STATEMENT OF ACCOUNTING POLICIES**

### **1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2008/09 financial year and its position at the year-end of 31<sup>st</sup> March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice (SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### **2. Debtors and Creditors**

The accounts have been prepared on an accruals basis. The figure for creditors represents amounts owed by the Authority in respect of goods and services supplied but not paid for by 31<sup>st</sup> March 2009. It also includes amounts received as payment for services to be provided in the following accounting period. These are known as receipts in advance.

The figure for debtors represents amounts due to the Authority, which have not been received by 31<sup>st</sup> March 2009.

### **3. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Authority.

As at the 1<sup>st</sup> April 2007, the Fixed Asset Restatement Account and Capital Financing Account were replaced by a Revaluation Reserve and a Capital Adjustment Account.

#### **4. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in the revenue account with the expenditure to which they relate.

Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### **5. Retirement Benefits**

The Fire and Rescue Authority participates in three different pension schemes which meet the needs of its employees. These schemes provide members with defined benefits related to pay and service. The schemes are as follows:

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##### ***Uniformed Firefighters – Original (1992) Scheme***

On 1<sup>st</sup> April 2006 the firefighters' pension scheme changed. This is an unfunded scheme, which is administered by the Authority in accordance with Communities and Local Government regulations. For such schemes as there are no investment assets, the FRS17 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the income and Expenditure Account for movements in the liability and reserve. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the pension fund for these employees. The scheme was only open to those firefighters in the scheme as at 31<sup>st</sup> March 2006 and the employers contribution was 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 – New (2006) Scheme***

On 1<sup>st</sup> 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.

The combined pension fund for uniformed firefighters as at 31<sup>st</sup> March 2009 had a net deficit value of £802.430m.

### ***Other Employees***

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Authority's accounts, £1.803m in 2008/09 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.

Pension costs are now included in the accounts to meet the requirements of FRS 17 which requires the Authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term affect that the award of retirement benefits in any year has had on the Authority's financial position.

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

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT is recoverable from it.

### **7. Support Services**

The costs of support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Best Value Accounting Code of Practice (BVACOP) 2008. The total absorption costing principle is used – the full cost of support services are shared between users in proportion to benefits received, with the exception of:-

***Corporate and Democratic Core:*** costs relating to the general running of the Authority, corporate policy making and all other member based activities.

***Non Distributed Costs:*** the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties which are either under construction or held for disposal.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of 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 M.B.C., the lead Authority, have been recharged in accordance with Service Level Agreements. These specify the level of service to be provided and the charge.

## 8. **Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software licenses) is capitalised when it will bring benefits to the Authority for more than one financial year. The balance is amortised to the revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Software licenses are depreciated on a straight line method for a period of five years.

## 9. **Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Expenditure along with associated grant income on fixed assets are capitalised subject to a de minimus level of £6,000.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Fixed Assets are included in the Balance Sheet at current values, either replacement cost in the case of buildings or depreciated historic cost in the case of vehicles and equipment. Differences arising from revaluations are written off to the Revaluation Reserve. The Authority has complied with the requirements of FRS15.

Assets are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the service revenue account.

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.

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

The balance of capital receipts are credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

At 31<sup>st</sup> March 2009 the Authority held £2.691m in useable capital receipts.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Other than land, which is not depreciated, assets are depreciated using the following methods and over the following periods:

<b><u>Asset Type</u></b>	<b><u>Depreciation Method</u></b>
Buildings	Straight line over estimated life
Operational Vehicles	Straight line over 10 Years
Ancillary Vehicles	Straight line over 5 Years
Equipment	Straight line over 5 Years

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.

***Grants and contributions:*** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the service revenue account, in line with the depreciation policy applied to them.

#### **10. Charges to Revenue for Fixed Assets**

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise a precept for council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

**11. Operational Leases**

Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

**12. Financial Liabilities - Loans Outstanding**

Amounts owing in respect of advances to fund capital expenditure are owed to Sandwell M.B.C. the lead Authority. Annual charges to the Income and Expenditure Account for interest payable in 2008/09 was charged at a rate of 6.33%. Repayments of principal equate to the Minimum Revenue Provision required by Section 63 of the Local Government and Housing Act 1989.

Debt inherited from the former West Midlands County Council is managed by Dudley M.B.C. and redeemed over a period of 40 years from 1<sup>st</sup> April 1986. Annual charges to the Income and Expenditure Account for interest payable was charged on this debt in 2008/09 at a rate of 6.70%.

**13. Stocks**

Stocks held at the year-end are included in the balance sheet at latest price. Therefore the Authority does not comply with SSAP 9.

**14. Financial Instruments**

The Authority in adopting the 2008 SORP has implemented the requirements of FRS 25, FRS 26 and FRS 29. These standards deal with the recognition, movement, presentation and disclosure of financial instruments and include the impairment of bad debts.

## **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 to safeguard its assets.
- (iii) approve the statement of accounts.

Chairman

Date: 22<sup>nd</sup> June 2009

### ***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.A.S.A.C. Code of Practice on Local Authority Accounting in the United Kingdom (The Code of Practice).

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 Code of Practice.

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.

The accounts set out in the following pages fairly present the financial position of the West Midlands Fire and Rescue Authority at 31<sup>st</sup> March 2009 and its income and expenditure for the year then ended.



