



**WEST MIDLANDS
FIRE AND RESCUE
AUTHORITY**

Monday, 30 September 2019 at 11:00

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

Distribution of Councillors	
<u>Birmingham</u>	D Barrie Z Iqbal K Jenkins S Spence
<u>Coventry</u>	C Miks S Walsh
<u>Dudley</u>	N Barlow P Miller
<u>Sandwell</u>	J Edwards M Singh Gill
<u>Solihull</u>	P Hogarth MBE
<u>Walsall</u>	S J Cooper A Young
<u>Wolverhampton</u>	G Brackenridge J Dehar
<u>Police & Crime Commissioner Representative</u>	Gurinder Singh Josan CBE
<u>Co-opted Members</u>	Professor S Brake S Middleton
<u>Independent Member</u>	Mr M Ager

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, 30 September 2019 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 **Chief Fire Officer's Announcements**
- 5 **Minutes of the AGM of Fire Authority held on 24 June 2019** 5 - 18
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- 14 **Minutes of the Audit and Risk Committee held on 29 July 2019** 191 -
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- 15 **Minutes of the Appointments, Standards and Appeals
Committee held on 9 September 2019** 205 -
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- 16 **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.*" Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Agenda (not open to public and press)

17 Business Continuity Arrangements

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

Agenda prepared by Julie Connor

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

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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 5

24 June 2019 at 1100 hours at
Fire Service Headquarters, Vauxhall Road, Birmingham

Present: Councillor Brackenridge (Chair)
Councillor Zafar Iqbal (Vice Chair)
Councillors Barrie, Barlow, Cooper, Dehar, Hogarth,
John Edwards, Jenkins, Miller, Miks, Spence, Walsh
and Young
Mr Gurinder Josan, CBE (PCC Representative)
Mr M Ager, Independent
Prof. Simon Brake, Co-opted Member

41/19 **Apologies for Absence**

Sarah Middleton, Co-Opted Member

42/19 **To Elect the Chair of the Authority for the ensuing year**

Resolved that Councillor Brackenridge be elected Chair of the Authority for the period ending with the annual meeting in 2020.

43/19 **To Elect the Vice Chair of the Authority for the ensuing year**

Resolved that Councillor Iqbal be elected Vice Chair of the Authority for the period ending with the annual meeting in 2019.

44/19 **Declarations of Interest in contracts or other matters**

Councillors Edwards and Brackenridge declared an Interest on this occasion in Minute Nos.61/19 and 64/19. Audit and Risk Committee minutes and 47/19 Monitoring of Finances in respect of the Firefighters' Pension Scheme

45/19 **Chair and Chief Fire Officer's Announcements**

The Chair thanked the Authority for appointing him as Chair of the Authority.

The Chair wanted to pay tribute to Councillor John Edwards, the outgoing Chair, for his association with the Fire Service over a number of years, from being a firefighter, a member of the Fire Brigades Union, a Member and Chair of the Fire Authority. The Chair stated that Councillor Edwards had an unsurpassed knowledge of the Fire Service and thanked him for his efforts for many years. The Chair was pleased that Councillor Edwards had remained on the Authority as his experience would be very useful to the Chair.

Councillor Hogarth, Leader of the Opposition Group, wished the Chair and Vice Chair well in their new roles and also thanked Councillor Edwards for his work over the years. Councillor Edward's work for the Authority and community was appreciated by previous and current members of the Conservative group.

Members' attention was drawn to the list of forthcoming Open Days and the Chair also confirmed that the dates were available on www.wmfs.net

The Authority noted that the Audit and Risk Committee would be taking place on Monday 29 July 2019 at 1000 hours, a change from the published date of Monday 15 July 2019.

It was noted that a Members' Awareness Session had been arranged to take place on Monday 29 July 2019 at 1100 hours.

The Members of the Authority were asked to complete a new form for their details to be held on the Committee Management Information System (CMIS) and also a new Declaration of Information Form.

The Authority thanked Deputy Chief Fire Officer Phil Hales for his work for the Authority and wished him all the best for the future on his retirement.

It was agreed to bring forward Items 13, 14 and 15 of the agenda pack to enable the Treasurer to leave the meeting early to attend an urgent meeting in London regarding National Pay negotiations. It was hoped that the

negotiations would be positive and a resolution would be found by mid July.

46/19 **Governance Statement**

The Authority considered a report seeking comments and consideration of the Annual Governance Statement for 2018/19 attached as Appendix 1 to the report. The Audit and Risk Committee had received the draft Governance Statement for 2018/19 at their meeting held on 3 June 2019.

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 and internal control.

The Authority's Governance Statement requires the signatures of the Chair of the Authority and Chief Fire Officer.

The report set out the Governance Framework, Review of Effectiveness and significant governance arrangements within the Authority.

The main issues as a result of the audits were identified as Payroll and West Midlands Combined Authority.

Resolved that the Authority's Governance Statement 2018/19 be received.

47/19 **Monitoring of Finances**

The Authority noted its first budgetary report of the year to the end of May 2018.

It was noted that there were no significant variances. As part of the Authority's 2019/20 budget setting process the current year's budget reflects an estimated transfer from general balances of £1.100 million.

The actual spend to May 2019, including commitments, showed an overall favourable variance of £0.018 million. There was an overspend against the Response budget held corporately due to the level of savings required in staff adjustments and vehicles to meet the £3.8m savings not quite being achieved at this stage. More focus would need to be made during the year to meet the budgetary difficulties facing the Authority.

Appendix B provided statistical data relating to the Firefighters' Pension Scheme and the actual figures were in line with the estimated position.

Capital Expenditure – the scheme analysis was shown on Appendix C. Expenditure to the end of May 2019 was shown as £0.434m.

It was anticipated that the funding for capital projects would come from ear-marked reserves.

In answer to an enquiry regarding the cost to the Fire Authority of the aborted attempt of the change of governance, the Treasurer stated that this related predominantly to the time of the staff involved in the change of governance.

48/19 **External Audit Work Programme and Scale of Fees for 2019/20**

The Authority noted the external audit work programme and scale of fees for the 2019/20 audit work to be undertaken by Grant Thornton UK LLP. The scale of fees proposed for the delivery of the 2019/20 work programme was £29,750 and the charge was consistent with previous financial years and the work pattern was broadly similar.

49/19 **Minutes of the Fire Authority held on 8 April 2019**

Resolved that the Minutes of the Authority held on 8 April 2019, be confirmed as a correct record.

50/19 **Membership of the Authority 2019/20**

The Authority noted the appointments made by the constituent district councils for 2019/20.

51/19 **Question on the Discharge of Functions**

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

	<u>Lead</u> <u>Councillor</u>	<u>Substitute</u> <u>Councillor</u>
Birmingham	Iqbal	Jenkins
Coventry	Walsh	Miks
Dudley	Barlow	Miller
Sandwell	Edwards	Gill
Solihull	Hogarth	
Walsall	Cooper	Young
Wolverhampton	Brackenridge	Dehar

52/19 **Governance of the Authority**

The Authority considered a report on the governance of the Authority and proposed amendments to the Constitution and Committee Structure as set out in the report.

A recent decision of the West Midlands Combined Authority to progress laying of the draft Order for governance transfer to the West Midlands Combined Authority and Chair, individual local constitution councils had not unanimously agreed to provide final consent to lay the Order in the Houses of Parliament. Some local councils cited the reason for the non-consent to be the amendments to the draft Oder during parliamentary checks removed absolute assurance that the accountabilities and operational independence of the role of the Chief Fire Officer would be provided for in the statutory Order. The Order was not laid as anticipated on the 5 June 2019 and consequently the transfer of governance had not taken place.

The Governance and Transformation Committee had been established in 2019/20 to advise on the transition to the Mayoral West Midlands Combined Authority. As this was not now taking place it was proposed that the Governance and Transformation Committee be reformed as a Collaboration and Transformation Committee in order to oversee the strategic assurance of developing collaborations of the Authority up to implementation. It was suggested that a co-optee position is established for this committee.

The Scrutiny Committee Terms of Reference had been amended to incorporate the assurance role of the disestablished Shared Fire Control Governance Board in periodically reviewing the strategic performance of this joint function between the Police, Fire and Rescue and Crime Commissioner for Staffordshire and the Authority.

The terms of reference for the Audit and Risk Committee were agreed at Audit and Risk Committee held on 25 March 2019 and noted by the Authority on 8 April 2019.

Following a request by the Authority the Appointments, Standards and Appeals Committee terms of reference had been amended to incorporate the opportunity for the appellant to attend an Authority Appeals Panel, usually to observe only, where the appellant's appeal was being heard.

The amendments to the Employee Relations Framework and subsequently the Joint Consultative Panel terms of reference were set out in a separate report to the Authority.

A new Committee Structure and Calendar of meetings for the year 2019/20 was provided.

There was no percentage increase in the Members Allowances, however, the scheme had been amended to recognise the changes to the Committee Structure and appropriate allowances.

The Clerk to make any consequential amendments to the Constitution in consultation with the Chair, Vice Chair and Leader of the Opposition.

Resolved :

1. That the amendments proposed to the Constitution and Committee Structure as set out in the report in relation to'
 - a. the Governance and Transformation Committee be reformed as the Collaboration and Transformation Committee;
 - b. the appointment of a co-opted member to the Collaboration and Transformation Committee;
 - c. the Scrutiny Committee Terms of Reference include responsibility for assurance of the performance of the shared Fire Control;
 - d. the Appointments, Standards and Appeals Committee Terms of Reference to include the possible attendance of the appellant at Pension Appeal hearings be approved.
2. That the amendments proposed for the Joint Consultative Panel as part of the Employee Relations Framework be noted.
3. That the amendments made to the Audit and Risk Committee terms of reference as approved by the Audit and Risk Committee be noted.
4. That the calendar of meetings for 2019/20 as set out in Appendix 6 be approved.
5. That no percentage increase be made in Members' Allowances in 2019/20 by way of indexing or otherwise;
6. That the Members Allowances Scheme for 2019/20as set out in Appendix 7 be approved.
7. That the discontinuation of the laying of the draft Order for governance transfer to the West Midlands Combined Authority and Mayor be noted.
8. That the Clerk be make and publish any necessary consequential amendments to constitutional

documents in the light of decisions made with regard to governance arrangements for 2019/20 be authorised following consultation with the Chair, Vice Chair and Leader of the Opposition Group.

53/19 **Political Balance and Members of Committees and Panels 2019/20**

The Authority considered the Constitution and political balance of committees and assignment of members to committees and panels for 2019/20.

It was noted that the current Independent Member, Mr Ager, and Mr Tomkinson, the Independent member of the Standards Committee, had both agreed to continue in role for a further year.

It was confirmed that Councillor Cooper, Walsall, would substitute for Councillor Young on the Appointments, Standards and Appeals Committee.

Resolved:

- (a) That the political balance and membership of committees and panels for 2019/20, as set out at Appendix 1, be approved.
- (b) That the appointment of Mr Ager as an Independent non-voting member of the Audit and Risk Committee be affirmed;
- (c) That the appointment of the co-opted member to the Scrutiny and Collaboration and Transformation Committees be approved;
- (d) That the appointment to the roles of Chair and Vice Chairs of Committees and Panels, as set out in Appendix 1 be approved;
- (e) The appointment of Mr R Tomkinson to the role of independent person, appointed in pursuance of Section 28 of the Localism Act 2011, for the term of office expiring at the AGM in June 2020.

54/19 **Appointment of Representatives to Serve on Other Bodies**

The Authority considered the appointment of representatives to service on other bodies during 2019/20. The Authority noted the principles of proportionality apply where the Authority makes more than three appointments to bodies specified in the Act. An indication was given to the appendix where proportionality applied.

The appointment of representatives to serve on other bodies were agreed as:

Local Government Association General Assembly
Councillors Brackenridge, Iqbal, Hogarth

Local Government Association – Fire Service Commission
Councillors Brackenridge, Iqbal, Hogarth

West Midlands Road Safety Partnership
Name to be provided

Association of Metropolitan Fire and Rescue Authorities
Councillor Brackenridge and Iqbal

55/19 **Member Attendances at Conferences**

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

It was noted that Councillors Brackenridge and Edwards would attend the LGA Conference in Bournemouth.

It was noted that in respect of the Asian Fire Services Association Conference, Councillor Gill, would also attend.

The Leader of the Opposition Group confirmed that if he was unable to attend, Councillor Barlow would represent the Group.

Resolved that the events for 2019/20, as set out in the Appendix to the report, be approved for the purposes of the payment of travel and subsistence allowances an conference fees (where appropriate) subject to the necessary budgetary provision being available.

56/19 **Fire Safety Prosecuton**

The Authority noted the details of a Fire Safety prosecution under the Regulatory Reform Order (Fire Safety) Order 2005 and related to adjoining premises of Rotana Shisha Lounge and Valentino's Cash and Carry, Highgate, Birmingham where serious fire safety failures concerning the means of escape from the premises putting revelant persons at risk of death or serious injury in case of Fire.

Both parties pleaded guilty prior to the hearing. Mr Miskari received a 12 month community order of 100 hours unpaid work, a £12,000 fine to be paid in 12 months and £9,351.37 costs. Mr Rezvani received a 8 month custodial sentence suspended for 12 months, 200 hours unpaid work and £9,351.37 costs. Valentino's Cash & Carry Ltd. were fined £250,000 to be paid within 3 years.

The costs awarded against the defendants covered the legal costs of £10,876.25 incurred by the Authority in preparing the relevant prosecution file and compensates for Sandwell Legal and Counsel's time spent on the case.

57/19 **Revision of the Employee Relations Relations**

The Authority noted the agreed amendments that had been made to the Employee Relations Framework (ERF) and terms of reference for Joint Consultative Panel (JCP). The document had been amended and updated as part of a scheduled 3 year review, incorporating the outcome of the Trade Dispute in 2018 and organisational Core Values.

The ERF is the agreed framework that governs how the Service and its Trade Unions engage on issues of change.

The ERF draws from:

- ACAS Code of Practice on Trade Union Activities
- Collective Agreement Industrial Relations 2018 (Appendix 1 of ERF Appendix A of the report.
- NJC Joint Protocols for Good Industrial Relations in the Fire Service and Rescue Service (Appendix 2 of ERF Appendix A of the report)
- Dialogue and agreement between local Trade Union officials and management representatives
- Consideration of Fire Authority Constitution and Service policy

As part of the resolution to the trade dispute, an additional seat has been provided to the Fire Brigades Union on the Joint Consultative Panel increase their number from 2 to 3. Following a resolution in respect of the Terms of Reference for the JCP, The Monitoring Officer position has also been added to the list of officers eligible to attend the meetings of the JCP (Appendix 3 of ERF Appendix A of the report)

Members attention was drawn to the review of 'Responsibilities of Elected Members for Employee Relations' document (Appendix 4 of ERF Appendix A)

The main changes agreed for inclusion into the ERF were outlined in the 'overview of amendments' document (Appendix 4 of ERF Appendix A)

- Section 4.1 Inclusion of the Services Core Values (new)
- Section 5.3.6 Dispute Resolution (New)
- Section 5.3.7 External Assistance section (amended)
- Section 5.5.2 Misconduct of Officials/Representatives (new)
- Section 5.5.3 Officials and Representatives – Time Off Provision (amended)
- Section 5.5.11 Notification of Officials – amended
- Appendix 1 – Collective Agreement 2018 (New)
- Appendix 3 – Terms of reference for JCP (amended)
- Appendix 5 – Terms of reference for JCC(amended)
- Appendix 6 – 8 Appendices outlining the process for raising either a Cause for Concern, Failure to Consult or Failure to Agree (new)
- Appendix 9 – Consultation (Flowchart) amended

The amended framework and associated appendices are available to review on the Authority's Intranet (MESH) and would be embedded throughout the organisation through training.

58/19 **Annual Report of the Scrutiny Committee 2018/19**

Councillor Spence thanked Councillor Tranter for his years of service as the Chair of the Scrutiny Committee and confirmed the wonderful work undertaken by officers and committee members.

The report set out the business conducted and the Chair thanked the Members and Officers for the work on the approach to the Scrutiny of Positive Action and Firefighter Recruitment and removing barriers that were hindering progress.

A Working Group had been set up to work on the review of safeguarding and an Independent Chair, Mr Alan Lotinga, had been appointed as Chair of the Review.

Cllr Barlow echoed Cllr Spence's view and the excellent work of Mr Lotinga as Chair of the Working Group and looked forward to being a member of the Scrutiny Committee in the year ahead.

Cllr Brackenridge stated that the work of the Scrutiny Committee had been the most efficiently conducted of any committee he had seen.

The Review of Safeguarding had highlight areas not previously thought of and there was more work to do. The positive action work had helped the Service more accurately reflect the community that it served.

59/18 **Audit and Risk Committee Annual Report 2018/19**

The Authority received the Audit and Risk Committee's Annual Report for 2018/19. The Chair of the Committee stated that the report set out the main achievements of the Committee and thanked both the Internal and External Auditors for their exceedingly hard work and the excellent job of managing the Authority's budget and ensuring good reports from the Auditors.

60/19 **Notes of the Policy Planning Forum held on 25 March 2019**

The notes of the Policy Planning Forum held on 25 March 2019 were received.

61/19 **Minutes of the Audit and Risk Committee held on 25 March 2019**

The Minutes of the Audit and Risk Committee held on 25 March 2019 were received.

62/19 **Minutes of the Scrutiny Committee held on 27 March 2019**

The Minutes of the Scrutiny Committee held on 27 February 2019 were received.

63/19 **Notes of the Joint Consultative Panel held on 8 April 2019**

The Notes of the Joint Consultative Panel held on 8 April 2019 were received.

64/19 **Minutes of the Audit and Risk Committee held on 3 June 2019**

The Minutes of the Audit and Risk Committee held on 3 June 2019 were received.

65/19 **Notes of the Policy Planning Forum held on 3 June 2019**

The notes of the Policy Planning Forum held on 3 June 2019 were received.

The meeting closed at 1230 hours.

Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 6

30 SEPTEMBER 2019

1. **ANNUAL AUDIT LETTER 2018/19**

Report of the Treasurer.

RECOMMENDED

THAT the Authority notes the Annual Audit Letter (AAL) attached as an Appendix to this report.

2. **PURPOSE OF REPORT**

This report is submitted to inform the Authority of the findings of the external audit work undertaken for the audit year 2018/19 which is summarised in the AAL.

3. **BACKGROUND**

3.1 The AAL summarises the key findings from external audit work undertaken for the 2018/19 audit year. The audit comprised two elements:

- To audit and give an opinion on the Authority's financial statements.
- An assessment of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

3.2 The Audit Findings Reports (AFR) was presented to the Audit and Risk Committee on 29 July 2019 outlined the findings of the audit work undertaken.

3.3 Following the Audit and Risk Committee meeting, the auditor issued an unqualified opinion on the Authority's 2018/19 financial statements included in the Authority's Statement of Accounts on 31st July 2019.

Ref. AU/2019/Sept/90909192

- 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 (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – Auditor Reporting. The NAO Code of Audit Practice specifies the following criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for tax payers and local people."

- 3.5 As a consequence of this work, the auditor concluded that for 2018/19 the Authority had proper arrangements in all significant respects to secure economy, efficiency and effectiveness and to ensure it delivered value for money in its use of resources for the year ending 31st March 2019.
- 3.6 The Treasurer has been consulted and has agreed the content of the AAL.
- 3.7 Representatives from Grant Thornton will present and explain the findings detailed in the AAL 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. The matters contained in this report will not lead to and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

There is a legal requirement for the Authority to consider the AAL Statutory Instrument 2015 No. 234 – The Accounts and Audit Regulations 2015.

6. **FINANCIAL IMPLICATIONS**

The agreed scale fee for the provision of external audit services for the audit year 2018/19 was set at £29,750 although the AAL highlighted a fee variation (increase) of £4,000 on this figure.

7. ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report.

BACKGROUND PAPERS

The Audit Findings 2018/19 – Agenda item 5 – Audit and Risk Committee 29 July 2019.

The contact officer for this report is Gary Taylor, Assistant Chief Fire Officer, Strategic Enabler (Process), telephone number 0121 380 6914.

MIKE GRIFFITHS
TREASURER

The Annual Audit Letter for West Midlands Fire & Rescue Authority

Year ended 31 March 2019

August 2019



Contents



Your key Grant Thornton team members are:

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Section

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2. Audit of the Financial Statements
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at West Midlands Fire & Rescue Authority (the Authority) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority's Audit & Risk Committee as those charged with governance in our Audit Findings Report on 29th July 2019

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Authority's financial statements to be £2,396,000, which was 2% of the Authority's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Authority's financial statements on 31 st July 2019.
Whole of Government Accounts (WGA)	We completed work on the Authority's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 31 st July 2019.
Certificate	We certified that we have completed the audit of the financial statements of West Midlands Fire & Rescue Authority in accordance with the requirements of the Code of Audit Practice on 31 st July 2019.

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Authority's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Authority's financial statements to be £2,396,000, which is 2% of the Authority's gross revenue expenditure. We used this benchmark as, in our view, users of the Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We also set a lower level of specific materiality for remuneration disclosures of £100,000 due to their sensitivity nature and public interest.

We set a lower threshold of £119,802, above which we reported errors to the Audit & Risk Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report and annual governance statement to check it is consistent with our understanding of the Authority and with the financial statements on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management Override of Controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls. In particular, the findings of our review of journal controls and testing did not identify any significant issues.</p>
<p>Valuation of Property, Plant and Equipment</p> <p>The Authority revalue its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. The valuation of land and buildings represents a significant estimate by management in the financial statements due to the size of the numbers involved (£120.675 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore considered valuation of land and buildings, particularly revaluations and impairments, as a specific audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of valuation of land and buildings.</p> <p>We challenged the Authority's valuer with regard to some of the assumptions used in the 2018-19 valuation. Our conclusion was that there was a low risk of material estimation uncertainty from these assumptions.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of Pension Fund Liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,805 million in the Authority's balance sheet as at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. <p>During the course of the audit the Government was refused leave to appeal to the Supreme Court with respect to the Appeal Court judgement on the McCloud case. This related to an Employment Tribunal decision on age discrimination in the Firefighters and other pension schemes. Our view is that this judgement gives rise to a past service cost and liability as the ruling creates a new obligation.</p> <p>We discussed this with management and the Authority sought a revised report from the actuary to account for the impact of the McCloud judgement.</p>	<p>The revised actuary's reports were provided in July and the accounts updated accordingly. This led to a £53.6 million increase in the net pension liability shown on the face of the balance sheet. It also resulted in a significant number of adjustments to the primary statements and the notes to the accounts.</p> <p>Our audit work did not identify any issues in respect of the revised valuation of the pension fund net liabilities.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Authority's financial statements on 31st July 2019.

Preparation of the financial statements

The Authority presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Authority's Audit & Risk Committee on 29th July 2019.

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website within the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We carried out work on the Authority's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Authority was below the audit threshold.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We did not identify any matters which required us to exercise our additional statutory powers.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of West Midlands Fire & Rescue Authority in accordance with the requirements of the Code of Audit Practice.

Our certificate of audit completion was issued on the 31st July 2019 with our audit opinion.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

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 in relation to the financial sustainability of the Authority, given the continued use of general reserves and the significant risks in relation to pensions costs and increased levels of savings required to deliver a balanced budget.

We considered:

- how the Authority has responded to these challenges in terms of its plans for future years.
- whether your financial position leads to material uncertainty about the going concern of the Authority and reviewed related disclosures in the financial statements.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

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 in our Audit Plan	Findings	Conclusion
<p>1 Financial Sustainability</p> <p>We said that:</p> <p>The Authority is forecasting that it will deliver the budget for 2018/19 however this will require the use of £1.5 million of general reserves. The Authority's reserves have reduced from £9.2million in 2016/17 to £6.9 million at the start of 2019/20. It is anticipated that £1.1 million of General Reserves will be utilised in 2019/20 and a further £0.75 million used in 2020/21, reducing general reserves to £5 million. The 2019/20 budget requires savings of £3.8 million to be made in order to achieve the budget.</p> <p>Looking forward, there are significant new risks emerging which will require the Authority to find further efficiency savings which include the impact of:</p> <ul style="list-style-type: none"> • FFPS – Employers Contributions – potential additional costs of £6.2 million per annum assuming no government funding. • FFPS – Court of Appeal judgement – potential additional costs of £1.5m per annum. <p>We said we would:</p> <ul style="list-style-type: none"> • assess how the Authority has responded to these challenges in terms of its plans for future years. • consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements. 	<p>2018-19 Outturn</p> <p>The Authority once again delivered an improved position against its approved budget delivering net expenditure of £104.296m against a plan of £107.016m, giving a positive variance of £2.720m. In addition, funding also delivered a positive variance of £607k, with income received of £55.910m against a plan of £55.303m. The net impact for the Authority was to deliver a positive variance to plan of £2.503m, which has been used fully to create new earmarked reserves. In addition, contributions from earmarked reserves were also lower in the year, £8.108m compared to a plan of £8.932m, giving a positive variance of £824k.</p> <p>In June 2018, the Executive Committee approved the removal of New Entrant contracts to avoid industrial action by Grey Book staff. This has impacted the Services ability to generate Alternative Funding and achieve the full level of staff savings reflected within the Financial Efficiency Plan. At the Authority meeting on 17th September 2018, Members supported a reduced level of Voluntary Additional Shifts to make savings of £750k in 2018/19 to offset the shortfall in the FEP.</p> <p>2019-20 Position:</p> <p>The Authority approved a budget for 2019-20 in its February 2019 Authority meeting taking into account the latest Government settlement notified to them at the end of January 2019. This will be the final year of the four-year settlement that the Authority signed up to in 2016/17, which required it to deliver savings of £9.895m over the same period.</p> <p>The 2019-20 budget assumes:</p> <ul style="list-style-type: none"> • Savings of £3.8m to be made in 2019/20 in order to achieve the Financial Efficiency Plan savings. • Increased net costs of £0.5m for Firefighters Pension Scheme – Employers Contributions due to a change in the discount rate for unfunded public sector pensions from 3% to 2.4%, which has the effect of increasing the employer contributions (to include ill-health costs) from an average 17.6% to 30.2% from April 2019. The increase in the 2019/20 Employer's Pension contributions is estimated to be £6.2m. A s31 government grant of £5.7m has been allocated in 2019/20. 	<p>Auditor view</p> <p>On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</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 in our Audit Plan	Findings	Conclusion
<p>1 Financial Sustainability</p> <p>We said that:</p> <p>The Authority is forecasting that it will deliver the budget for 2018/19 however this will require the use of £1.5 million of general reserves. The Authority's reserves have reduced from £9.2million in 2016/17 to £6.9 million at the start of 2019/20. It is anticipated that £1.1 million of General Reserves will be utilised in 2019/20 and a further £0.75 million used in 2020/21, reducing general reserves to £5 million. The 2019/20 budget requires savings of £3.8 million to be made in order to achieve the budget.</p> <p>Looking forward, there are significant new risks emerging which will require the Authority to find further efficiency savings which include the impact of:</p> <ul style="list-style-type: none"> • FFPS – Employers Contributions – potential additional costs of £6.2 million per annum assuming no government funding. • FFPS – Court of Appeal judgement – potential additional costs of £1.5m per annum. <p>We said we would:</p> <ul style="list-style-type: none"> • assess how the Authority has responded to these challenges in terms of its plans for future years. • consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements. 	<ul style="list-style-type: none"> • No impact of the Firefighters Pension Scheme Court of Appeal 'McCloud' judgement which found that the transitional protections introduced with the new Pension scheme in 2015 were unlawfully discriminatory on grounds of age. The Authority have estimated that the increase in employer's contribution, if members moved back to the 1992 Scheme, would be in the region of £1.5m per annum. In July 2019, the Government was refused leave to appeal the judgement and therefore the employment tribunal will now consider the repatriations necessary. • the Authority will generate estimated income of £3.079m (£3.877m in 2018/19). This is due to the Executive Committee approving the removal of New Entrant contracts to avoid industrial action by Grey Book staff in June 2018 which has had a significant impact on the Services ability to generate Alternative Funding and achieve the full level of staff savings reflected within the FEP. • Use of £1.1m of general balances to support the net budget requirement. This would result in the Authority's available General Balances being approximately £5.8 million by the end of 2019/20 (6% of the Authority's 2019/2020 Net Revenue Budget). <p>Actual spend to May 2019, including commitments, was £19.683 million compared to a projected budget of £19.701 million, an overall favourable variance of £0.018 million. Management have confirmed as part of regular updates with them that at the end of Quarter 1 the Authority is on track to achieve the savings approved as part of the 2019/20 budget setting process and to deliver the budget position. Management have identified that there are a number of spend pressures emerging for the year but mitigating action is being taken where possible.</p> <p>The Authority is currently maintaining an under borrowed position and is forecast to continue to do so over the next two years.</p>	<p>Auditor view</p> <p>On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</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 in Audit Plan	Findings	Conclusion
1	<p>Financial Sustainability</p> <p>We said that:</p> <p>The Authority is forecasting that it will deliver the budget for 2018/19 however this will require the use of £1.5 million of general reserves. The Authority's reserves have reduced from £9.2million in 2016/17 to £6.9 million at the start of 2019/20. It is anticipated that £1.1 million of General Reserves will be utilised in 2019/20 and a further £0.75 million used in 2020/21, reducing general reserves to £5 million. The 2019/20 budget requires savings of £3.8 million to be made in order to achieve the budget.</p> <p>Looking forward, there are significant new risks emerging which will require the Authority to find further efficiency savings which include the impact of:</p> <ul style="list-style-type: none"> • FFPS – Employers Contributions – potential additional costs of £6.2 million per annum assuming no government funding. • FFPS – Court of Appeal judgement – potential additional costs of £1.5m per annum. <p>We said we would:</p> <ul style="list-style-type: none"> • assess how the Authority has responded to these challenges in terms of its plans for future years. • consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements. 	<p>Forward Look:</p> <p>The Authority's level of general reserves have declined significantly in recent years going from £8.4m (8.8% of net revenue budget) on the 1st April 2018 to £6.9m (7.2%) as at 1 April 2019 and expected to decline to £5.8m (6%) by 1 April 2020.</p> <p>The use of General Balances is not a sustainable means of funding the Authority's revenue budget. Consideration needs to be given to further Service changes to reduce the reliance on General Balances. From 2021/22, the financial plan currently shows a budget deficit of £1.7m. Using general reserves to temporarily fund this gap will further reduce to balances to £3.3m.</p> <p>The Authority's three-year financial strategy continues to be updated to ensure that the revenue budget is sustainable and does not seek to rely on reserves to deliver a balanced budget on an on-going basis.</p> <p>As part of the budget setting process each year, the S151 officer is required to review and confirm that the level of reserves held is prudent in light of the risks that the authority faces. The S151 has determined that the overall level of reserves is deemed reasonable and prudent when compared to the risk assessment set out in the budget and the level of savings required to be identified and achieved over the medium term.</p> <p>The impact of the McCloud judgement and the refusal to allow the government the appeal the judgement will have significant financial implications. These will only be able to be quantified once the Employment Tribunal considers the repatriations necessary and how this will be implemented. It is not yet clear whether any Government funding will be provided to mitigate this additional cost.</p>	<p>Auditor view</p> <p>On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	March 2019
Audit Findings Report	July 2019
Annual Audit Letter	August 2019

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £29,750 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed due to national issues outside of the Authority's control, which have led to additional work. These are set out in the following table.

These fee variations have been discussed with the Treasurer but are subject to approval by PSAA Limited.

Fees

	Planned £	Actual £	2017/18 £
Statutory audit	29,750	33,750	38,636
Total fees	29,750	33,750	38,636

Audit fee variation

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£1,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£1,000
Total		£4,000



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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 7

30 SEPTEMBER 2019

1. STATEMENT OF ACCOUNTS 2018/2019

Report of the Treasurer.

RECOMMENDED

- 1.1 THAT the Statement of Accounts for 2018/2019 as set out in Appendix A be noted.
- 1.2 THAT the Summary Accounts for 2018/2019 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 2019.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of July. The Audit and Risk Committee at its meeting on 29th July 2019 approved the Statement of Accounts for 2018/19.
- 3.2 It is a further requirement of the Regulations that Members are informed of any material changes required by the external auditors. Audit work on the Statement of Accounts has been substantially completed. The Audit Findings Report was presented to the Audit and Risk Committee on 29th July 2019 outlining the findings of the audit work undertaken. The Auditor issued an unqualified opinion on the Authority's 2018/19 financial statements included in the Authority's Statement of Accounts on 31st July 2019.
- 3.3 The Accounts show net cost of services in 2018/2019 of £182.624 million which includes the use of £7.080 million General Fund Balances. Earmarked Reserves have decreased by £5.604 million to £33.380 million and General Reserves have decreased by £1.476 million to £6.914 million.