Lynda Bateman, C.P.F.A  
Treasurer

Date: 22<sup>nd</sup> June 2009



## **ANNUAL GOVERNANCE STATEMENT**

## INCOME & EXPENDITURE ACCOUNT

2007/08 £000s Net		2008/09 £000s Expenditure	2008/09 £000s Income	2008/09 £000s Net
106,182	Firefighting and Rescue Operations	103,561	3,131	100,430
16,360	Community Safety	19,270	1,504	17,766
1,319	Corporate and Democratic Core	1,792	96	1,696
447	Fire Service Emergency Planning and Civil Defence	438	41	397
(13,180)	Non Distributed Costs	70	0	70
<b>111,128</b>	<b>Net Cost of Services</b>	<b>125,131</b>	<b>4,772</b>	<b>120,359</b>
91	(Gain)/Loss on disposal of fixed assets			(43)
3,183	Interest payable and similar charges			3,056
53,363	Pensions Interest cost and expected return on pension assets			59,517
(1,810)	Interest and investment income			(1,825)
(10,208)	Gain in relation to Government Grant payable to the Pension Fund on the Authority's behalf			(16,310)
<b>155,747</b>	<b>Net Operating Expenditure</b>			<b>164,754</b>
(11,122)	General Government Grant			(9,651)
(66,275)	Non-domestic rates redistribution N.N.D.R.			(69,326)
(34,767)	Precepts			(36,177)
13	Collection Fund (Surplus)/Deficit			(256)
<b>43,596</b>	<b>Deficit/ (Surplus) for the Year</b>			<b>49,344</b>

## **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax it has received for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summaries the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
43,596	Deficit for the year on the Income and Expenditure Account	49,344
(44,023)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(49,735)
<hr/>		<hr/>
(427)	Increase in General Fund Balance for the year	(391)
(3,633)	General Fund Balance B/Fwd	(4,060)
<hr/>		<hr/>
(4,060)	General Fund Balance C/Fwd	(4,451)
<hr/>		<hr/>

# **NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>	
(6,007)	Depreciation and impairment of fixed assets	(5,760)
664	Government grants deferred amortisation	123
0	Net gain on sale of fixed assets	0
(68,572)	Net charges made for retirement benefits in accordance with FRS 17	(79,039)
10,208	Gain in relation to Government Grant payable to the Pension Fund on the Authority's behalf	16,310
(63,707)		(68,366)
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year.</b>	
1,696	Minimum revenue provision for capital financing	1,801
2,093	Capital expenditure charged in-year to the General Fund Balance	4,878
14,511	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	15,069
18,300		21,748
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
1,384	Net transfer to or (from) earmarked reserves	(3,117)
1,384		(3,117)
(44,023)	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	(49,735)

# **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES** **(STRGL)**

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
43,596	Deficit for the year on the Income and Expenditure Account	49,344
(9,623)	Surplus arising on revaluation of fixed assets	0
(166,238)	Actuarial (gains)/losses on pension fund assets and liabilities	(103,623)
0	Any other (gains)/losses for the year	116
<hr/>		<hr/>
(132,265)	Total recognised (gains)/losses for the year	(54,163)
<hr/> <hr/>		<hr/> <hr/>

## BALANCE SHEET

2007/08 £'000		2008/09 £'000	Note
	<b>Fixed Assets</b>		
	<b>Intangible Fixed Assets</b>		
452	Software Licences	352	12
	<b>Tangible Fixed Assets</b>		
	<b>Operational Assets</b>		
76,234	Land & Buildings	95,215	12
8,575	Vehicle, Plant & Equipment	8,697	12
85,261		104,264	
	<b>Non Operational Assets</b>		
14,852	Assets Under Construction	0	12
2,199	Surplus Assets	1,971	12
102,312	<b>Total Fixed Assets</b>	106,235	
	<b>Current Assets</b>		
728	Stocks	885	16
R 7,734	Debtors	11,884	17
R 28,638	Cash	23,467	
139,412	<b>Total Assets</b>	142,471	
	<b>Current Liabilities</b>		
R (11,479)	Creditors	(14,067)	17
127,933	<b>Total Assets less Current Liabilities</b>	128,404	
	<b>Long-term Liabilities</b>		
(46,981)	Long-term Borrowing	(49,157)	18
(1,625)	Government Grants Deferred	(1,741)	19
(874,260)	Liability Related to Defined Benefit Pension Schemes	(818,297)	1/25
(236)	Provisions	(215)	26
<b>(795,169)</b>	<b>Total Assets less Liabilities</b>	<b>(741,006)</b>	
	<b>Financed By</b>		
499	Revaluation Reserve	383	20
52,517	Capital Adjustment Account	53,998	21
(874,260)	Pensions Reserve	(818,297)	1/25
3,130	Usable Capital Receipts Reserve	2,691	22
18,885	Earmarked Reserves	15,768	24
4,060	General Fund Balance	4,451	
<b>(795,169)</b>	<b>Local Taxpayers Net Equity</b>	<b>(741,006)</b>	

## CASH FLOW STATEMENT

2007/08 £000s			2008/09 £000s	
		<b>REVENUE ACTIVITIES</b>		
		<b>Cash Outflows</b>		
103,829		Cash paid to & on behalf of Employees	115,787	
14,232	118,061	Other Operating Costs	14,678	130,465
		<b>Cash Inflows</b>		
(11,122)		Revenue Support Grant	(9,651)	
(66,275)		National Non Domestic Rates	(69,326)	
(35,067)		Precept Income	(36,433)	
(13,285)		Government Grants	(15,894)	
		Other Grants		
14		Collection Fund (Surplus)/Deficit	(102)	
(2,157)	(127,892)	Cash Received for Goods & Services	(2,318)	(133,724)
		<b>Revenue Activities Net Cash (Inflow) / Outflow</b>		
				(3,259)
		<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
		<b>Cash Outflows</b>		
3,090		Interest Paid	3,167	
		Interest Element of Finance Leases		
		<b>Cash Inflows</b>		
(1,381)	1,709	Interest Received	(1,804)	1,363
		<b>CAPITAL ACTIVITIES</b>		
		<b>Cash Outflows</b>		
15,190		Purchase of Fixed Assets	9,723	
		<b>Cash Inflows</b>		
(10,921)		Sale of Fixed Assets		
(1,533)		Capital Grants Received	(480)	
		<b>Capital Activities Net Cash (Inflow) / Outflow</b>		
				9,243
		<b>Net Cash (Inflow) / Outflow Before Financing</b>		
				7,347
		<b>FINANCING</b>		
		<b>Cash Outflows</b>		
1,697		Repayment of Loans	1,791	
		Capital Element of Finance Leases		
		<b>Cash Inflows</b>		
(3,732)	(2,035)	New Loans raised	(3,967)	(2,176)
		<b>Net Decrease / (Increase) in Cash</b>		
				5,171

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Pension Liability (FRS 17 Disclosures)**

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

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three pension schemes:

The West Midlands Metropolitan Authorities Pension Fund for civilian and fire control employees, administered by Wolverhampton City Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

The 1992 and 2006 Firefighters' Pension Schemes for fire officers – these are unfunded schemes, meaning that 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.

#### **Change of Accounting Policy**

Under the 2008 SORP the Authority has adopted the amendments to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

#### **Transactions Relating to Retirement Benefits**

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and expenditure Account and Statement of Movement in the General Fund Balance during the year:



	Local Government Pension Scheme	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Compensation Scheme	Local Government Pension Scheme	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Compensation Scheme
	2007/08	2007/08	2007/08	2007/08	2008/09	2008/09	2008/09	2008/09
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Income and Expenditure Account</b>								
<b>Net Cost of Services:</b>								
Current service cost	(1,946)	(24,650)	(1,830)	0	(2,162)	(16,080)	(1,260)	0
Past service cost	(563)	13,780	0	0	0	0	0	(20)
<b>Net Operating Expenditure:</b>								
Interest cost	(2,760)	(51,790)	(120)	(1,290)	(3,607)	(56,900)	(260)	(1,520)
Expected Return on Scheme Asset	2,597	0	0	0	2,770	0	0	0
Net Charge to the Income and Expenditure Account	(2,672)	(62,660)	(1,950)	(1,290)	(2,999)	(72,980)	(1,520)	(1,540)
<b>Statement of Movement on the General Fund Balance:</b>								
Reversal of net charges made for retirement benefits in accordance with FRS17	2,672	62,660	1,950	1,290	2,999	72,980	1,520	1,540
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>								
Employers' contributions payable to the scheme	(1,631)	(10,945)	(595)	0	(1,803)	(10,990)	(776)	0
Retirement benefits payable to pensioners	0	0	0	(1,340)	0	0	0	(1,500)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £103.6m were included in the Statement of Total Recognised Gains and Losses.

## Assets and Liabilities in Relation to Retirement Benefits

### Reconciliation of Present Value of the Scheme Liabilities:

	Local Government Pension Scheme	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Compensation Scheme	Local Government Pension Scheme	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Compensation Scheme
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	2007/08	2007/08	2007/08	2007/08	2008/09	2008/09	2008/09	2008/09
1 April								
	(50,356)	(957,620)	(1,030)	(24,470)	(58,158)	(830,080)	(2,780)	(22,780)
Current service cost	(1,946)	(24,650)	(1,830)	0	(2,162)	(16,080)	(1,260)	0
Interest cost	(2,760)	(51,790)	(120)	(1,290)	(3,607)	(56,900)	(260)	(1,520)
Contribution by Scheme Participants	(683)	0	0	0	(816)	0	0	0
Actuarial gains and losses	(2,982)	167,802	850	1,640	14,792	99,514	(20)	180
Benefits paid	1,132	0	0	1,340	1,029	0	0	1,500
Past service costs	(563)	13,780	0	0	0	0	0	(20)
Employers' contributions payable to the scheme	0	10,945	595	0	0	10,990	776	0
Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf	0	11,453	(1,245)	0	0	17,886	(1,576)	0
31 March	(58,158)	(830,080)	(2,780)	(22,780)	(48,922)	(774,670)	(5,120)	(22,640)

## Reconciliation of Fair Value of the Scheme Assets for the Local Government Pension Scheme:

	2007/08 £'000	2008/09 £'000
1 April	36,831	39,538
Expected rate of return	2,594	2,770
Actuarial gains	(1,069)	(10,843)
Employer contributions	1,631	1,803
Contributions by scheme participants	683	816
Benefits paid	(1,132)	(1,029)
31 March	<b>39,538</b>	<b>33,055</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £8,035,000 (2007/08 £1,356,000).

## Pension Scheme History

	2004/05* £'000	2005/06* £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
<b><i>Present value of liabilities:</i></b>					
Local Government Pension Scheme	(40,949)	(49,231)	(50,356)	(58,158)	(48,922)
Firefighters' Pension Schemes	(816,380)	(1,001,960)	(983,120)	(855,640)	(802,430)
<b><i>Fair value of assets in the Local Government Pension Scheme</i></b>	25,751	33,221	36,831	39,538	33,055
<b><i>Surplus/(deficit) in the scheme:</i></b>					
Local Government Pension Scheme	(15,198)	(16,010)	(13,525)	(18,620)	(15,867)
Firefighters' Pension Schemes	(816,380)	(1,001,960)	(983,120)	(855,640)	(802,430)
<b>Total</b>	<b>(831,578)</b>	<b>(1,017,970)</b>	<b>(996,645)</b>	<b>(874,260)</b>	<b>(818,297)</b>

\* The Authority has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £818m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £741m.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

The deficit on the local government scheme will be made by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Finance is only required to be raised to cover firefighters' pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year 31 March 2010 is £1.8m. Expected contributions for the firefighters' pension schemes in the year to 31 March 2010 are £12.2m.

### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis to give an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Firefighters' Pension Scheme has been assessed using an approach and model supplied by the Government Actuary's Department and certified by them on 22<sup>nd</sup> May 2009. The West Midlands Metropolitan Authorities Pension Fund has been based on triennial actuarial valuations, the last review being 31<sup>st</sup> March 2007 and assessed by Mercer Human Resource Consulting. In calculating the FRS17 figures for the West Midlands Metropolitan Authorities Pension Fund the actuary assumed an investment return of -19.94% (this is based on actuals to 31<sup>st</sup> December 2008 and an estimate based on market index returns for the final quarter). The actual return for the year to the 31<sup>st</sup> March 2009 was -18.51%. The principal assumptions used in their calculations are:

	Local Government Pension Scheme		Firefighters' Pension Schemes	
	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009
<b><i>Long-term expected rate of return on assets in the scheme:</i></b>				
Equities	7.5%	7.5%	-	-
Government Bonds	4.6%	4.0%	-	-
Other Bonds	6.1%	6.0%	-	-
Property	6.5%	6.5%	-	-
Cash/Liquidity	5.25%	0.5%	-	-
Other	7.5%	7.5%	-	-
Mortality assumptions:				
<b><i>Longevity at 65 for current pensioners:</i></b>				
Men	21.1%	21.2%	23.3%	23.1%
Women	24.0%	24.0%	23.3%	24.7%
<b><i>Longevity at 65 for future pensioners:</i></b>				
Men	22.2%	22.2%	25.5%	25.8%
Women	25.0%	25.0%	25.5%	27.4%
Rate of inflation	3.6%	3.3%	3.7%	3.0%
Rate of increase in salaries	5.35%	5.05%	5.2%	4.5%
Rate of increase in pensions	3.6%	3.3%	3.7%	3.0%
Rate for discounting scheme liabilities	6.1%	7.1%	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	*90.0%	*50.0%

\* These percentages are for the 2006 Firefighters' Pension Scheme. For the 1992 Firefighters' Pension Scheme a cost-neutral assumption for the commutation take up rate for both years' has been assumed as the commutation factors are actuarially neutral.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6<sup>th</sup> April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6<sup>th</sup> April 2006 will take advantage of this change to the pension scheme.

The Firefighters' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<b>Proportion of Total Assets 31<sup>st</sup> March 2008</b>	<b>Proportion of Total Assets 31<sup>st</sup> March 2009</b>
	<b>%</b>	<b>%</b>
Equities	65.3	55.7
Government Bonds	9.4	12.4
Other Bonds	3.7	4.1
Property	7.0	7.3
Cash/Liquidity	4.1	4.0
Other	10.5	16.5
	<hr/> 100.0 <hr/>	<hr/> 100.0 <hr/>

## History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	Local Government Pension Scheme	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Compensation Scheme
	%	%	%	%
<b>2004/05</b>				
Differences between the expected and actual return on assets	3.8	-	-	-
Experience gains and losses on liabilities	2.8	(0.8)	-	-
<b>2005/06</b>				
Differences between the expected and actual return on assets	14.6	-	-	-
Experience gains and losses on liabilities	2.5	(0.1)	-	-
<b>2006/07</b>				
Differences between the expected and actual return on assets	0.9	-	-	-
Experience gains and losses on liabilities	-	1.2	7.8	(1.2)
<b>2007/08</b>				
Differences between the expected and actual return on assets	2.7	-	-	-
Experience gains and losses on liabilities	1.5	0.9	(18.3)	0.7
<b>2008/09</b>				
Differences between the expected and actual return on assets	32.7	-	-	-
Experience gains and losses on liabilities	-	1.1	(12.1)	(1.9)

## 2. Employees emoluments

The number of staff whose remuneration, excluding pension contributions, was £50,000 and over was: -

	<u>2007/08</u>	<u>2008/09</u>
£50,000 to £59,999	22	30
£60,000 to £69,999	1	5
£70,000 to £79,999	1	1
£80,000 to £89,999	0	3
£90,000 to £99,999	2	0
£100,000 to £109,999	3	3
£110,000 to £119,999	0	0
£120,000 to £129,999	0	1
£130,000 to £139,999	1	0
	<u>30</u>	<u>43</u>

## 3. Publicity

In accordance with Section 5c of the Local Government Act 1986, a separate account has been maintained of expenditure on publicity. This expenditure may be summarised as follows:

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Recruitment Advertising	192,294	214,037
Press & Public Relations	<u>531,137</u>	<u>563,164</u>
	<u>723,431</u>	<u>777,201</u>

## 4. Members Allowances

Allowances paid to Members of the Authority were as follows.

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Basic/Responsibility Allowance	153,078	199,081
Travel & Subsistence	4,647	5,023
Conference Expenses	<u>1,947</u>	<u>2,718</u>
	<u>159,672</u>	<u>206,822</u>



## 5. Related Party Transactions

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

Related Party	Nature of Transaction	Receipts £000's
Central Government	Revenue Support Grant	9,651
	N.N.D.R. Grant	69,326
West Midland Local Authorities	Precept/collection fund surplus/deficit	36,433

One Member of the Authority during 2008/09 declared a personal interest in the tenders for the Routine Maintenance and Emergency Repairs of Appliance Bay Doors, Roller Shutter Doors, Barriers and Gates Maintenance report at the Authority meeting.

No other members' of the Authority or Chief Officer or parties related to them has undertaken any disclosable related party transactions during the year. Further information on related parties is included in the analysis of government grants on page 52.

## 6. External Audit Fees

Fees payable to the Audit Commission with regard to external audit services.

	2007/08 £000s	2008/09 £000s
Financial Statements Audit	51	54
Use of Resources / VFM Conclusion	27	28
Whole of Government Accounting	5	5
	<hr/> 83	<hr/> 87

## 7. West Midlands Fire and Rescue Services Regional Control Centre Company

The national Fire Control project is working towards the migration of English fire and rescue control functions into nine regional control centres. One of these centres being within the West Midlands region.

The Centre will be operated by a Local Authority Controlled Company (LACC) of which the 5 regional Fire and Rescue Services are Members. The company was incorporated on 19<sup>th</sup> February 2007.

At 31<sup>st</sup> March 2009 the company held no assets or liabilities and in 2008/09 incurred expenditure of £372,993 all of which was funded by government grant paid to West Midlands Fire Service.

## **8. 2008/09 Figures Restated**

The Debtors and Creditors figure on the Balance Sheet has been restated by £4.575m to reflect the total amount for services due to and from Sandwell Metropolitan Borough Council. An adjustment of £0.106m has been made between the Cash and Debtors figure to reflect the treatment of unallocated cash.

Where an R is annotated, the 31<sup>st</sup> March 2008 accounts have been restated.