- 3.4 The total Provision of Services in 2018/2019 shows a deficit of £129.121 million, after allowing for the required accounting treatment of pensions governed by International Accounting Standard – Nineteen (IAS19). Capital expenditure totalled £8.890 million.
- 3.5 A Statement of Accounts is attached as Appendix A and a Summary of Accounts is attached as Appendix B, both are also available on the Fire Service Internet and can be viewed at <https://www.wmfs.net/your-fire-service/openness/documents>.
- 3.6 A hard copy of the full Statement of Accounts can be supplied to individual Members on request 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**

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

BACKGROUND PAPERS

Accounts and Audit Regulations 2015
Code of Practice on Local Authority Accounting 2018/2019
Final Accounts Files – Finance Office

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

MIKE GRIFFITHS
TREASURER

Ref. AU/2019/Sept/90909191

WEST MIDLANDS FIRE & RESCUE AUTHORITY



Financial Statements & Notes to the Accounts

2018/2019

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West Midlands Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and Notes to the Core Financial Statements, including a summary of significant accounting policies, and include the firefighters' Pension Fund Account, the Net Assets Statement and the Notes to the Pension

Fund Account. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Financial Statements set out on pages 6 to 18, the Narrative Report, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government:

Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the Financial Statements, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 19 to 20, the Authority is required to 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. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the West Midlands Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Richard Percival

Richard Percival, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham
31 July 2019

NARRATIVE REPORT BY THE TREASURER

1. Introduction

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

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

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

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

Response: Dealing excellently with emergency incidents.

- Through risk management, the most serious emergency incidents in high risk areas will be attended within five minutes, to save life, protect homes and businesses, and keep our transport networks moving.
- Risk to life and property will be reduced through our commitment to operational excellence, enabling an assertive, effective and safe emergency response to all incidents whilst supporting firefighter safety.
- At all incidents attended, rescue operations will be led and coordinated by WMFS whilst working collaboratively with other agencies to deliver an excellent response and meet public expectations.
- National Resilience will be enhanced through delivery of a local, national and international response to major incidents, new risks, and humanitarian situations through our specialist response teams.

Prevention: Making safer, healthier communities.

- The number of people killed or seriously injured by fire-related incidents will reduce as we focus with our partners, reducing the risks faced by the most vulnerable people in our communities.

- The safety, health and well-being of the most vulnerable people in our communities will improve by targeting 'radical prevention' interventions that are directly linked to vulnerability from fire.
- Arson-related incidents will fall, supporting safer and stronger communities, as a result of our partnership working.
- Fewer people will be killed or seriously injured on West Midlands roads and we will keep our transport networks moving, as we work with the West Midlands Combined Authority (WMCA) and other organisations to develop and deliver interventions that support the West Midlands Regional Road Safety Strategy.

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

- Life and property will be protected by targeting high risk buildings and vulnerable businesses, including residential high rise to ensure compliance and enforcement of fire safety legislation.
- Improved community safety through implementing outcomes of the Independent Review of Building Regulations and Fire Safety.
- Improved community safety through innovative and contemporary approaches to the delivery of protection activities and working cohesively with partners at local, regional and national levels to influence the development of new and enabling legislation.
- Prosperity and economic growth are enhanced by educating and supporting Businesses including collaboration with other regulators and partner agencies.
- Disruption to Businesses, Communities and the WMFS caused by unwanted fire signals from fire alarms will be reduced.

We deliver our priorities with effective delivery through collaboration outcomes:

Value for Money

- Government funding reductions will be met and our Service Delivery Model, which focuses on public safety and vulnerability, will be maintained.
- Services delivered will be managed efficiently and effectively using the most appropriate management of resources and assets in delivering the organisational priorities.
- Efficiency opportunities will be identified and delivered through collaborative activities and by exploring social value, commercial and sponsorship opportunities, to support the delivery of our strategy and public safety through targeting the most vulnerable.

Digital and Innovation

- Commitment to research and development enabling assertive, effective and safe firefighting.
- A culture where digital as an enabler will help people, systems and processes become more efficient and effective.
- Provide assurance and intelligence for evidence-based decisions with accurate, useful and timely information that will reduce community risk through our mobile workforce.
- Enable the secure and reliable sharing of data with our partners and the cost-effective and joined-up delivery of services to the most vulnerable people in our communities.

People

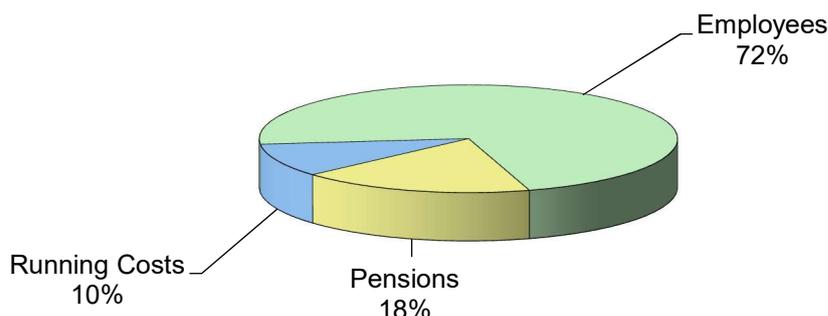
- An agile, accountable and competent workforce, to provide the sustained delivery of our strategy by individuals and teams through adaptability, authenticity and cohesion.
- An environment and culture where benefits of health & wellbeing are understood and valued equally, to enable our staff to respond positively to change.
- Diversity, Inclusion, Cohesion and Equality to support, the safety, health & wellbeing of the most vulnerable people in our communities.
- A workforce reflective of the communities we serve through 'positive action' to attract, recruit and support progression for individuals with protected characteristics.

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

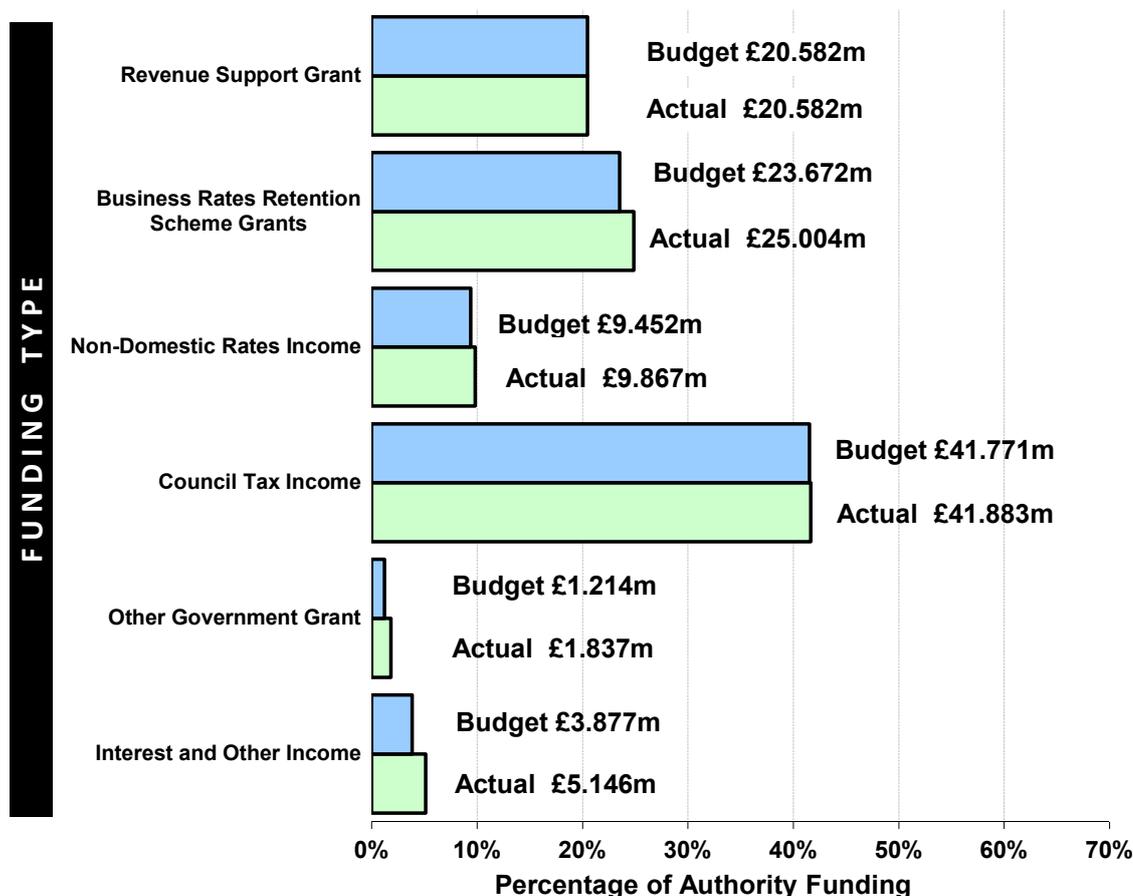
2. This narrative report provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.
3. The Authority's accounts for the financial year 2018/2019 are set out on the following pages and consist of:
 - The Comprehensive Income and Expenditure Statement (CIES), the Authority's main revenue account, covering income and expenditure on all services.
 - The Movement in Reserves Statement (MIRS), which shows the movement in the year on the different reserves held by the Authority.
 - The Balance Sheet, which sets out the financial position of the Authority at 31st March 2019.
 - The Cash Flow Statement, showing movements in cash and cash equivalents during the year and the cash position at the year-end.
 - The Pension Fund Account, which summarises the movements relating to the firefighters' pension schemes (FPS).

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

4. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in notes to the accounts.
5. The CIES shows a deficit on provision of services of £129.121m. 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 £150.046m.
6. The total expenditure of the Authority in 2018/19 was £233.440m. The types of costs incurred were:



7. The total income of the Authority to fund expenditure in 2018/19 was £104.319m, which came from:



8. In 2018/19 the Authority spent £8.809m on capital projects, the largest of these being £3.755m on the redevelopment of Coventry Fire Station, £1.769m on vehicle replacements and £1.251m on the redevelopment of Aston Fire Station. The total expenditure on capital schemes was financed by a combination of Capital Grants and Direct Revenue Financing. Note 32 provides details of capital expenditure and capital financing.
9. In 2018/19 appropriations of £5.604m were made from earmarked general fund reserves and £1.476m from un-earmarked general fund reserves.
10. The Authority, at its February 2018 meeting authorised the limit for external debt at £41m and the statutory limit for external debt at £45m. As at 31st March 2019, the Authority's actual long-term principal borrowing was £35.697m and short-term principal borrowing was £0.305m as per Note 17.3.
11. The 2018/19 accounts include the impact of IAS19. The effects of IAS19 are shown within the CIES and Balance Sheet. There is no effect on council tax from the implementation of this standard. The figures disclosed represent a snapshot in time. The accounts show that there is a significant shortfall between the forecast cost of pensions and the current level of assets built up in the pension fund. The Government Actuaries Department (GAD) review the defined benefit arrangements and appropriate levels of employer & employee contributions.
12. During 2018/19 to support the resolution of the Trade Dispute, on 6 June 2018 the Executive Committee took a decision to withdraw new entrants' contracts. These contracts enabled the ongoing delivery, within the current Service Delivery Model, of new activities that were linked to the Authority's strategy including commissioned health work. The report is available on the Authority's Committee Management Information Service (CMIS) website.
13. The Authority's approved Financial Efficiency Plan (FEP) included £2m annual alternative funding to be generated by 2019/2020. Due to the change in strategic direction and subsequent withdrawal from delivering commissioned health activities, the £2m target was unachievable. In addition, funding of approximately £0.6m for Disturbance Allowance and £0.3m to maintain the Late Shift Allowance, was provided for in the 2018/19 budget from Reserves. This was in anticipation that both allowances would cease from 2019/20 onwards. The failure to achieve the removal of these allowances created further budget pressures and an overall shortfall in the approved FEP of circa £3m.
14. Because of the above, it was recognised at the Executive Committee meeting on 6 June 2018 that service changes would be required to enable a budget to be produced for the Authority in February 2019, reflecting new areas of savings to replace the previously approved FEP.
15. At the Fire Authority Meeting on 17 September 2018, Members noted the need for further ongoing revenue savings in future years, due to additional anticipated Government funding reductions from 2020/21 onwards combined with the need for investment in the Protection function and Support Services. At the Authority meeting on 19 November 2018, Members approved an investment in the Protection function from 2019/20 of approximately £0.6m. At the Authority meeting on 18 February 2019, Members approved an investment in Support Services from 2019/20 of approximately £0.2m and a further £0.35m from 2021/22.

16. Financial Outlook

As part of 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 was required to set out their proposals in a FEP to qualify for the four year settlement from April 2016. The settlement offer (provisional for 2017/18 - 2019/20) would result in a cumulative budget deficit of circa £10m if the Service did not make any efficiency savings. The Authority at its meeting on 19 September 2016 considered and approved the FEP which was submitted to the Home Office.

The areas where savings were anticipated and reflected within the medium term financial strategy were:

- £4m – Staffing
- £2m – Alternative funding
- £1m – Internal restructures
- £1m – Service reductions
- £2m – Council tax base

Further details of the FEP can be found at <https://wmfs.cmis.uk.com/cm5/>.

On 13 December 2018, the Secretary of State for Ministry of Housing, Communities and Local Government (MHCLG) announced the provisional settlement for 2019/20 at £52.048m, resulting in a core funding reduction of £0.982m compared to 2018/19. The Government also proposed a council tax referendum threshold of 3% for Fire and Rescue Authorities. On 29 January 2019, MHCLG confirmed the Authority's 2019/20 total core funding.

The Authority set its 2019/20 budget on 18th February 2019, setting a council tax requirement of £43.215m which resulted in a council tax increase of (2.99%), £1.76 at Band D.

The projected budget includes several efficiency measures which were set out in the FEP as well as enabling any actions to be undertaken arising out of the Authority's corporate risk register. The corporate risk register has identified a number of major risks that would seriously affect the Authority's ability to carry out its functions. The very nature of the risks has made it extremely difficult to quantify any funding impact that would arise were the risk to materialise and in the short term would result in a demand on the Authority's General Fund Balance.

The potential 2019/20 shortfall in the FEP (£3m), together with the Fire Authority approved investment in the Protection Function (£0.6m) and Support Services (£0.2m) required savings of £3.8m to be made in 2019/20 to achieve a balanced budget. The 2019/20 budget reflects the assumption that the proposed flexible, risk-based management of resources daily would provide the basis of achieving the required level of savings, specifically by a reduction in employee related costs.

The four-year finance settlement comes to an end in March 2020. There is no clarity over funding levels, nationally and locally, after that date. This hampers meaningful financial planning at a time when central government grant funding is the lowest it has been for decades and demand pressures are increasing.

Whilst the Government settlement figures up to 2019/20 have provided some greater funding certainty than previously, additional potential budget pressures, e.g. increases in firefighter pension employer contribution rates, further anticipated Government funding reductions beyond this time period and a lack of any direct capital and transformation funding being available, means that the level of Un-earmarked General Fund Reserves is estimated to be approximately £5 million by the end of 2020/21.

17. **Public Service Pensions**

Elizabeth Truss, The Chief Secretary to the Treasury, has confirmed the Government is committed to providing public service pensions that are fair for public sector workers and for taxpayers. Based on the recommendations of the Hutton report, reforms were brought forward in 2015, to ensure that pensions were sustainable in the future. The courts have considered cases regarding the implementation of the 2015 reforms. On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment, that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015, gave rise to unlawful age discrimination. The Government has indicated it respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. As 'transitional protection' was offered to members of all the main public service pension schemes, the Government believes that the difference in treatment will need to be remedied across all those schemes. See Note 6 for more detail.

18. **WMCA**

In September 2015 the Government released a consultation entitled "Enabling Closer Working between the Emergency Services". This was followed by a move of government department for the Fire and Rescue Service on 5 January 2016 from the Department of Communities and Local Government to the Home Office. The outcomes to the consultation introduced the Policing and Crime Bill, which received Royal Assent in January 2017, and proposed a new duty to collaborate on each of the blue light emergency services.

A statement made by the Home Secretary in May 2016 clearly outlined a desire from central government to affect a change which would create an impetus for further reform of Fire and Rescue Authorities. The Government and Home Office are committed to implementing governance structures which provide more scrutiny, transparency and accountability of decision making.

In view of Home Office expectations around the reform of the Fire Service, and as the Government pushes forward local devolution and public sector reform, the WMFRA has considered how it works with, responds to and influences these changes.

To support this a Future Governance Working Group was commissioned incorporating several stakeholders from the West Midlands and independently chaired. Its focus was to understand the current and future potential for the delivery of collaborative services which increase efficiency, effectiveness and public safety as well as providing the evidence base to understand the most appropriate future governance model which would enable this to be achieved.

At the Authority meeting in February 2017, approval was given to pursue a strategy which would reform the WMFRA. A combination of consultation outcomes, the Future Governance Working Group final report and the Authority's strategy supported the proposed route required for the Mayoral WMCA to assume governance of West Midlands Fire and Rescue Service from the Authority. Subsequently in March 2017 the Authority secured the support of the WMCA for the proposed strategy to assume governance of the Service.