## **9. Fixed Assets**

All Fixed Assets are shown in the balance sheet at latest values. The Authority has complied with the requirements of FRS11 which relate to impairment. FRS 11 sets out the principles and methodology for accounting for impairments of fixed assets and goodwill. The carrying amount of an asset is compared with its recoverable amount and, if the carrying amount is higher, the asset is written down. Recoverable amount is defined as the higher of the amount that could be obtained by selling the asset (net realisable value) and the amount that could be obtained through using the asset (value in use). Impairment tests are only required when there has been some indication that impairment has occurred. Due to the global economic situation during 2008/09 it was considered appropriate to carry out an impairment review of the property assets of the Authority. Wilks Head & Eve, who are members of the Royal Institute of Chartered Surveyors, were instructed to carry out an impairment review as at 31<sup>st</sup> March 2009. These latest values were calculated as follows:

### ***Vehicles & Equipment***

The threshold for inclusion in the asset registers for both vehicles and equipment is a purchase cost of £6,000 per item.

### ***Land and Buildings***

In line with the Authority's policy of revaluing land and buildings at five yearly intervals, a comprehensive revaluation was carried out as at 31<sup>st</sup> March 2005. The valuation was carried out externally by Gerald Eve, who are members of the Royal Institute of Chartered Surveyors. Operational properties were valued on the basis of Open Market Value in Existing Use except where there is no market for the asset in question. In this case properties were valued on the basis of Depreciated Replacement Cost. Non-operational properties were valued on the basis of Open Market Value.

#### **10. Purchase of Fixed Assets**

During the year, the Authority incurred capital expenditure of £9.799m as detailed below.

	£m
Land & Buildings	8.115
Vehicles	0.716
Equipment	0.956
Software Licences	0.012

The major items of expenditure were as follows:

	£m
H Q Replacement	6.495
Training Facility Improvements	1.254
Vehicle Replacement Programme	0.716
ICT Enhancements/Upgrades	0.517
Rescue Equipment Replacement	0.399
Station Modifications	0.351
Office Equipment Replacement	0.052
Asbestos Removal	0.015

#### **11. Disposal of Fixed Assets**

Assets disposed during 2008/09 consisted of 7 x Pumps/Specialist Vehicles, 6 x Vans and 2 x Cars with a total net book value of nil.

## 12. Movements in Fixed Assets 2008/09

	Operational Assets				Non-Operational Assets		Total Fixed Assets
	Land & Buildings	Vehicles	Equipment	Intangible Software Licences	Assets Under Construction	Surplus Assets	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Cost or Valuation</u>							
1 <sup>st</sup> April 2008	87,272	20,270	5,086	622	14,852	2,500	130,602
Acquisitions	1,620	663	957	12	6,547	0	9,799
Disposals	0	(722)	0	0	0	(85)	(807)
Reclassifications	21,143	256	0	0	(21,399)	0	0
Impairments	0	0	0	0	0	(149)	(149)
Revaluations	0	0	0	0	0	0	0
31 <sup>st</sup> March 2009	110,035	20,467	6,043	634	0	2,266	139,445
<u>Accumulated Depreciation</u>							
1 <sup>st</sup> April 2008	11,038	13,291	3,490	170	0	301	28,290
Depreciation	3,782	1,328	426	112	0	89	5,737
Disposals	0	(722)	0	0	0	(85)	(807)
Impairments	0	0	0	0	0	(10)	(10)
Reclassifications	0	0	0	0	0	0	0
31 <sup>st</sup> March 2009	14,820	13,897	3,916	282	0	295	33,210
<u>Net Book Value</u>							
31 <sup>st</sup> March 2008	76,234	6,979	1,596	452	14,852	2,199	102,312
31 <sup>st</sup> March 2009	95,215	6,570	2,127	352	0	1,971	106,235

### 13. Capital Expenditure and Financing in year

	2008/09 £000's	2008/09 £000's
<b><u>Expenditure</u></b>		
Intangible Fixed Assets	12	
Fixed Assets		
- Land and Buildings	8,115	
- Vehicles	716	
- Equipment	956	
		9,799
<b><u>Financing</u></b>		
Revenue Contributions to Capital Outlay	(8,100)	
Capital Grants	(239)	
Capital Receipts Applied	(439)	
Supported Capital Expenditure	(3,967)	(12,745)
Surplus in Capital Finance		(2,946)

The surplus capital resources will be carried forward in future years

### 14. Assets Held

Major fixed assets owned by the Authority at 31<sup>st</sup> March 2009 were as follows:

	2007/08 Number	2008/09 Number
<b><u>Land &amp; Buildings</u></b>		
Brigade Headquarters	0	1
Fire Stations/Fire Safety Centres	40	40
Training Centre	1	1
Training Center Annex	1	1
Fire Behaviour Centre – Birmingham Airport	1	1
Vehicle Workshop	1	1
Non-residential Premises	5	5
Residential Dwellings	28	28
<b><u>Vehicles</u></b>		
Pumping and Special Appliances	118	115
Cars and Vans	106	112
Other (Trailer/Demountable Unit/Coach)	37	40

## 15. Outstanding Commitments Under Capital Schemes

The Authority has authorised capital expenditure in future years of £17.400m, of which £1.674m has been contracted. The balance relates to schemes approved by the Authority in respect of which no contracts have yet been entered into.

The amounts are represented by the following schemes:

	Expenditure approved and contracted at 31/03/09 £000s	Expenditure approved but not contracted at 31/03/09 £000s	Grand Total  £000s
Vehicle Replacement Programme	387	8,960	9,347
Walsall Refurbishment	-	1,700	1,700
Solihull Refurbishment	-	1,700	1,700
Boiler Replacement Programme	9	992	1,001
RPE (BA Set Replacement)	393	584	977
Drill Towers/Training at Height	8	815	823
E-Business	-	612	612
Retentions / Completed Schemes	565	-	565
Command & Control System	204	6	210
Training Centre Refurbishment	22	122	144
RTC Training Areas	-	120	120
Coventry Fire Training House	-	90	90
Oracle Licences	86	-	86
Fire Control Voice System	-	15	15
Thermal Image Cameras	-	10	10
	<b>1,674</b>	<b>15,726</b>	<b>17,400</b>

## 16. Stocks and Stores

All stocks were valued at latest price and can be broken down into the following categories:

	<u>2007/08</u> £	<u>2008/09</u> £
General Stocks	482,265	634,207
Mechanical Stocks	153,805	158,621
Bar Stocks	258	196
Heating Oil/Petrol/Diesel	91,963	91,926
	<b>728,291</b>	<b>884,950</b>