Following further engagement with the WMCA, a report was presented at the WMCA board in September 2017. The report's recommendation, to prepare a Governance Review and Scheme pursuant to Sections 111 and 112 (1d) of Local Democracy, Economic Development & Construction Act 2009, and timelines for the proposed governance route, were approved.

A formal public consultation on the proposed scheme was launched on 11th January 2018 for a period of eight weeks to 8th March 2018. The consultation sought views on the detail of the proposed scheme. This included the roles of the Mayor and WMCA, the proposed Mayoral Fire Advisory Committee (MFAC) and the CFO. The consultation also sought the views of the communities of the combined authority's area on the stated benefits of the proposed governance change and the transfer of powers to the Combined Authority.

At the 25 May 2018 WMCA Board meeting it was agreed that the Scheme be submitted to the Home Office to enable the development of the draft Statutory Order. Following receipt of the draft Statutory Order, specific proposals set out in the report to progress key local 'asks' were confirmed at the 14 September 2018 Board meeting. The Chief Executive and Monitoring Officer of the WMCA were given delegated authority to consent to the laying of the Order in Parliament, subject to the outcome of the final local constituent council cabinet meeting on 19 September 2018.

The proposed final Draft Statutory Order from the Home Office was sent out to each Constituent Council, the WMCA and WMFRA on the 9 January 2019 with a request to provide consent. The proposed Order however contained an amendment that led the CFO to advise that the Order not be consented to on the basis that the change was too significant and compromised the intent of the proposed governance changes.

The single albeit significant change in the proposed Order received back from the Home Office, was in Part 2, Section 7, regarding delegations of CFO Functions by a Mayor. The title for this section was altered from 'Functions of the CFO' to 'Delegation of functions to the CFO.' Furthermore 7 (1) was amended to 'The only arrangements the Mayor may make under section 107D(3)(b) of the LDEDC Act 2009 in relation to fire and rescue functions are to authorise the exercise of the following functions by the CFO....' It was felt that this change, particularly replacing the use of 'must' with 'may' in 7(1), compromised the intent of the proposed governance changes which had been consulted upon and previously agreed by Board members.

Because of this change and the subsequent advice provided by the CFO, the Order was not consented to by the Constituent Councils and the WMCA.

The Home Office have confirmed that Parliamentary Lawyers advising the Joint Committee on Statutory Instruments, have stated that the Order is required to be in its current form as a reflection of primary legislation. The current form is the final Draft Order and cannot be altered. Because of this change, WMCA and WMFS officers have been working together to develop proposals to mitigate the amendment made to the Order.

There is a clear will to identify a solution to locally mitigate the amendment made to the Order. Therefore, following discussions with the Home Office, the below proposals were identified as local solutions to enable the transfer to go ahead.

In order to deliver additional assurances around the operation of a Mayor's Fire Function, a number of constitutional amendments were proposed. These amendments provide the assurances required as to functions that must be delegated to the CFO by a Mayor, which were not able to be provided in the Draft WMCA (Fire and Rescue Functions) Order 2019 and are as follows:

- Delegation of Operational and Organisational Fire Functions to the CFO: The intention is to guarantee that the delegations to the CFO previously agreed to must be provided to the CFO as the person with the competencies to prepare and deliver the Integrated Risk Management Plan (IRMP).
- Procedure to be followed in the event of any proposed changes to delegation: The intention of the procedure set out is to ensure a robust process is undertaken when a Mayor wishes to amend any delegation of Operational and Organisational Fire Functions to the CFO. Any proposals would need full consideration through the WMCA governance processes including Overview and Scrutiny and Audit Risk and Assurance. The CFO would be fully engaged and consulted as a part of those processes and the final decision as to any changes would be for the WMCA Board.
- Clarity that no other officer other than the CFO (or an officer delegated by the CFO) can undertake the functions as set out in the draft Order.

It was also proposed that an additional Framework of Delegated Accountabilities relating to the Mayor's Fire Function be adopted into the Combined Authority constitution. The purpose of this Framework would be to build upon the amendments proposed and to set out (in accordance with the WMCA Fire Functions Order 2019) how the functions of the Mayor, CFO, WMCA and MFAC would be exercised in relation to each other and in support of delivering fire and rescue functions as aligned to relevant the legislative framework. Significantly this scheme of accountabilities sets out clearly how the CFO will enable the preparation and delivery of the IRMP, through an agreed Strategic Plan and Budget. The WMCA would become the Fire and Rescue Authority and as such would provide statutory officer roles through its staffing structure. However, to support the CFO in the delivery of delegated accountabilities and working directly with WMCA Statutory Officers, a Deputy Section 151 Officer and a Deputy Monitoring Officer and Clerk will exist as part of the WMFS structure.

In addition to constitutional amendments and scheme of delegated accountabilities, it was proposed that a commitment to reviewing Fire and Rescue governance arrangements is made to take place within the next Mayoral term. The purpose of any review would be twofold, firstly to ensure that the arrangements are working as intended and secondly, to examine whether there are further changes that can bring robustness and clarity to the CFO accountabilities.

On the 22 March 2019 the WMCA Board approved the following recommendations:

- The Final Draft Statutory Order received from the Home Office on 9 January 2019 was noted.
- The WMCA's consent to the laying of the Order in Parliament was confirmed.
- The WMCA's acceptance of the proposals set out in the report to provide additional constitutional provisions and deliver a CFO Framework of accountabilities in order to provide the necessary assurances required following receipt of the Final Statutory Order was confirmed, subject to the approval of constituent councils.
- The Chief Executive and Monitoring Officer of the WMCA were given delegated authority to approve the draft Order received from Government in agreement with the CFO and Chair of the Fire & Rescue Authority, should there be any further non-material changes before the Order was laid.
- A commitment to reviewing governance arrangements within the next Mayoral term was confirmed.

The Home Office identified a date of the 5 June 2019 to lay the Order before Parliament.

The timeline required the Board to (a) agree to the proposed local assurances (b) consent to the draft Order being laid before Parliament and to confirm its delegation to the Chief Executive and Monitoring Officer of the Combined Authority, to approve the draft Order received from Government should there be any further non-material changes before the Order is laid.

For the Order to be laid, the Home Office required consent from all the seven West Midlands Local Authorities. However, as a number of Local Authorities did not provide their consent to the Home Office, this effectively meant that the laying of the Order in Parliament on 5 June 2019 was unable to proceed. Consideration will need to be given to future governance arrangements arising from this latest development.

19. **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 2018/19 the Scrutiny Committee received quarterly updates of the organisation's performance.

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

A summary of the performance indicators for prevention, protection and response is provided below and further details of Authority's performance monitoring through the Scrutiny Committee can be found at <https://wmfs.cmis.uk.com/cm5/>.

Key:	
Blue	Over performance against the tolerance levels
Green	Performance is within the tolerance levels
Red	Under performance against the tolerance levels

Response

PI 1		The Risk Based Attendance Standard Target: under 5 minutes Actual: 4 minutes 42 seconds
<p>Attendance times for Category 2, 3 & 4 incidents remain well within target:</p> <ul style="list-style-type: none"> • Category 2: 5 minutes 26 seconds (target is under 7 minutes) <ul style="list-style-type: none"> • Category 3: 4 minutes 52 seconds (target is under 10 minutes) • Category 4: 6 minutes 49 seconds (target is under 20 minutes) 		

Prevention

PI 2		The number of accidental dwelling fires Annual Forecast: 1625 (1544 – 1657 tolerance) Actual for year: 1658
PI 3		Injuries from accidental fires in dwellings (taken to hospital for treatment) Annual Forecast: 60 (48 – 65 tolerance) Actual for year: 54

<p>PI 4</p>		<p>The number of deaths from accidental dwelling fires Annual Forecast: Not applicable Actual for year: 4</p>
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<p>PI 5</p>		<p>The percentage of Safe and Well visits referred by our partners Annual Forecast: 55% (55% - 57.5% tolerance) Actual to date: 45.6%</p>
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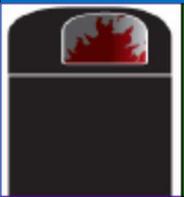
<p>PI 6</p>		<p>The number of Safe & Well points achieved by the Brigade Annual Forecast: 300,000 Actual for year: 302,214</p>
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<p>PI 7</p>		<p>The number of people killed or seriously injured (KSI) in road traffic collisions Annual Forecast: Not applicable Actual for year: 785</p>
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<p>PI 8</p>		<p>The number of arson fires in dwellings Annual Forecast: 205 (185 – 215 tolerance) Actual for year: 216</p>
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<p>PI 9</p>		<p>The number of arson fires in non-domestic premises Annual Forecast: 181 (163 – 189 tolerance) Actual for year: 121</p>
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<p>PI 10</p>		<p>The number of arson vehicle fires Annual Forecast : 882 (793 – 925 tolerance) Actual for year: 806</p>
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PI 11		<p>The number of arson rubbish fires Annual Forecast: 1991 (1892 – 2031 tolerance) Actual for year: 1601</p>
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PI 12		<p>The number of arson fires in derelict buildings Annual Forecast: 142 (128 – 149 tolerance) Actual for year: 103</p>
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Protection

PI 13		<p>The number of accidental fires in non-domestic premises Annual Forecast: 421 (379 – 442 tolerance) Actual for year: 434</p>
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PI 14		<p>The number of false alarm calls due to fire alarm equipment in dwellings and non-domestic premises Annual Forecast: 5317 (5052 – 5423 tolerance) Actual for year: 5837</p>
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20. 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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that this statement of accounts gives a true and fair view of the financial position and expenditure and income of the WMFRA for the year ending 31st March 2019.

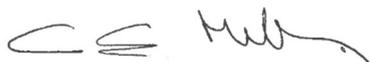


Mike Griffiths, C.P.F.A
Treasurer

Date: 29th July 2019

STATEMENT OF APPROVAL FOR THE STATEMENT OF ACCOUNTS

The statement of accounts for the year 1st April 2018 to 31st March 2019 was approved by the WMFRA Audit and Risk Committee on 29th July 2019.



Cllr Catherine Miks
Chair of the Audit and Risk Committee

Date: 29th July 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2017/2018				2018/2019		
Gross Exp. £000	Gross Income £000	Net Exp. £000		Gross Exp. £000	Gross Income £000	Net Exp. £000
85,499	(3,322)	82,177	Service Delivery	83,340	(3,352)	79,988
24,339	(2,147)	22,192	Service Support	25,496	(2,541)	22,955
3,264	(407)	2,857	Corporate Management	3,513	(197)	3,316
11,337	(118)	11,219	Corporate Charges	76,376	(11)	76,365
124,439	(5,994)	118,445	Cost of Services	188,725	(6,101)	182,624
1,520	(2,208)	(688)	Other Operating Expenditure (Note 12)	411	(90)	321
46,163	(251)	45,912	Financing and investment income & expenditure (Note 13)	44,304	(436)	43,868
		(96,230)	Taxation and non-specific grant income (Note 14)			(97,692)
		67,439	(Surplus)/Deficit on Provision of Services			129,121
11,817	(13,976)	(2,159)	Surplus or deficit on revaluation of Property, Vehicles, Plant and Equipment assets (Note 11.1)	20,311	(5,529)	14,782
		(54,913)	Re-measurements of the net defined benefit liability/(asset)			6,143
		(57,072)	Other Comprehensive Income and Expenditure			20,925
		10,367	Total Comprehensive Income and Expenditure			150,046

MOVEMENT IN RESERVES STATEMENT

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

	Un-earmarked General Fund Reserves £000	Earmarked General Fund Reserves £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017	(9,236)	(43,734)	(52,970)	(61)	(559)	(53,590)	1,555,387	1,501,797
Movement in Reserves During 2017/18								
Total Comprehensive Income and Expenditure *	67,439	-	67,439	-	-	67,439	(57,072)	10,367
Adjustments between accounting basis and funding basis under regulations (Note 9)	(61,843)	-	(61,843)	(2,131)	98	(63,876)	63,876	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	5,596	-	5,596	(2,131)	98	3,563	6,804	10,367
Transfers to/from Earmarked Reserves (Note 10)	(4,750)	4,750	-	-	-	-	-	-
(Increase)/Decrease in 2017/18	846	4,750	5,596	(2,131)	98	3,563	6,804	10,367
Balance at 31 March 2018	(8,390)	(38,984)	(47,374)	(2,192)	(461)	(50,027)	1,562,191	1,512,164
Movement in Reserves During 2018/19								
Total Comprehensive Income and Expenditure *	129,121	-	129,121	-	-	129,121	20,925	150,046
Adjustments between accounting basis and funding basis under regulations (Note 9)	(122,041)	-	(122,041)	(57)	304	(121,794)	121,794	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	7,080	-	7,080	(57)	304	7,327	142,719	150,046
Transfers to/from Earmarked Reserves (Note 10)	(5,604)	5,604	-	-	-	-	-	-
(Increase)/Decrease in 2018/19	1,476	5,604	7,080	(57)	304	7,327	142,719	150,046
Balance at 31 March 2019	(6,914)	(33,380)	(40,294)	(2,249)	(157)	(42,700)	1,704,910	1,662,210

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

BALANCE SHEET

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

31 March 2018 £000		Note	31 March 2019 £000
144,008	Property, Vehicles, Plant & Equipment	15	131,195
66	Heritage Assets		66
13	Intangible Assets	16	143
144,087	Long Term Assets		131,404
725	Inventories	18	688
13,100	Short Term Debtors	19	16,861
51,379	Cash and Cash Equivalents	20	40,302
65,204	Current Assets		57,851
(1,537)	Short Term Borrowing	17	(455)
(11,637)	Short Term Creditors	21	(9,739)
(331)	Grant Receipts in Advance – Revenue	31	-
(13,505)	Current Liabilities		(10,194)
(722)	Provisions	22	(426)
(36,002)	Long Term Borrowing	17	(35,697)
(1,671,226)	Other Long Term Liabilities	33	(1,805,148)
(1,707,950)	Long Term Liabilities		(1,841,271)
(1,512,164)	Net Assets		(1,662,210)
(50,027)	Usable Reserves		(42,700)
1,562,191	Unusable Reserves	11	1,704,910
1,512,164	Total Reserves		1,662,210



Mike Griffiths, C.P.F.A
Treasurer

Date: 29th July 2019

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.

2017/2018 £000		2018/2019 £000
67,439	Net (surplus) or deficit on the provision of services	129,121
(66,795)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23.2)	(128,612)
2,131	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23.3)	82
2,775	Net cash flows from Operating Activities	591
2,010	Investing Activities (Note 24)	9,125
1,264	Financing Activities (Note 25)	1,361
6,049	Net (increase)/decrease in cash and cash equivalents	11,077
57,428	Cash and cash equivalents at the beginning of the reporting period	51,379
51,379	Cash and cash equivalents at the end of the reporting period (Note 20)	40,302

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position as at the year-end, 31st March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the Local Government Act 2003.

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

The Statement of Accounts has been prepared on a going concern basis. The Authority's Auditors, Grant Thornton UK LLP, have reported that they are satisfied with the Management's assessment that the going concern basis was appropriate for the 2018/19 financial statements and the Treasurer expectations is that this will continue for the foreseeable future. Using reserves the Authority has a balanced budget for the Medium Term Financial Plan period and robust and deliverable plans for a balanced budget going forward.

1.2. Accruals of Income and Expenditure

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

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

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

1.3. Cash and Cash Equivalents

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

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

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

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

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

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

1.5. Charges to Revenue for Non-Current Assets

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

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

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

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

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

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

The council tax and NDR included in the CIES is the Authority's share of accrued income for the year. Regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The effect on the Surplus or Deficit on the Provision of Services for the year 2018/19 in the CIES is a surplus of £121k which is also reflected in the MIRS.

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

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

1.7. Employee Benefits

1.7.1 Benefits Payable during Employment

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

1.7.2 Termination Benefits

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

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

1.7.3 Post Employment Benefits

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

- Uniformed Firefighters – Original (1992) Scheme

This is an unfunded scheme, which is administered by the Authority in accordance with the MHCLG regulations. For such schemes, as there are no investment assets, IAS19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the CIES for movements in the liability and reserve. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the pension fund for these employees. The scheme was only open to those firefighters in the scheme as at 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 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 2019 had a net deficit value of £1,758.6m.

- The Local Government Pension Scheme (LGPS)

Other employees, subject to certain qualifying criteria, are eligible to join the LGPS, administered by Wolverhampton City Council. The pension costs that are charged to the Authority's accounts, £2.740m in 2018/19 in respect of these employees, are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The scheme is, however, funded.

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

These schemes are accounted for as defined benefits schemes:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) and the liabilities of the 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 2.45% for the FPS and 2.4% for the LGPS.
- The assets of WMMAPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities — current bid price
 - unquoted securities — professional estimate
 - unitised securities — current bid price
 - property — market value.