## 17. Debtors and Creditors

The amounts shown for debtors and creditors can be broken down as follows:

	<u>2007/08</u>	<u>2008/09</u>
	£	£
<u>Debtors:</u>		
General Debtors	702,354	629,467
Debtors Accruals	6,734,711	11,049,463
Car Loans Due within 12 Months	0	0
VAT Due from H.M. Customs & Excise	383,984	227,872
Provision for Bad Debts	(86,975)	(22,519)
	<u>7,734,074</u>	<u>11,884,283</u>
<u>Creditors:</u>		
General Creditors	2,192,758	2,375,795
Creditors Accruals	7,468,639	9,332,109
Receipts in Advance	1,817,918	2,359,505
	<u>11,479,315</u>	<u>14,067,409</u>

## 18. Loans Outstanding

The Authority does not operate its own loans pool. Loans required to fund capital expenditure are advanced from the lead Authority Sandwell M.B.C. Loans are also outstanding to Dudley M.B.C. These represent the Authority's share of the outstanding loan debt of the West Midlands County Council abolished in 1986. The amounts owing to the two authorities are as follows:

	<u>2007/08</u>	<u>2008/09</u>
	£	£
Sandwell M.B.C.	42,113,175	44,395,648
Dudley M.B.C.	4,868,080	4,761,322
	<u>46,981,255</u>	<u>49,156,970</u>

## 19. Government Grants Deferred

This account holds various government, other capital grants and other contributions. These will be written off to revenue over the life of the relevant assets where these are depreciated. New grants amounted to £0.239m and £0.123m was written off during 2008/09.

## 20. Revaluation Reserve

The purpose of this reserve is to store gains on revaluation of fixed assets not yet realised through sales.

	<u>2008/09</u> £000's
Balance at 1 <sup>st</sup> April	499
Revaluations	(116)
Sale of Fixed Assets	0
Balance at 31 <sup>st</sup> March	<u>383</u>

## 21. Capital Adjustment Account

The purpose of this reserve is to store capital resources set aside to meet past expenditure.

	<u>2008/09</u> £000's
Balance at 1 <sup>st</sup> April	52,517
Capital Financing	4,878
Capital Receipts	439
Write down of Assets	123
Depreciation	(5,737)
Impairments	(23)
Disposal of Fixed Assets	0
Repayment of Principal/MRP	1,801
Balance at 31 <sup>st</sup> March	<u>53,998</u>

The repayment of Principal/MRP represents £1.695m for repayments of principal to Sandwell M.B.C. that equate to the Minimum Revenue Provision required by section 63 of the Local Government and Housing Act 1989 and £0.106m principal paid to Dudley M.B.C. for the debt inherited from the former West Midlands County Council.

## 22. Usable Capital Receipts Reserve

This reserve holds the proceeds of fixed assets sales available to meet future capital investment.

	<u>2008/09</u> £000's
Balance at 1 <sup>st</sup> April 2008	3,130
Sale of Fixed Assets Exceeding £10k	0
Capital Receipts Applied in Year	(439)
Balance at 31 <sup>st</sup> March 2009	<u>2,691</u>

## 23. Finance and Operating Leases



The Authority does not own any assets acquired under Finance Leases.

The Authority had an operating lease for the rent of Premises for Stores which commenced on the 11<sup>th</sup> May 2007. The lease was for 2 years with the option to extend for 1 year. For 2008/09 a rental payment of £33,000 was charged to the income and expenditure account.

The Authority also entered into a 25 year contract in October 2008 with Network Rail for the lease of four railway arches. For 2008/09 a rental payment of £11,200 was charged to the income and expenditure account.

## 24. Earmarked Reserves

The following earmarked reserves have been created.

	Balance at 31/03/08 £000s	Contribution during year £000s	Applied during year £000s	Not utilised £000s	Balance at 31/03/09 £000s
Insurance	7,804	500	188	-	8,116
Capital Works	4,331	3,205	3,931	17	3,588
BA Sets & Accessories	1,199	-	500	-	699
BTC Building Alterations	1,048	-	1,048	-	-
Project Management	896	520	480	366	570
Budget Carry Forwards System	677	709	677	-	709
Enhancements/Upgrades	623	66	571	1	117
Command & Control Systems	450	-	450	-	-
Boiler Replacement Program	400	98	8	-	490
Training & Development	338	116	14	175	265
Station Works	242	554	242	-	554
LAA Match Funding	200	-	6	-	194
Legal Costs	190	-	-	-	190
Firefighting & Rescue Equipment	115	77	115	-	77
Fire Prevention & Education	115	112	115	-	112
Fire Control Support	71	80	63	1	87
Birmingham Resilience Team	52	-	52	-	-
Vehicles	47	-	47	-	-
Document Scanning	42	-	42	-	-
Fire Ground Equipment	25	-	24	1	-
Removal Expenses	15	-	15	-	-
Rest Facilities	5	-	5	-	-
	<b>18,885</b>	<b>6,037</b>	<b>8,593</b>	<b>561</b>	<b>15,768</b>

**25. Pensions Liability**

At 31<sup>st</sup> March 2009, 207 employees of the Authority who are members of the Firefighters' Pension Scheme were eligible for voluntary retirement, having reached age 50 and completed 25 years' service. If all were to exercise their right to retire in the 2009/10 financial year, the Authority would have to make commutation payments amounting to £19.1m.

**26. Provisions**

A provision of £0.215m exists to cover potential legal costs in connection with industrial relation issues.

**27. 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.

**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 £0.655m of the £11.884m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000's
Less than three months	556
Three to six months	65
Six months to one year	12
More than one year	22
	<hr/>
	655

**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.

**Market risk**

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

During 2008/09, if interest rates had been 1% lower with all other variables held constant, the impact on the Income and Expenditure Account would be a fall in interest of £0.330m. The impact of a 1% increase in interest rates would be the same but reversed, interest would increase by £0.330m.