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

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

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

1.7.4 Discretionary Benefits

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

1.8. Events after the Reporting Period

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

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

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

1.9. Financial Instruments

1.9.1 Financial Liabilities

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

Debt inherited from the former WMCC is managed by Dudley MBC and redeemed over a period of 40 years from 1st April 1986. Annual charges to the CIES for interest payable were charged on this debt in 2018/19 at a rate of 5.62%.

Creditors are carried on the balance sheet at amortised cost.

1.9.2 Financial Assets

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

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

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

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

Debtors are carried on the balance sheet at amortised cost.

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

1.9.3 Fair Value Measurement

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

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

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

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

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

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

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

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

1.10. Government Grants and Contributions

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

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

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

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

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

1.11. 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 £688k (2017/18 £725k) and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

1.12. Overheads and Support Services

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

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

1.13. Property, Vehicles, Plant and Equipment

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

1.13.1 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 deminimis level of £10,000.

1.13.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

1.13.3 Impairment

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

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

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

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

1.13.4 Depreciation

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

The following depreciation policies have been adopted:

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

Wilks Head & Eve (WH&E), of 55 New Oxford Street, London, WC1A 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 2019. 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.

1.13.5 Non-Current Assets Held for Sale

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

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

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

1.14. Minimum Revenue Provision

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

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

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

The Treasurer has the discretion to make an additional provision.

1.15. Provisions and Contingent Liabilities

1.15.1 Provisions

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

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

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

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

1.15.2 Contingent Liabilities

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

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

1.16. Reserves

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

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

1.17. 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.

1.18. Restated Figures

For comparative purposes, 2017/2018 figures are provided.

Note 19 Short term debtors and Note 21 Creditors show 2017/2018 restated figures as the requirement to analyse creditors and debtors now permits authority judgement as to the categories presented. These notes also separate those creditors and debtors which are financial instruments and those which are not.

Note 33.6 LGPS assets show 2017/2018 restated figures as the assets have been recategorised.

1.19. Roundings

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

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

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 2019/20 Code that are relevant to the above are:-

- Amendments to IAS 40 Investment Property: Transfers of investment property clarifies guidance regarding transfers in and out of investment properties, where there has been evidence of a change of use and property now meets or ceases to meet the definition of an investment property.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle

The improvement to IFRS 1 First-time Adoption of International Financial Reporting Standards concerns the deletion of short-term exemptions for first-time adopters because they have now served their intended purpose.

IFRS 12 Disclosure of Interests in Other Entities applies to the disclosure requirements of an entity's interests that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

IAS 28 Investments in Associates and Joint Ventures clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration applies to foreign currency transactions where a non-monetary asset or liability arises from either the payment or receipt of an advance consideration, before recognition of the related asset, expense or income.
- IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes and should be used when determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates where there is uncertainty over income tax treatments under IAS12.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation alters the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income).

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 Statement of Accounts.

The Authority has concluded that there will be no material impact upon the 2019/20 Statement of Accounts.

IFRS 16 Leases – This will require lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities (there is recognition for low value and short-term leases). In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a statement from the CIPFA/Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board announcing the implementation of IFRS 16 Leases to be deferred until 1st April 2020.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- 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 2019. 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 MHCLG 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 because of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31st March 2019 for which there is a risk of a material adjustment in the following financial year are:

- Pensions Liability – Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement age, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) and Barnett Waddingham provide the Authority with expert advice about the assumptions to be applied (Note 33).
- 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.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

LGPS Contributions 2017/18 - 2019/20

On 28 April 2017 the Authority made a payment of £7.9m to the WMMAPF in respect of pension contributions for the three years from 1st April 2017 to 31st March 2020. The full payment has been accounted for as a reduction in the Authority's net pension liability and accounting regulations require that only the amount due in relation to 2018/19 of £2.6m is recognised as a cost to the General Fund this year. Until 2019/20, there will be a difference between the net pension liability and the pension reserve, equal to the amount that has been paid in relation to future years. This difference will remain until the 2019/20 accounts.

6. EVENTS AFTER THE REPORTING PERIOD

McCloud/Sargeant Judgement

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in the pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case was heard in November 2016 and was brought by McCloud and other members of the Judicial Pension Scheme against the Lord Chancellor and the Ministry of Justice. The tribunal ruled in favour of the claimants. The decision was taken to the Employment Appeal Tribunal who decided in January 2018 to uphold the tribunal's decision. The Lord Chancellor and Ministry of Justice lodged an appeal to the Court of Appeal.

The second case was heard in January 2017 and was brought by Sargeant and other members of the Firefighters' Pension Scheme against the Fire & Rescue Authorities and the Government (in England and Wales). The tribunal ruled against the claimants. The claimants appealed this decision to the Employment Appeal Tribunal, which led to further appeals to the Court of Appeal by both parties.

Before hearing the two appeals the Court of Appeal decided to combine the two cases as they were so closely linked. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. The government launched a subsequent appeal, resulting in a decision by the supreme court on 27 June 2019, which said the government had not raised an arguable point of law. The government will now consider how best to compensate those affected by the judgment as part of the court process.

A pension past service cost of £68.9m has been provided for this judgement.

7. EXPENDITURE AND FUNDING ANALYSIS

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

2017/2018				2018/2019		
Net Expenditure Chargeable to the General Fund * £000	Adjustments between Funding and Accounting Basis (Note 7.1) £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the General Fund * £000	Adjustments between Funding and Accounting Basis (Note 7.1) £000	Net Expenditure in the CIES £000
67,908	14,269	82,177	Service Delivery	66,794	13,194	79,988
19,962	2,230	22,192	Service Support	20,733	2,222	22,955
2,445	412	2,857	Corporate Management	2,853	463	3,316
3,907	7,312	11,219	Corporate Charges	3,118	73,247	76,365
94,222	24,223	118,445	Cost of Services	93,498	89,126	182,624
(88,626)	37,620	(51,006)	Other Income and Expenditure	(86,418)	32,915	(53,503)
5,596	61,843	67,439	(Surplus)/Deficit on Provision of Services	7,080	122,041	129,121
(52,970)			Opening General Fund Balance	(47,374)		
(47,374)			Closing General Fund Balance @ 31 March	(40,294)		

* As reported to the SET.

7.1 Adjustments between funding and accounting

2017/2018	Adjustments for capital purposes (Note 7.2)	Net change for the pension adjustments (Note 7.3)	Other statutory differences (Note 7.4)	Total Adjustments
	£000	£000	£000	£000
Service Delivery	-	14,303	(34)	14,269
Service Support	-	2,206	24	2,230
Corporate Management	-	450	(38)	412
Corporate Charges	8,842	(1,530)	-	7,312
Cost of Services	8,842	15,429	(48)	24,223
Other Income and Expenditure	(6,146)	44,063	(297)	37,620
Total	2,696	59,492	(345)	61,843

2018/2019	Adjustments for capital purposes (Note 7.2)	Net change for the pension adjustments (Note 7.3)	Other statutory differences (Note 7.4)	Total Adjustments
	£000	£000	£000	£000
Service Delivery	-	13,484	(290)	13,194
Service Support	-	2,236	(14)	2,222
Corporate Management	-	464	(1)	463
Corporate Charges	6,614	66,633	-	73,247
Cost of Services	6,614	82,817	(305)	89,126
Other Income and Expenditure	(9,299)	42,335	(121)	32,915
Total	(2,685)	125,152	(426)	122,041

7.2 Adjustments for capital purposes

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

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

7.3 Net change for the pension adjustments

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

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

7.4 Other statutory differences

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

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

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/2018 £000		2018/2019 £000
	Expenditure	
100,054	Employee expenses	167,244
15,543	Other services expenses	14,869
8,842	Depreciation, amortisation and impairment	6,613
44,063	Pensions interest cost and expected return on pension assets	42,335
2,100	Interest payments	1,969
1,520	Other operating expenditure	410
172,122	Total Expenditure	233,440
	Income	
(4,033)	Fees, charges and other service income	(4,620)
(251)	Interest and investment income	(436)
(39,891)	Council tax income	(41,883)
(9,598)	Non-domestic rates income from West Midlands Local Authorities	(9,867)
(48,702)	Government grants and contributions	(47,423)
(2,208)	Disposal of non-current assets	(90)
(104,683)	Total Income	(104,319)
67,439	(Surplus)/Deficit on the provision of services	129,121

8.2 Revenue from contracts with service recipients

This is a new policy as required in the Code of Practice for the 2018/19 financial year.

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

Amounts included in the CIES for contracts with service recipients:

	2017/2018 £000	2018/2019 £000
Revenue from contracts with service recipients:		
Service Delivery – provision of Fire Control	914	964
Total included in CIES	914	964

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

	2017/2018 £000	2018/2019 £000
Receivables included in short term debtors	43	-
Payables included in short term creditors	-	(7)
Total Included in Net Assets	43	(7)

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

	2017/2018 £000	2018/2019 £000
Not Later than one year	971	996
Later than one year	996	1,016
Amounts of transaction price fully unsatisfied	1,967	2,012

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

9. 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.

2017/2018	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to Revenue Resources	£000	£000	£000
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs transferred to/(from) the Pensions Reserve	(59,492)	-	-
Council tax and NDR transfers to/(from) Collection Fund Adjustment Account	297	-	-
Holiday pay transferred to the Accumulated Absences Reserve	48	-	-
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)	(9,968)	-	-
Total Adjustments to Revenue Resources	(69,115)	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,131	(2,131)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	787	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,354	-	-
Total Adjustments between Revenue and Capital Resources	7,272	(2,131)	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	98
Total Adjustments to Capital Resources	-	(2,131)	98
Total Adjustments	(61,843)	(2,131)	98

2018/2019	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to Revenue Resources	£000	£000	£000
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs transferred to/(from) the Pensions Reserve	(125,152)	-	-
Council tax and NDR transfers to/(from) Collection Fund Adjustment Account	121	-	-
Holiday pay transferred to the Accumulated Absences Reserve	305	-	-
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)	(6,355)	-	-
Total Adjustments to Revenue Resources	(131,081)	-	-
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	57	(57)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	834	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	8,149	-	-
Total Adjustments between Revenue and Capital Resources	9,040	(57)	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	304
Total Adjustments to Capital Resources	-	-	304
Total Adjustments	(122,041)	(57)	304

10. MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside within the General Fund Balance for earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in both 2017/18 and 2018/19.

General Fund:	Balance at 31 st March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 st March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 st March 2019 £000
Business Development							
Project Management/Support	151	129	45	67	67	-	-
Strategic Hub							
liP Assessment	-	-	-	-	-	10	10
Communications							
Community Engagement	8	6	20	22	20	35	37
Communications/Media Events	52	60	24	16	11	26	31
Portfolio							
New Risks (MTFA)	-	-	-	-	-	50	50
Finance & Resources							
Property Maintenance	1,226	182	166	1,210	176	22	1,056
Procurement of Operational Equip.	229	93	82	218	121	-	97
Loss of Use Recovery	40	-	10	50	-	27	77
Procurement Collaboration	65	43	1	23	23	-	-
ICT							
Enterprise Resource Planning (ERP)	-	-	-	-	-	2,000	2,000
ESMCP-Local Transition	1,749	-	167	1,916	266	-	1,650
IT Equipment & System Upgrades	2,662	1,588	331	1,405	996	455	864
Firelink	223	223	278	278	278	341	341
Incident Reporting System (IRS)	-	-	-	-	-	200	200
Recruitment	-	-	-	-	-	30	30
Intelligence & Innovation							
Legal Services	100	4	-	96	81	130	145
Occupational Health	-	-	-	-	-	120	120
Project Management/Support	179	159	139	159	147	85	97
Trauma Care Training	-	-	-	-	-	10	10
Distributed Training Model (DTM)	-	-	1,000	1,000	1,000	-	-
Care Quality Commission	60	1	-	59	59	-	-
Firefighting & Rescue Equipment	57	47	-	10	10	-	-
People Support Services							
Staff Training & Development	236	181	315	370	437	315	248
Training Equipment/Facilities	226	99	9	136	56	42	122
Time Management System	29	-	-	29	2	-	27
Health & Wellbeing	161	33	41	169	163	-	6
Project Management/Support	77	77	-	-	-	-	-
Ridership	400	400	-	-	-	-	-
Prevention							
Community Partnerships	385	197	258	446	198	89	337
Education Materials/Facilities	80	37	22	65	33	24	56
Youth Services	22	12	-	10	-	3	13
Protection							
Fire Safety	19	8	-	11	10	130	131

General Fund: (Continued)	Balance at 31st March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31st March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31st March 2019 £000
Response							
Tech Rescue	834	295	284	823	73	24	774
Service Delivery	310	815	912	407	337	217	287
Project Management/Support	8	120	112	-	-	-	-
Capital							
Capital Program Shortfall	8,637	2,214	4,528	10,951	206	1,384	12,129
Fire Station Investment	14,977	5,908	-	9,069	5,051	-	4,018
Occupational Health Relocation	-	-	-	-	-	200	200
Insurance							
Insurance Reserve	7,303	584	468	7,187	67	67	7,187
Corporate							
Service Review	2,956	885	17	2,088	1,382	-	706
Gains Share	-	-	250	250	75	-	175
Digital Transformation	272	95	147	324	322	147	149
Seconded Staff	1	1,006	1,018	13	795	782	-
Project Management/Support	-	-	-	-	143	143	-
Holiday Pay	-	-	107	107	107	-	-
Personal Protective Equipment	-	33	33	-	50	50	-
TOTAL	43,734	15,534	10,784	38,984	12,762	7,158	33,380

Further information on the Reserves Strategy can be found at <https://www.wmfs.net/about-us/openness/documents/>

11. UNUSABLE RESERVES

31 March 2018 £000		31 March 2019 £000
(58,720)	Revaluation Reserve	(42,683)
(56,096)	Capital Adjustment Account	(60,284)
1,676,394	Pensions Reserve	1,807,689
(680)	Collection Fund Adjustment Account	(801)
1,293	Accumulated Absences Account	989
1,562,191	Total Unusable Reserves	1,704,910

11.1 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.

2017/2018 £000		2018/2019 £000
(58,009)	Balance 1 April	(58,720)
(13,976)	Upward revaluation of assets	(5,529)
11,817	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	20,311
(60,168)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(43,938)
1,448	Amount written off to the Capital Adjustment Account	1,255
(58,720)	Balance 31 March	(42,683)

11.2 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.

2017/2018 £000		2018/2019 £000
(59,378)	Balance 1 April	(56,096)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
4,830	Charges for depreciation and impairment of non-current assets	4,565
4,007	Revaluation losses on Property, Vehicles, Plant and current assets	2,044
6	Amortisation of intangible assets	4
1,200	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	97
(49,335)		(49,386)
(1,448)	Adjusting amounts written out of the Revaluation Reserve	(1,255)
(50,783)	Net written out amount of the cost of non-current assets consumed in the year	(50,641)
	Capital financing applied in the year:	
-	Use of the Capital Receipts Reserve to finance new capital expenditure	-
(74)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(356)
(98)	Application of grants to capital financing from the Capital Grants Unapplied Account	(304)
(787)	Statutory provision for the financing of capital investment charged against the General Fund	(834)
(4,354)	Capital expenditure charged against the General Fund and HRA balances	(8,149)
(56,096)	Balance 31 March	(60,284)

11.3 Pensions Reserve

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

2017/2018 £000		2018/2019 £000
1,671,815	Balance 1 April	1,676,394
(54,913)	Re-measurements of the net defined benefit liability/(asset)	6,143
71,256	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	136,584
(11,764)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,432)
1,676,394	Balance 31 March	1,807,689

On 28 April 2017 the Authority made a payment of £7.9m to the WMMAPF. This payment was based on Barnett Waddingham's Rates and Adjustments Certificate for the amounts due for Employer Pension Contributions 1st April 2017 to 31st March 2020. There is a difference between the pension reserve and pension liability on the balance sheet of £2.541m for Employer Pension Contributions 1st April 2019 to 31st March 2020.

11.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance at the 31 March 2019 is (£0.801m) and was (£0.680m) as at 31 March 2018.

11.5 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.