**28. Notes to the Cash Flow Statement****a. Reconciliation to Revenue Account Surplus**

	<b>£000's</b>
Deficit/(Surplus) for the year	(391)
Repayment of Debt	(1,801)
Use of Reserves and Provisions	3,138
Direct Revenue Financing	(4,878)
Interest Paid	(3,167)
Interest Received	1,804
<b>Items on an Accrual Basis</b>	
Increase/(Decrease) in Stock	157
Increase/(Decrease) in Debtors incl. Long term	4,391
(Increase)/Decrease in Revenue Creditors	(2,512)
<b>Revenue Activities Net Cash (Inflow) / Outflow</b>	<u><u>(3,259)</u></u>

**b. Reconciliation to Net Debt**

	<b>2007/08 £000s</b>	<b>2008/09 £000s</b>
Long-term Borrowing	46,981	49,157
Creditors Due within 12 Months	11,479	14,067
<b>Total</b>	<b>58,460</b>	<b>63,224</b>
Deferred Debtors	0	0
Investments	0	0
Debtors	(7,734)	(11,884)
<b>Net Debt</b>	<b>50,726</b>	<b>51,340</b>
<b>Movement in Net Debt</b>		<b>614</b>
Net Cash Flow		7,348
Movement in Cash Flow		-5,172
<b>Cash Flow Funded by Borrowing</b>		<b>2,176</b>
<b>Movements in:</b>		
Debtors		(4,123)
Creditors		2,561
Long Term Debtors		0
<b>Movement in Net Debt</b>		<b>614</b>

**c. Analysis of Government Grants**

	<b>2007/08 £000s</b>	<b>2008/09 £000s</b>
Pensions Top-up	11,179	13,051
Fire Control Projects Implementation	786	1,792
New Dimension Training, Crewing & Accommodation	1,534	1,064
Urban Safety Village	100	255
Local Area Agreements	84	172
GOWM Partnership Youth Project	0	40
Home Fire Risk Assessment	620	0
Community Fire Safety	356	0
National Resilience	124	0
Centro	35	0
	<b>14,818</b>	<b>16,374</b>

**THE WEST MIDLANDS FIRE AND RESCUE AUTHORITY**  
**PENSION FUND ACCOUNT**

<b>2007/08</b>			<b>2008/09</b>	
<b>£000's</b>			<b>£000's</b>	
<b>1992</b>	<b>2006</b>		<b>1992</b>	<b>2006</b>
		<b>Contributions Receivable</b>		
		From Fire Authority		
(10805)	(597)	Normal	(10,696)	(784)
(140)	0	Early Retirements	(140)	0
(5,565)	(461)	From Firefighters' Contributions	(5,502)	(605)
		<b>Transfers in</b>		
0	(187)	Individual	(33)	(187)
		<b>Benefits Payable</b>		
22,434	0	Pensions	24,149	0
5,287	0	Commutations and lump sum retirement benefits	9,867	0
0	0	Lump sum death benefits	134	0
		<b>Payments to and on account of leavers</b>		
	0	Refund of contributions	0	0
242	0	Individual transfers	107	0
<b>11,453</b>	<b>(1,245)</b>	<b>Net amount payable for the year</b>	<b>17,886</b>	<b>(1,576)</b>
<b>(11,453)</b>	<b>1,245</b>	<b>Top up Grant payable by the Government</b>	<b>(17,886)</b>	<b>1,576</b>

<b>2007/08</b>	<b>NET ASSETS STATEMENT</b>	<b>2008/09</b>
<b>£000's</b>		<b>£000's</b>
(558)	Unpaid pensions due	(1,766)
929	Top-up receivable from the Government	4,188
(371)	Amount owing to General Fund	(2,372)
0	Death Grant Payable	(50)
<b>0</b>		<b>0</b>

## **NOTES TO THE PENSION FUND ACCOUNT**

The fund was established at 1<sup>st</sup> April 2006 under the Firefighters' Pension Scheme (Amendment) England) Order 2006 and covers both the 1992 and 2006 Firefighters' Pension Schemes. Before 1<sup>st</sup> April 2006 the Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. The 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 CLG.

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

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the CLG and are subject to triennial revaluation by the Government Actuary's Department. The contribution rates for 2008/09 are shown in the table below.

	<u>2006 Scheme</u>	<u>1992 Scheme</u>
Employer's	11%	21.3%
Employees'	8.5%	11%

The Fund is administered by the Authority. Benefits are paid to retired officers, their survivors and others who are eligible for benefits under both the 1992 and 2006 Firefighters' Pension Schemes.

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the 31<sup>st</sup> March 2009. For further information on the liability to pay pensions see Note 1, page 32.

The account is prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies on page 10.

Revised commutation factors prepared by the Government Actuary for the purposes of calculating the lump sums payable to persons who commute part of their firefighter's pension under Rule B7 of the Firefighters' Pension Scheme 1992 were issued on the 21<sup>st</sup> May 2008. The effect of the new factors has been backdated to 1<sup>st</sup> October 2007 and all payments have been made during 2008/09. However Following a decision by the High Court, new factors for commutation of annual pension into a lump sum in the Police Pension Scheme 1987 have been backdated to 1 December 2006. The CLG have stated that the Authority may have to backdate payments for the Firefighters' Pension Scheme 1992 to 22nd August 2006. This means that the new factors would apply to any member of the Firefighters' Pension Scheme who retired with an immediate pension on that date or later or whose deferred pension came into payment on that date or later. The effect of these payments for the period 22<sup>nd</sup> August 2006 to 30<sup>th</sup> September 2007 is £1.766m and has been accrued for. Under the firefighter pension financing arrangements, CLG reimburses the Authorities firefighters' pension funds using a Central Government top-up grant, to cover any deficits incurred. This will now include the additional expenditure needed to increase lump sums in the light of revised commutation factors.

## **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).

### ***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 fixed 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 under the SORP 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.

### ***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.

**Financial Reporting Standards (FRS)**

Accounting standards issued or adopted by the Accounting Standards Board and are based on the Statement of Principles for Financial Reporting, currently in issue, which addresses the concepts underlying the information presented in financial statements. The objective of this Statement of Principles is to provide a framework for the consistent and logical formulation of individual accounting standards. The framework also provides a basis on which others can exercise judgement in resolving accounting issues.

**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 NNDR.

**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.

**Government Grants Deferred Account**

Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which they relate are depreciated. The balance on this account represents grants not yet written off.

**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.

**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 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.

***National Non-Domestic Rates (NNDR)***

Rates which are levied on business properties.

***Net Book Value***

The amount at which fixed 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***

Fixed assets held by the Authority but not used or consumed in the delivery of services.

***Operational Assets***

Fixed 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.

***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.

***Related Party***

There is a detailed definition of related parties in FRS 8. For the Authority's purposes, related parties are deemed to include:

Central Government.

West Midland 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 fixed assets is separated from accounting for their financing. This is one of two reserves that help to manage this separation. It records unrealised revaluation gains arising (since 1<sup>st</sup> April 2007) from holding fixed assets.

**Revenue Support Grant (RSG)**

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

**SORP – Statement of Recommended Practice**

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

**Stock in Hand**

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.

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## APPENDIX B

**WEST MIDLANDS FIRE & RESCUE AUTHORITY**  
**Efficiency Savings 2008-09**

				All figures £'000				
Category	Quality cross-check (QCC) met	One off or recurring?	Capital	Revenue	Annual Cashable Efficiency Gain	Cumulative Cashable Efficiency Gain	Annual Non-Cashable Efficiency Gain	Cumulative Non-Cashable Efficiency Gain
Other IRMP savings		Recurring		✓	545	545		
Reduced Ill Health Retirements		Recurring		✓	50	50		
Other HR Savings		Recurring		✓	400	400		
Better procurement		Recurring		✓	28	28		
Corporate Services		Recurring		✓	29	29		
			<b>TOTAL</b>	✓	1,052	1,052		

## APPENDIX C

### West Midlands Fire and Rescue Authority

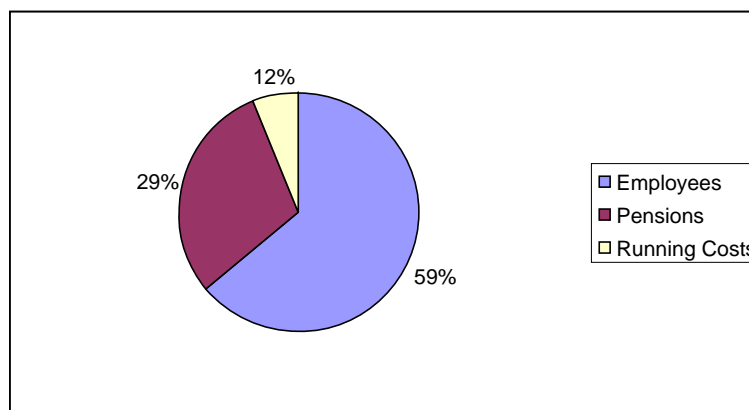
#### Statement of Accounts 2008/09 Summary

##### How much did the Service cost in 2008/09?

The majority of the net cost of Fire Service expenditure relates to firefighting and rescue operations (£100m) and community fire safety work (£18m).

The total Net Operating expenditure for the Fire Service for 2008/09 was approximately £165m. This figure includes pension costs of £60m which need to be shown in accordance with specific accounting requirements.

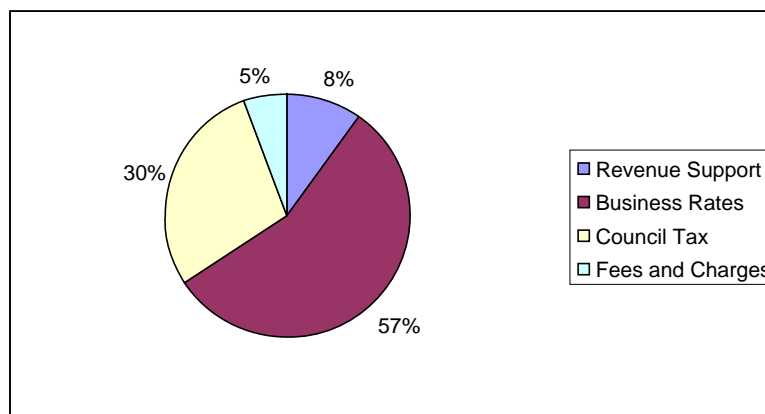
The types of costs can be broken down as follows:



##### How was the Service funded in 2008/09?

The total income of the Authority in 2008/09 was £122m. The majority of funding comes from the Government in the form of grant and a share of business rates.

The various sources of funding are shown below:



## Balances and Reserves

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

In order to set a balanced budget in 2008/09 the Authority assumed no movement in general balances. The actual level of general balances increased in the year by £0.391m, leaving £4.451m general balances at the end of the financial year. The Authority holds general balances as funding to meet any unforeseen events which it may need to respond to. Interest is earned on any unused balances.

In addition, as part of the closedown of accounts process, consideration needs to be given to the level of earmarked reserves required. These are amounts set aside to meet specific anticipated future demands. The level of earmarked reserves decreased by £3.117m, this brought the total level of these reserves to £15.768m. Interest is earned on any balances until expenditure is committed against the demands identified.

## Capital Expenditure and Funding

In 2008/09, the Authority spent £9.799 million on capital projects.

The expenditure was incurred on the following:

	£000s
Land & Buildings	8,115
Vehicles	716
Equipment	956
Software Licences	12

A considerable amount of this expenditure was financed by direct revenue funding (50%) and by borrowing (41%). The balance was funded by grants and capital receipts.

In the same way that borrowing was used to help purchase assets during 2008/09, borrowing in earlier years meant that at the end of 2008/09, the Authority had total loans of £49.157m (the interest and principal on any loans needs to be met from future revenue budgets). The value of fixed assets held by the Authority as at 31<sup>st</sup> March 2009 which the loans had helped fund was £106m, of which approximately 92% related to land and buildings and 8% 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 No. 0121 380 6920 or e-mail: [kal.shoker@wmfs.net](mailto:kal.shoker@wmfs.net)

**This information can also be made available in other languages and formats including large print, Braille and audiotape. Please phone 0845 800 9000.**