2017/2018			2018/2019	
£000	£000		£000	£000
	1,342	Balance 1 April		1,294
(1,342)		Settlement or cancellation of accrual made at the end of the preceding year	(1,294)	
1,294		Amounts accrued at the end of the current year	989	
	(48)	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		(305)
	1,294	Balance 31 March		989

12. OTHER OPERATING EXPENDITURE

2017/2018 £000		2018/2019 £000
(996)	(Gains)/losses on the disposal of non-current assets	7
308	Levies	314
(688)	Total	321

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/2018 £000		2018/2019 £000
2,100	Interest payable and similar charges	1,969
44,063	Net interest on the net defined benefit liability/(asset)	42,335
(251)	Interest receivable and similar income	(436)
45,912	Total	43,868

14. TAXATION AND NON SPECIFIC GRANT INCOMES

2017/2018 £000		2018/2019 £000
(39,891)	Council tax income	(41,883)
(9,598)	NDR income from West Midland Local Authorities	(9,867)
(23,202)	Revenue support grant	(20,582)
(23,465)	Business rates retention scheme grants	(25,004)
(74)	Capital grants and contributions	(356)
(96,230)	Total	(97,692)

15. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

15.1 Comparative Movements in 2017/2018

2017/18	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 2017	134,903	31,980	2,597	1,639	171,119
Additions	1,037	434	-	3,056	4,527
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(971)	-	94	-	(877)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,000)	-	(7)	-	(4,007)
De-recognition – Disposals	-	(2,012)	(800)	-	(2,812)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	-	1,932	-	(1,932)	-
At 31 March 2018	130,969	32,334	1,884	2,763	167,950
Accumulated Depreciation and Impairment					
At 1 April 2017	-	23,941	1,020	-	24,961
Depreciation charge	3,012	1,793	25	-	4,830
Depreciation written out to the Revaluation Reserve	(3,012)	-	(25)	-	(3,037)
De-recognition – Disposals	-	(2,012)	(800)	-	(2,812)
De-recognition – Other	-	-	-	-	-
At 31 March 2018	-	23,722	220	-	23,942
Net Book Value					
At 31 March 2017	134,903	8,039	1,577	1,639	146,158
At 31 March 2018	130,969	8,612	1,664	2,763	144,008

15.2 Movements on Balances 2018/2019

2018/19	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 2018	130,969	32,334	1,884	2,763	167,950
Additions	1,035	212	-	7,428	8,675
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(17,590)	-	94		(17,496)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,055)	-	11		(2,044)
De-recognition – Disposals	-	(1,785)	(220)	-	(2,005)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-
Other movements in cost or valuation	8,316	(383)	383	(8,316)	-
At 31 March 2019	120,675	30,378	2,152	1,875	155,080
Accumulated Depreciation and Impairment					
At 1 April 2018	-	23,722	220	-	23,942
Depreciation charge	2,688	1,851	26	-	4,565
Depreciation written out to the Revaluation Reserve	(2,688)	-	(26)	-	(2,714)
De-recognition – Disposals	-	(1,688)	(220)	-	(1,908)
De-recognition – Other	-	(383)	383	-	-
At 31 March 2019	-	23,502	383	-	23,885
Net Book Value					
At 31 March 2018	130,969	8,612	1,664	2,763	144,008
At 31 March 2019	120,675	6,876	1,769	1,875	131,195

15.3 Depreciation

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

15.4 Capital Commitments

As at the 31st March 2019, the Authority approved capital expenditure in future years of £16.957m of which £3.676m has been contractually committed leaving £13.281m as the uncommitted sum which relates to expenditure on property, plant and equipment.

The largest of these contractual commitments represents:

	£000
• Aston Fire Station	2,187
• Vehicle Replacement Programme	831

15.5 Revaluations

The Authority had all its property assets valued as at 31st March 2019 based on current value. The work was completed by qualified external valuers, WH&E. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Professional Standards manual (The Red Book) and is International Valuation Standards compliant. The use of the manual means there is certainty with the valuation process.

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

16. INTANGIBLE ASSETS

The movement on Intangible Asset balances during 2017/18 and 2018/19 is as follows:

	2017/18 Other Assets £000	2018/19 Other Assets £000
Balance at start of year:		
Gross carrying amounts	663	663
Accumulated amortisation	(644)	(650)
Net carrying amount at end of	19	13
Additions:		
Purchases	-	134
Amortisation for the period	(6)	(4)
Net carrying amount at end of	13	143
Comprising of:		
Gross carrying amounts	663	797
Accumulated amortisation	(650)	(654)
Net carrying amount at end of	13	143

17. FINANCIAL INSTRUMENTS

17.1 Balance Sheet

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

Financial Assets	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors		31-Mar 2018 £000	31-Mar 2019 £000
	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000		
Amortised Cost	-	-	-	-	51,379	40,302	6,741	10,199	58,120	50,501
Total financial assets	-	-	-	-	51,379	40,302	6,741	10,199	58,120	50,501
Non-financial assets	-	-	-	-	-	-	6,359	6,662	6,359	6,662
Total	-	-	-	-	51,379	40,302	13,100	16,861	64,479	57,163

Financial Liabilities	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		31-Mar 2018 £000	31-Mar 2019 £000
	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000	31-Mar 2018 £000	31-Mar 2019 £000		
Amortised Cost	(33,112)	(33,112)	-	-	(1,361)	(305)	(4,955)	(3,090)	(39,428)	(36,507)
Financial liabilities at historical cost	(2,890)	(2,585)	-	-	(176)	(150)	-	-	(3,066)	(2,735)
Total financial liabilities	(36,002)	(35,697)	-	-	(1,537)	(455)	(4,955)	(3,090)	(42,494)	(39,242)
Non-financial liabilities	-	-	-	-	-	-	(6,682)	(6,649)	(6,682)	(6,649)
Total	(36,002)	(35,697)	-	-	(1,537)	(455)	(11,637)	(9,739)	(49,176)	(45,891)

17.2 Income, Expense, Gains and Losses

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Amortised Cost:				
(Gains)/Losses on de-recognition	(996)	-	7	-
Interest revenue	(251)	-	(436)	-
Interest expense	2,100	-	1,969	-
Total	853	-	1,540	-

17.3 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:

	2017/2018		2018/2019	
	Long-Term £000	Short-Term £000	Long-Term £000	Short-Term £000
PWLB	33,112	1,084	33,112	-
Dudley MBC	2,890	277	2,585	305
Total Principal Amount	36,002	1,361	35,697	305
Plus Accrued Interest	-	176	-	150
Total Amortised Cost	36,002	1,537	35,697	455

17.4 Fair Value Measurement

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

17.4.1 Fair Value of Assets and Liabilities at Amortised Costs

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

- Actual ranges of interest rates at 31st March 2019 of 8.625% to 3.950% 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.

17.4.2 Financial Liabilities

The fair values are as follows:

	2017/2018		2018/2019	
	Carry Amount £000	Fair Value £000	Carry Amount £000	Fair Value £000
PWLB Short & Long Term Loans	34,196	61,481	33,112	61,368
Dudley MBC (WMCC)	3,167	3,167	2,890	2,890
Total	37,363	64,648	36,002	64,258

Overall, the fair value for 2018/2019 is greater than the carrying amount because the Authority's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair values for the financial liabilities have been determined by 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.

17.4.3 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.

17.4.4 Fair Value Hierarchy for Financial Assets and Financial Liabilities

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

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	TOTAL 31 March 2018
	(Level 1) £000	(Level 2) £000	(Level 3) £000	£000
<u>FINANCIAL LIABILITIES</u>				
Loans	-	64,648	-	64,648
Plus Accrued Interest	-	176	-	176
Total Borrowing	-	64,824	-	64,824
Creditors	-	4,955	-	4,955
Total Financial Liabilities	-	69,779	-	69,779
<u>FINANCIAL ASSETS</u>				
Cash & Cash Equivalents	-	51,379	-	51,379
Total Investments	-	51,379	-	51,379
Debtors	-	6,741	-	6,741
Total Financial Assets	-	58,120	-	58,120

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	TOTAL 31 March 2019
	(Level 1) £000	(Level 2) £000	(Level 3) £000	£000
<u>FINANCIAL LIABILITIES</u>				
Loans	-	64,238	-	64,258
Plus Accrued Interest	-	150	-	150
Total Borrowing	-	64,388	-	64,408
Creditors	-	3,090	-	3,090
Total Financial Liabilities	-	67,478	-	67,498
<u>FINANCIAL ASSETS</u>				
Cash & Cash Equivalents	-	40,302	-	40,302
Total Investments	-	40,302	-	40,302
Debtors	-	10,199	-	10,199
Total Financial Assets	-	50,501	-	50,501

17.5 Nature and extent of risks arising from Financial Instruments

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

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

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

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

17.5.1 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 £0.846m of the £16.861m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2018 £000	31 March 2019 £000
Less than three months	1,148	658
Three to six months	6	155
Six months to one year	6	19
More than one year	3	14
Total	1,163	846

17.5.2 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.

17.5.3 Market risk

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

During 2018/19, 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 £0.136m (2017/2018 £0.155m). The impact of a 0.25% increase in interest rates would be the same but reversed, interest would increase by £0.136m (2017/2018 £0.155m).

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

18. INVENTORIES

	General Stores		Mechanical Stocks		Heating Oil Petrol/ Diesel		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance outstanding at start of year	366	466	168	165	95	94	629	725
Purchases	832	895	280	385	494	592	1,606	1,872
Recognised as an expense in the year	(732)	(935)	(283)	(387)	(495)	(586)	(1,510)	(1,908)
Written off balances	-	(1)	-	-	-	-	-	(1)
Balance outstanding at year-end	466	425	165	163	94	100	725	688

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

19. SHORT TERM DEBTORS

31 March 2018 £000 R		31 March 2019 £000
	Financial Instruments	
4,767	Home Office - Pension Fund Top up Grant	8,625
953	Trade receivables	836
969	Accrued income	693
52	Other receivable amounts	45
6,741	Total Financial Instruments	10,199
	Other Debtors	
5,584	Collection Fund	5,579
628	Prepayments	788
147	Sandwell MBC – VAT	295
6,359	Total Other Debtors	6,662
13,100	Total Debtors	16,861

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

	31 March 2018 £000	31 March 2019 £000
Less than one year	1,801	2,034
One to two years	849	833
Two to six years	1,397	1,549
More than six years	355	362
Total	4,402	4,778

20. CASH AND CASH EQUIVALENTS

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

31 March 2018 £000		31 March 2019 £000
10	Cash held by the Authority	10
51,369	Bank current account	(612)
-	Bank call account	40,904
51,379	Total Cash and Cash Equivalents	40,302

21. CREDITORS

31 March 2018 £000 R		31 March 2019 £000
	Creditors – Revenue	
	Financial Instruments	
3,138	Other entities and individuals	2,261
715	Central government bodies	348
330	Other local authorities	107
4,183	Total Financial Instruments	2,716
	Other Creditors	
4,905	Collection fund	4,779
1,751	Her Majesty's Revenue and Customs	1,819
26	Deferred income	51
6,682	Total Other Creditors	6,649
10,865	Total Creditors - Revenue	9,365
	Creditors – Capital	
	Financial Instruments	
772	Other entities and individuals	374
772	Total Creditors – Capital	374
11,637	Total Creditors	9,739

22. PROVISIONS

22.1 Insurance

An insurance provision of £0.426m has been provided for previous years' employee and public liability claims, it is held in line with recommendations of the actuarial valuation. Whilst the Actuary can give advice about the total value of claims they are not able to confirm when these will be submitted.

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2017/2018 £000		2018/2019 £000
(283)	Interest received	(251)
2,121	Interest paid	1,995

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

2017/2018 £000		2018/2019 £000
(4,830)	Depreciation	(4,565)
(4,007)	Impairment and downward valuations	(2,044)
(6)	Amortisation	(4)
41	(Increase)/decrease in impairment for doubtful debts	(8)
(230)	(Increase)/decrease in Creditors	1,856
(2,038)	Increase/(decrease) in Debtors	3,770
95	Increase/(decrease) in Inventories	(37)
(54,324)	Movement in pension liability	(127,779)
(296)	Contributions to Provisions	296
(1,200)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(97)
(66,795)	Net cash (inflows)/outflows from adjustments to net surplus or deficit on the provision of services for non-cash movements	(128,612)

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

2017/2018 £000		2018/2019 £000
2,131	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	57
-	Capital Grants credited to Surplus or Deficit on the provision of services	25
2,131	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	82

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2017/2018 £000		2018/2019 £000
4,141	Purchase of property, vehicles, plant and equipment, investment property and intangible assets	9,207
(2,131)	Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets	(57)
-	Capital Grants Received	(25)
2,010	Net cash (inflows)/outflows from investing activities	9,125

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2017/2018 £000		2018/2019 £000
1,264	Repayments of short and long term borrowing	1,361

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31 March 2018 £000	Financing cash flows £000	Non-cash changes £000	31 March 2019 £000
Long term borrowings	(36,002)	-	305	(35,697)
Short term borrowings	(1,537)	1,361	(279)	(455)
Total liabilities from financing activities	(37,539)	1,361	26	(36,152)

27. OFFICERS' REMUNERATION

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

Total (Inc. pension) 2017/2018		Salary	Expenses Allowances	Total (excluding pension)	Pension	Total (including pension) 2018/2019
£		£	£	£	£	£
	Senior Officer whose salary is £150,000 or more per year:					
212,828	CFO – Phil Loach	170,878	1,684	172,562	37,080	209,642
	Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:					
170,319	Deputy CFO - Director Service Support	136,912	1,473	138,385	29,710	168,095
160,340	Assistant CFO - Director Service Delivery	131,186	1,492	132,678	27,867	160,545
119,217	Strategic Enabler of Finance and Resources	102,530	4	102,534	19,071	121,605
87,578	Strategic Enabler People Support Services	78,652	1,339	79,991	10,106	90,097
81,735	Strategic Enabler Portfolio	72,248	1,343	73,591	10,107	83,698
67,751	Strategic Enabler Strategic Hub	58,269	-	58,269	10,838	69,107
899,768		750,675	7,335	758,010	144,779	902,789

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	2017/18 Number of employees	2018/19 Number of employees
£ 50,000 to £ 54,999	40	37
£ 55,000 to £ 59,999	12	20
£ 60,000 to £ 64,999	12	19
£ 65,000 to £ 69,999	1	-
£ 70,000 to £ 74,999	4	4
£ 75,000 to £ 79,999	-	1
£ 80,000 to £ 84,999	-	-
£ 85,000 to £ 89,999	-	-
Total	69	81

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

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) +(c)]		(e) Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	1	-	1	-	£36,563
£40,001 - £60,000	-	-	1	1	1	1	£40,949	£57,186
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	-	1	-	£117,674	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
Total	-	-	2	2	2	2	£158,623	£93,749

The Authority agreed to terminate the contracts of two employees in 2018/19, incurring costs of £94k (£159k in 2017/18).

28. MEMBERS' ALLOWANCES

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

2017/2018 £000		2018/2019 £000
251	Allowances	182
8	Expenses	9
259	Total	191

29. EXTERNAL AUDIT COSTS

Fees payable to the external auditor:

2017/2018 £000			2018/2019 £000
38	Grant Thornton	Fees payable for the external planned audit work	30
(5)	Public Sector Audit Appointments	Public Sector refund – Closure of Audit Commission	-
33		Total	30

30. 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:

2017/2018 £000	Related Party	Nature of Transaction	2018/2019 £000
23,202	Central Government	Revenue Support Grant	20,582
23,465		Business Rates Retention Scheme Grants	25,004
74		Capital Grant	356
39,891	West Midland Local Authorities	Council Tax Income	41,883
9,598		NDR Income	9,867

Grants received are set out in Note 31.

31. GRANT INCOME

31.1 The Authority credited the following grants, contributions and donations to the CIES in 2018/2019:

	2017/2018 £000	2018/2019 £000
<i>Credited to Taxation and Non Specific Grant Income:</i>		
Revenue Support Grant	23,202	20,582
Business Rates Retention Scheme Grants	23,465	25,004
Capital Grants and Contributions	74	356
Total	46,741	45,942
<i>Credited to Services:</i>		
New Dimension Training Crewing and Accommodation	1,133	820
Fire Control Project	325	341
Fire Reduction Partnership	135	138
New Risks Section 29	28	82
National Resilience	-	42
Home Office Surge Decontamination	-	30
Birmingham City Council Heritage	-	11
CFOA Seconded Officer National Procurement	52	9
New Burdens	8	8
Sandwell Partnerships	1	-
MHCLG Pre-Transitional Funding (ESMCP)	167	-
Project Management (ESMCP)	112	-
Total	1,961	1,481

31.2 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 2018 £000	31 March 2019 £000
<i>Grants - Receipts in Advance (Revenue Grants):</i>		
Fire Control Project	331	-

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

32. 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.

	2017/2018 £000	2018/2019 £000
<i>Opening CFR</i>	38,764	37,977
Capital investment:		
Property, Vehicles, Plant and Equipment	4,527	8,809
Sources of finance:		
Capital Receipts	-	-
Government grants and other contributions	(173)	(660)
Sums set aside from revenue:		
Direct Revenue Contributions	(4,354)	(8,149)
MRP/the Statutory Repayment of Loans Fund Advances	(787)	(834)
<i>Closing CFR</i>	37,977	37,143

<i>Movements in year</i>	2017/2018 £000	2018/2019 £000
MRP/the Statutory Repayment of Loans Fund Advances	(787)	(834)
<i>Increase/(decrease) in CFR</i>	(787)	(834)

33. DEFINED BENEFIT PENSION SCHEMES

33.1 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 2019 the Authority participated in four post-employment schemes:

- The WMMAPF 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 FPS for fire officers — these are unfunded defined benefit arrangements, there are no investment assets built up to meet the pensions liabilities. Fund Accounts have been set up, into which the Authority and scheme members make contributions and pension payments are made from the fund.

33.2 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:

2017/2018	LGPS £000	Firefighters'				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
CIES						
Cost of services:						
Current service cost	4,291	7,030	160	14,100	420	26,001
Past service costs, including curtailments	102	1,040	-	-	10	1,152
Administration Expenses	40	-	-	-	-	40
Financing and Investment Income and Expenditure:						
Net interest expense	1,183	38,930	1,800	1,140	1,010	44,063
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	5,616	47,000	1,960	15,240	1,440	71,256
Other post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
Changes in demographic assumptions	-	(36,690)	(1,160)	(2,240)	(1,350)	(41,440)
Changes in financial assumptions	(4,194)	40,320	5,190	270	310	41,896
Experience (gains) and losses	-	(29,450)	(1,910)	(1,260)	3,980	(28,640)
Return on fund assets in excess of interest	2,577	-	-	-	-	2,577
Other actuarial (gains)/losses on assets	-	(37,440)	88	8,046	-	(29,306)
Total post-employment benefits charged to the CIES	3,999	(16,260)	4,168	20,056	4,380	16,343
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	(5,616)	(47,000)	(1,960)	(15,240)	(1,440)	(71,256)
Actual amount charged against the General Fund Balance for Pensions in the year:						
Employers' contributions payable to the scheme	2,846	2,950	58	4,276	-	10,130
Retirement benefits payable to pensioners	54	-	-	-	1,580	1,634

2018/2019	LGPS £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	4,298	6,280	160	14,080	310	25,128
Past service costs, including curtailments	1,428	60,150	7,490	10	-	69,078
Administration Expenses	43	-	-	-	-	43
Financing and Investment Income and Expenditure:						
Net interest expense	1,075	36,880	1,830	1,510	1,040	42,335
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	6,844	103,310	9,480	15,600	1,350	136,584
Other post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
Changes in demographic assumptions	(8,054)	-	-	-	-	(8,054)
Changes in financial assumptions	6,952	39,250	3,900	3,800	830	54,732
Experience (gains) and losses	-	(3,850)	(1,480)	1,250	(310)	(4,390)
Return on fund assets in excess of interest	(1,118)	-	-	-	-	(1,118)
Other actuarial (gains)/losses on assets	-	(43,774)	21	8,726	-	(35,027)
Total post-employment benefits charged to the CIES	4,624	94,936	11,921	29,376	1,870	142,727
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	(6,844)	(103,310)	(9,480)	(15,600)	(1,350)	(136,584)
Actual amount charged against the General Fund Balance for Pensions in the year:						
Employers' contributions payable to the scheme	2,740	2,336	51	4,616	-	9,743
Retirement benefits payable to pensioners	59	-	-	-	1,630	1,689

33.3 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:

2017/2018	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension Scheme 1992	Unfunded liabilities: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded liabilities: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(138,945)	(700)	(1,465,910)	(71,760)	(50,060)	(41,350)	(1,768,725)
Fair value of plan assets	97,499	-	-	-	-	-	97,499
Net liability arising from defined benefit obligation	(41,446)	(700)	(1,465,910)	(71,760)	(50,060)	(41,350)	(1,671,226)

2018/2019	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension Scheme 1992	Unfunded liabilities: Firefighters' Pension Scheme 2006	Unfunded liabilities: Firefighters' Pension Scheme 2015	Unfunded liabilities: Firefighters' Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	(145,513)	(633)	(1,558,510)	(83,630)	(74,820)	(41,590)	(1,904,696)
Fair value of plan assets	99,548	-	-	-	-	-	99,548
Net liability arising from defined benefit obligation	(45,965)	(633)	(1,558,510)	(83,630)	(74,820)	(41,590)	(1,805,148)

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

2017/2018	Funded assets: Local Government Pension Scheme £000	Unfunded assets: Local Government Pension Scheme £000	Unfunded assets: Firefighters' Pension Scheme 1992 £000	Unfunded assets: Firefighters' Pension Scheme 2006 £000	Unfunded assets: Firefighters' Pension Scheme 2015 £000	Unfunded assets: Firefighters' Compensation Scheme £000	Total £000
Opening fair value of scheme assets	91,013	-	-	-	-	-	91,013
Interest income	2,638	-	-	-	-	-	2,638
Remeasurement gain/(loss):							
Return on assets less interest	(2,577)	-	-	-	-	-	(2,577)
Other actuarial gains/(losses)	-	-	37,440	(88)	(8,046)	-	29,306
Contributions from Employer	8,014	54	2,950	58	4,276	1,580	16,932
Contributions from employees into the scheme	776	-	1,710	60	3,790	-	6,336
Benefits paid	(2,325)	(54)	(42,100)	(30)	(20)	(1,580)	(46,109)
Administration expenses	(40)	-	-	-	-	-	(40)
Closing fair value of scheme assets	97,499	-	-	-	-	-	97,499

2018/2019	Funded assets: Local Government Pension Scheme £000	Unfunded assets: Local Government Pension Scheme £000	Unfunded assets: Firefighters' Pension Scheme 1992 £000	Unfunded assets: Firefighters' Pension Scheme 2006 £000	Unfunded assets: Firefighters' Pension Scheme 2015 £000	Unfunded assets: Firefighters' Compensation Scheme £000	Total £000
Opening fair value of scheme assets	97,499	-	-	-	-	-	97,499
Interest income	2,467	-	-	-	-	-	2,467
Remeasurement gain/(loss):							
Return on assets less interest	1,118	-	-	-	-	-	1,118
Other actuarial gains/(losses)	-	-	43,774	(21)	(8,726)	-	35,027
Contributions from Employer	113	59	2,336	51	4,616	1,630	8,805
Contributions from employees into the scheme	814	-	1,360	50	4,110	-	6,334
Benefits paid	(2,420)	(59)	(47,470)	(80)	-	(1,630)	(51,659)
Administration expenses	(43)	-	-	-	-	-	(43)
Closing fair value of scheme assets	99,548	-	-	-	-	-	99,548

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

2017/2018	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	(136,485)	(743)	(1,485,120)	(67,650)	(34,280)	(38,550)	(1,762,828)
Current service cost	(4,291)	-	(7,030)	(160)	(14,100)	(420)	(26,001)
Interest cost	(3,801)	(20)	(38,930)	(1,800)	(1,140)	(1,010)	(46,701)
Contributions from scheme participants	(776)	-	(1,710)	(60)	(3,790)	-	(6,336)
Remeasurement gains and (losses):							
Changes in demographic assumptions	-	-	36,690	1,160	2,240	1,350	41,440
Changes in financial assumptions	4,185	9	(40,320)	(5,190)	(270)	(310)	(41,896)
Experience gains/(losses)	-	-	29,450	1,910	1,260	(3,980)	28,640
Past service costs, including curtailments	(102)	-	(1,040)	-	-	(10)	(1,152)
Benefits paid	2,325	54	42,100	30	20	1,580	46,109
Closing balance at 31 March	(138,945)	(700)	(1,465,910)	(71,760)	(50,060)	(41,350)	(1,768,725)

2018/2019	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	(138,945)	(700)	(1,465,910)	(71,760)	(50,060)	(41,350)	(1,768,725)
Current service cost	(4,298)	-	(6,280)	(160)	(14,080)	(310)	(25,128)
Interest cost	(3,525)	(17)	(36,880)	(1,830)	(1,510)	(1,040)	(44,802)
Contributions from scheme participants	(814)	-	(1,360)	(50)	(4,110)	-	(6,334)
Remeasurement gains and (losses):							
Changes in demographic assumptions	8,016	38	-	-	-	-	8,054
Changes in financial assumptions	(6,939)	(13)	(39,250)	(3,900)	(3,800)	(830)	(54,732)
Experience gains/(losses)	-	-	3,850	1,480	(1,250)	310	4,390
Past service costs, including curtailments	(1,428)	-	(60,150)	(7,490)	(10)	-	(69,078)
Benefits paid	2,420	59	47,470	80	-	1,630	51,659
Closing balance at 31 March	(145,513)	(633)	(1,558,510)	(83,630)	(74,820)	(41,590)	(1,904,696)

33.6 LGPS assets comprised:

Asset category	31 March 2018 £000 R	%	31 March 2019 £000	%
Equities	62,316	64	58,838	59
Gilts	7,125	7	9,563	10
Other bonds	3,730	4	3,836	4
Property	7,507	8	8,455	8
Cash	2,399	2	3,153	3
Other	14,422	15	15,703	16
Total Assets	97,499	100	99,548	100

33.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The FPS have been assessed using an approach and model supplied by GAD and certified by them on 23 April 2019. The WMMAPF has been based on triennial actuarial valuations, the last review being 31 March 2016 and assessed by Barnett Waddingham. In calculating the IAS19 figures for the WMMAPF the actuary assumed an investment return of 4%. The actual gross return for the year to the 31 March 2019 was 5.1%.

The significant assumptions used by the actuary have been:

	LGPS		FPS	
	2017/2018	2018/2019	2017/2018	2018/2019
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	21.9	20.9	21.9	22.0
• Women	24.3	23.2	21.9	22.0
Longevity at 65 for future pensioners:				
• Men	24.0	22.6	23.9	23.9
• Women	26.6	25.0	23.9	23.9
Rate of inflation CPI	2.3%	2.4%	2.3%	2.35%
Rate of increase in salaries	3.8%*	3.9%*	4.3%	4.35%
Rate of increase in pensions	2.3%	2.4%	2.3%	2.35%
Rate for discounting scheme liabilities	2.55%	2.4%	2.55%	2.45%

* Allowed for short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. This is consistent with the 2016 valuation of the Fund.

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

A sensitivity analysis for the WMMAPF as at 31 March 2019 is shown below:

Sensitivity analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	(143,305)	(146,146)	(149,047)
Projected service cost	(4,368)	(4,472)	(4,579)
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	(146,513)	(146,146)	(145,781)
Projected service cost	(4,472)	(4,472)	(4,472)
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	(148,677)	(146,146)	(143,666)
Projected service cost	(4,578)	(4,472)	(4,368)
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	(151,464)	(146,146)	(141,021)
Projected service cost	(4,615)	(4,472)	(4,334)

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 2019 for the FPS:

Firefighters' Pension Scheme 1992 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability (excluding past service cost due to McCloud Sargeant ruling) ** £m
0.5% increase in real discount rate	-9.0%	136
0.5% increase in long term salaries rate	1.0%	(15)
0.5% increase in the pensions increase rate	7.5%	(113)
1 year increase in member life expectancy	2.5%	(38)

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 (excluding past service cost due to McCloud Sargeant ruling) ** £m
0.5% increase in real discount rate	-17.5%	13
0.5% increase in salaries rate	8.5%	(7)
0.5% increase in the pensions increase rate	10.0%	(8)
1 year increase in member life expectancy	2.5%	(2)

The weighted average duration of the defined benefit obligation for scheme members is approximately 40 years.

Firefighters' Pension Scheme 2015 Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
0.5% increase in real discount rate	-17.0%	13
0.5% increase in salaries rate	8.0%	(6)
0.5% increase in the pensions increase rate	9.5%	(7)
1 year increase in member life expectancy	2.5%	(2)

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

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

** In addition, the past service cost in respect of the McCloud/Sargeant judgement is expected to be highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long term salary growth assumptions were 1.0% per annum lower, then the impact on the past service cost is expected to be a change of around -10% on the provision. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

33.8 Impact on the Authority's Cash Flows

The objective of the LGPS is to keep employers' contributions at as constant a rate as possible. The WMMAPF has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2019.

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

The £7.9m payment to the WMMAPF on 28 April 2017 for employer pension contributions for the LGPS, included payments for the 1st April 2017 to 31st March 2018 £2.72m, 1st April 2018 to 31st March 2019 £2.63m and 1st April 2019 to 31st March 2020 £2.54m.

On 28 February 2019, GAD published the final reports in relation to the 2016 valuation of the FPS. This included the scheme specific employer contribution rates for the period April 2019 to March 2023. Employer contribution rates are due to increase significantly because of the valuation and the Government has confirmed that a specific grant (£5.7m) will be paid to the Authority to cover approximately 90% of the additional cost in 2019/20. Expected employers' contributions for the FPS in the year to 31 March 2020 are approximately £13m.

34. CONTINGENT LIABILITIES

34.1 Municipal Mutual Insurance Limited (MMI)

MMI, through which the Authority had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take several years for them to arise, however the Company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the Company entered into a scheme of arrangement with its creditors. Following a Supreme Court judgement on 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 50% (£2.060m). Payments of £0.402m (2013/14) & £0.268m (2016/17) have been made and an earmarked reserve is provided for £0.037m. The balance is held in the insurance earmarked reserve (£1.353m).

PENSION FUND ACCOUNT

2017/2018 £000					2018/2019 £000			
1992	2006	Modified	2015		1992	2006	Modified	2015
				Contributions Receivable				
				From Fire Authority				
(2,623)	(36)	(22)	(4,276)	Contributions in relation to pensionable pay	(2,066)	(29)	(22)	(4,596)
(327)	-	-	-	Ill health retirements	(270)		-	(20)
(1,712)	(33)	(24)	(3,792)	From firefighters' contributions	(1,363)	(27)	(24)	(4,117)
				Transfers in				
-	-	-	-	Individual			-	(13)
				Benefits Payable				
37,741	9	7	-	Pensions	39,341	20	7	-
4,397	-	-	-	Commutations and lump sum retirement benefits	8,228	46	-	4
10	-	-	-	Lump sum employee contributions holiday	-	-	-	-
				Payments to and on account of leavers				
20	5	-	25	Individual transfers	-	-	-	-
37,506	(55)	(39)	(8,043)	Net amount payable for the year	43,870	10	(39)	(8,742)
(37,506)	55	39	8,043	Top up Grant payable by the Government	(43,870)	(10)	39	8,742
-	-	-	-		-	-	-	-

2017/2018 £000	NET ASSETS STATEMENT	2018/2019 £000
44	Ill health retirements	-
(68)	Commutations and lump sum retirement benefits	-
-	Lump sum employee contributions holiday	-
4,767	Top-up receivable from the Government	8,625
(4,743)	Amount owing to General Fund	(8,625)
-		-

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 FPS. 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 FPS remain unfunded and consequently the fund has no investment assets. Benefits are funded by contributions from the Authority and employees and any difference between benefits payable and contributions receivable is met by top-up grant from the MHCLG.

Government funding by top-up grant is paid in two 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 MHCLG and are subject to revaluation every four years' by GAD. The contribution rates for 2018/19 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 £15,609	11.0	8.5	11.0
> £15,609 to £21,852	12.2	9.4	12.2
> £21,852 to £31,218	14.2	10.4	14.2
> £31,218 to £41,624	14.7	10.9	14.7
> £41,624 to £52,030	15.2	11.2	15.2
> £52,030 to £62,436	15.5	11.3	15.5
> £62,436 to £104,060	16.0	11.7	16.0
> £104,060 to £124,872	16.5	12.1	16.5
> £124,872	17.0	12.5	17.0

	2015 Scheme %
Employer's	14.3
Employees' Pensionable pay band	
Up to £27,818	11.0
£27,819 to £51,515	12.9
£51,516 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 FPS.

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

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the 31st March 2019. For further information on the liability to pay pensions see Note 33.

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 revised CIPFA/SOLACE Framework 2016 published by CIPFA in association with the International Federation of Accountants (IFAC) – Delivering Good Governance in Local Government. The Authority has also complied with the requirements of CIPFA's statement on the role of the Chief Financial Officer in Local Government. This Annual Governance Statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 which require the Authority to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31st March 2019 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 and Risk Committee provides independent assurance to the Authority on risk management and internal control and the effectiveness of the arrangements the Authority has for these matters. The constitution of the Committees including the terms of reference is reviewed annually and available on the Internet.
- 3.4 The Authority ensures compliance with established strategies, procedures, laws and regulations – including risk management. The Authority also maintains and reviews regularly its code of conduct and whistle blowing policy. There is a comprehensive induction programme in place and information regarding strategies and procedures are held on the intranet, which continues to be developed. The Authority has a strong Internal Audit function and established protocols for working with External Audit.
- 3.5 West Midlands Fire and Rescue Authority will continue to enhance and strengthen its internal control environment through the review of current policies and procedures.
- 3.6 The Authority has corporate risk management arrangements in place which are supported by an approved Risk Management Strategy enabling Managers and other senior officers to identify, assess and prioritise risks within their own work areas which impact on the ability of the Authority and its services to meet objectives. To consider the effectiveness of the Authority's risk management arrangements is a specific term of reference for the Audit and Risk Committee and risk management is a specific responsibility of both the 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 within its committee framework has an Appointment, Standards and Appeals Committee to promote high ethical standards amongst Members. This Committee leads on developing policies and procedures to accompany the Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct. The Authority also has a Scrutiny Committee which undertakes performance management functions and informs policy development.
- 3.12 The Fire and Rescue National Framework for England sets out a requirement for Fire and Rescue Authorities to publish 'Statements of Assurance'. Specifically, Fire and Rescue Authorities must provide assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in this Framework. The Authority has approved the Statement of Assurance which is available on the Service's website.

4. Review of Effectiveness

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the statutory officers and principal managers of the Authority who have responsibility for the development and maintenance of the governance environment, the internal audit annual report and comments made by the external auditors in their annual audit letter and other reports.
- 4.2 Section unit business plans contain a variety of performance indicators and targets that are regularly reviewed.
- 4.3 The Authority's political governance arrangements, which are appropriately reviewed by officers, set out the responsibilities of both Members and senior managers. In particular the Authority has identified the following statutory post holders:-
- Chief Fire Officer
 - Treasurer
 - Monitoring Officer

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

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

- 4.6 The Authority's review of the effectiveness of the system of internal control is informed by:-
- The work undertaken by Internal Audit during the year;
 - The work undertaken by the external auditor reported in their annual audit;
 - Other work undertaken by independent inspection bodies.
- 4.7 From the work undertaken by Internal Audit in 2018/2019 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.
- 4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 4.9 Audit Services have reported and advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

5. Significant governance arrangements within the Authority

- 5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-
- Prevention – Safer and healthier communities
 - Protection – stronger business communities
 - Response – dealing effectively with emergencies
- 5.2 These form the basis of the Authority's Corporate Strategy known as The Plan 2018-2021 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 2017/2018 audit work which reported an unqualified opinion on the financial statements. It also issued an unqualified value for money conclusion stating that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in the use of resources.
- 5.4 Based on audit work undertaken during the year an Annual Internal Audit Report was presented to the Audit and Risk Committee on 3 June 2019, Audit work which was completed in 2018/2019 included:-

- Risk Management
- Fixed Asset Accounting
- Accounts Receivable
- Accounts Payable
- Budgetary Control
- Payroll
- Governance
- Data Protection / IT
- Performance Management
- Procurement

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

Payroll

A review of the payroll process was undertaken to ensure that the Fire Service had appropriate controls in place to mitigate the risk of fraud and error in the calculation, recording and payment of the payroll. We identified one issue of significance, which is a re-iteration of the recommendation made in last year's report relating to:

- the People Support Services section did not have formal procedure notes which detailed the process for obtaining and evidencing approval for new starters.

5.6 The main issue outlined above, together with any other issues highlighted in the Annual Internal Audit Report have been raised with relevant managers and actions have been taken to achieve improvements.

5.7 As part of the Finance Settlement for 2016/17, an offer was made for a multiyear funding settlement. Any Authority wishing to take up the four year funding settlement to 2019/20 was required to set out their proposals in an Efficiency Plan to qualify for the four year settlement from April 2016. The Authority considered and approved the Efficiency Plan which was submitted to the Home Office. In February 2019, the Secretary of State for Ministry of Housing, Communities and Local Government confirmed the Authority's funding settlement for 2019/20. The core funding reduction of approximately £1m in 2019/2020 is broadly in line with the provisional four-year settlement.

5.8 2019/20 is the final year of the four-year settlement. In the Secretary of State for MHCLG settlement announcement, there was no indication of further funding levels beyond 2019/20. In planning for 2020/21 onwards, a reduction of 2% has been assumed to the overall core funding. It should be noted that this is a very provisional figure and there is the potential for the scale of reductions to be of a greater magnitude than this base assumption. Every 1% reduction in core funding represents a loss of circa £0.5m funding for the Authority.

5.9 With the anticipation 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 identify and deliver further Service efficiencies to ensure the ongoing stability of the Authority's financial position.

West Midlands Combined Authority (WMCA)

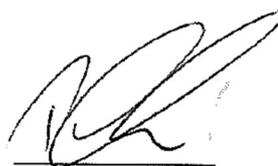
- 5.10 In 2016 the Home Secretary outlined a desire from central government to reform Fire and Rescue Authorities. In view of Home Office expectations at its Authority meeting in February 2017, approval was given to pursue a strategy which would reform the WMFRA. The Authority's strategy supported the route required for the Mayoral WMCA to assume governance arrangements for West Midlands Fire Service from the Authority. The WMCA Board at its meeting in May 2018 agreed to a submission to the Home Office to enable the development of the draft Statutory Order.
- 5.11 The proposed final draft Statutory Order from the Home Office was sent out in January 2019, with a request to provide consent. The proposed Order however contained an amendment that led the CFO to advise that the Order not be consented to on the basis that the change was too significant and compromised the intent of the proposed governance changes.
- 5.12 The Home Office confirmed that Parliamentary Lawyers advising the Joint Committee on Statutory Instruments, that this was the final draft Order and could not be altered. WMCA and WMFS officers then worked together to develop proposals to mitigate the amendment made to the Order. In March 2019, the WMCA Board approved the final draft Statutory Order and the Home Office indicated a date of 5 June 2019 to lay the Order before Parliament.
- 5.13 For the Order to be laid, the Home Office required consent from all the seven West Midlands Local Authorities. However, as a number of Local Authorities did not provide their consent to the Home Office, this effectively meant that the laying of the Order in Parliament on 5 June 2019 was unable to proceed. Consideration will need to be given to future governance arrangements arising from this latest development.

6. Certification

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



Greg Brackenridge
Chair



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 Council Tax, NDR and Government Grants.

Government Grants

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

Heritage Assets

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

Impairment

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

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

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

NDR

Rates which are levied on business properties.

Net Book Value

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

Net Realisable Value

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

Non Operational Assets

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

Operational Assets

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

Past Service Cost (Pensions)

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

Payment in Advance

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

Precept

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

Provisions

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

Receipts in Advance

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

Related Party

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

Central Government.

West Midlands Local Authorities.

Members of the Authority or parties related to them.

Chief Officer or parties related to them.

Reserves

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

Revaluation Reserve

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

SUMMARY OF ACCOUNTS



Item 7

2018-2019

INTRODUCTION



This document is a summary of the Authority's Statement of Accounts for 2018/19.

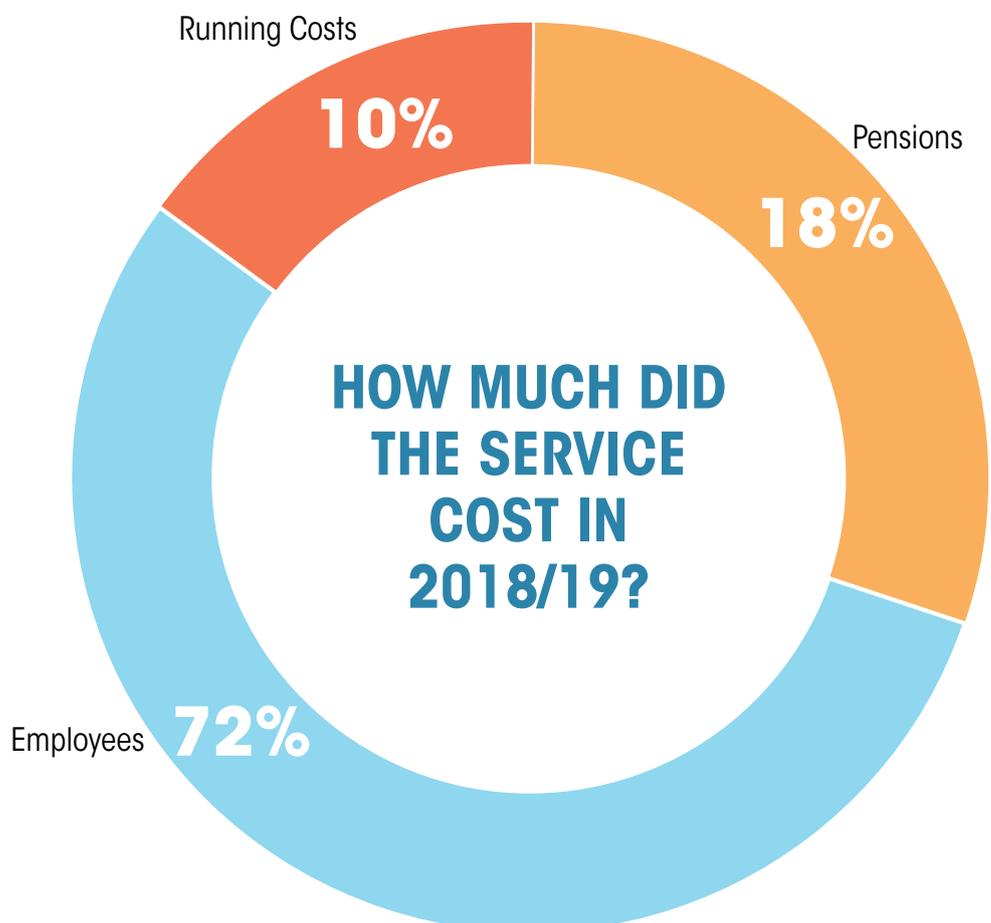
The Authority is responsible for the stewardship of public money and the production of summary accounts allows it to enhance its accountability to the residents of the West Midlands.

The Authority's 2018/19 Statement of Accounts is prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, under International Financial Reporting Standards.

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

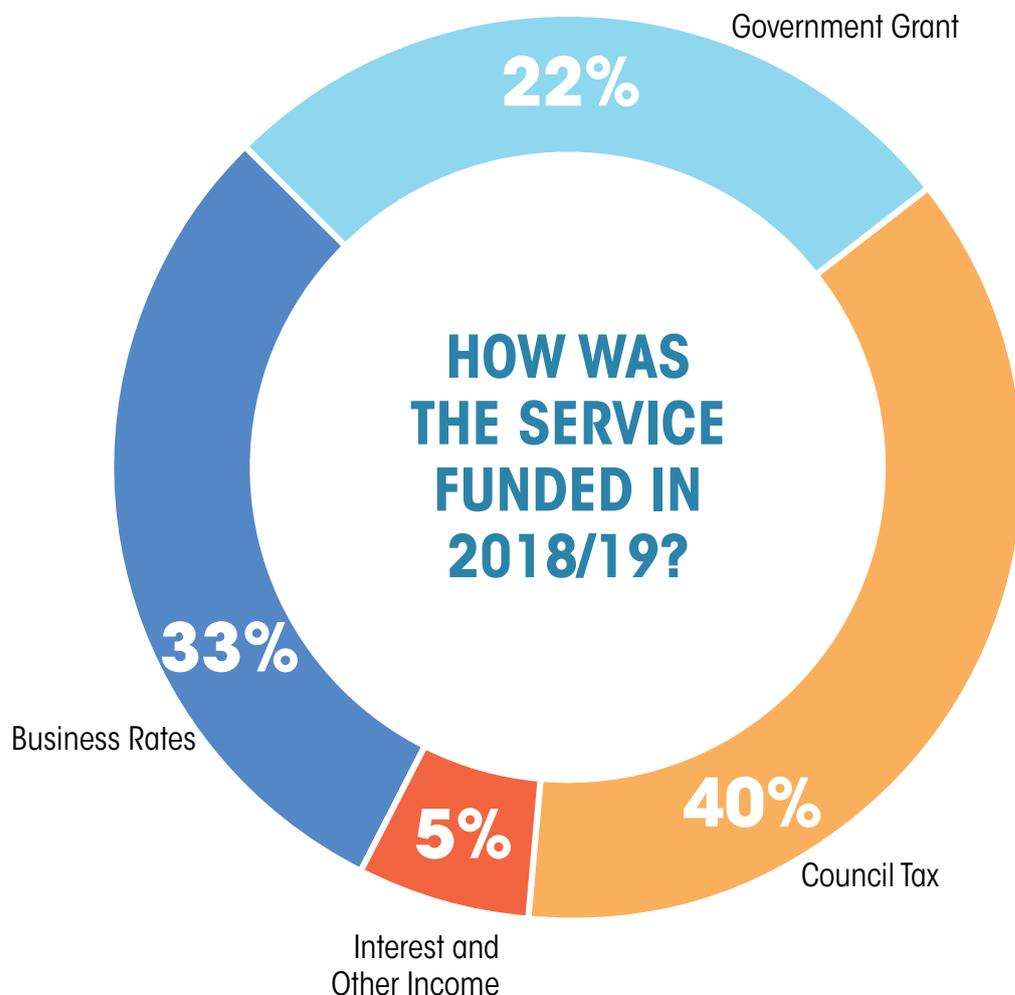
The majority of the net cost of Fire Service expenditure relates to service delivery (£80m) and service support (£23m).

The total Provision of Services in 2018/19 shows a deficit of £129.121m. Within this deficit is the expenditure of the authority which for 2018/19 was £233.440m. The type of costs can be broken down as shown opposite:



The total income of the Authority in 2018/19 was £104.319m. 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 2018/19 the Authority assumed using £1.5m general balances. The actual level of general balances decreased in the year by £1.476m, leaving £6.914m 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 £5.604m, this brought the total level of these reserves to £33.380m. Interest is earned on any balances until expenditure is committed against the demands identified.

CAPITAL EXPENDITURE AND FUNDING

In 2018/19, the Authority spent £8,809 million on capital projects.

The expenditure was incurred on the following:

	£m
Land and buildings	6.749
Vehicles	1.769
ICT & Equipment	0.291

The total expenditure was financed directly by the application of direct revenue contributions (£8.149m) and capital grants (£0.660m)

No borrowing was undertaken to assist with purchase of assets during 2018/19. Borrowing in earlier years meant that at the end of 2018/19 the Authority had total loans of £36m (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 2019 which the loans had helped fund was £131.4m, of which approximately 94% related to land and buildings and 6% related to vehicles and equipment.

Further information can be found by contacting the Finance Manager at West Midlands Fire Service Headquarters,
99 Vauxhall Road,
Birmingham, B7 4HW.

Telephone: 0121 380 6920 or e-mail kal.shoker@wmfs.net

The Authority's full 2018/19 audited Statement of Accounts can be found on our website www.wmfs.net/

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 8

30 SEPTEMBER 2019

1. MONITORING OF FINANCES

Report of the 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

3.1.1 Appendix A compares the revenue budgeted to the end of August 2019 with the actuals to that date. Devolved budgets are managed by the Section responsible for incurring the expenditure as opposed to corporate budgets, which are managed by the named Section on behalf of the Brigade as a whole.

3.1.2 The Authority's 2019/2020 Council Tax requirement is £43.215 million and the revenue budget is £96.778 million. As part of the Authority's 2019/2020 budget setting process the current year's budget reflects an estimated transfer from general balances of £1.100 million. Actual spend to August 2019, including commitments, was £39.255 million compared to a projected budget of £39.313 million, an overall favourable variance of £0.058 million.

3.1.3 The most significant variances relate to Service Delivery – Response (adverse variance £382k against the annual saving target of £3.8m) which is off-set mainly by salary related savings within People Support Services, Operations and Corporate Service Support.

3.1.4 In funding, there has been additional section 31 grant which has been notified to the Authority following the February 2019 budget setting meeting.

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

3.2 **Capital Expenditure**

3.2.1 The Authority's approved capital programme for 2019/2020 is £8.936 million. A scheme analysis is shown on Appendix C. Expenditure to the end of August 2019 is shown as £2.373 million.

3.2.2 The main forecast variance within the capital programme relates to:

- Aston Fire Station where there has been a delay to the completion of the refurbishment phase of the current station which has slipped to quarter 1 of 2020/21.
- Vehicle Replacement Programme – delayed purchase of the command support vehicle pending the outcome of a review and slippage of 5 PRL's to 2020/21.

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 2019
Finance Office Budget Monitoring Files

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

MIKE GRIFFITHS
TREASURER

REVENUE MONITORING SUMMARY TO AUGUST 2019
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	LATEST BUDGET 2019/2020 £'000	PROFILED BUDGET £'000	ACTUALS + COMMIT -MENTS £'000	VARIANCE TO PROFILED BUDGET £'000
<u>DEVOLVED BUDGETS</u>				
Corporate Management	2,878	1,238	1,265	27
Corporate Charges	-5,325	-5,330	-5,313	17
Service Support				
People Support Services	6,501	2,695	2,642	-53
Intelligence and Innovation	2,482	1,196	1,162	-34
Finance & Resources	5,314	2,129	2,130	1
ICT	4,904	2,221	2,168	-53
Service Delivery				
Operations	10,441	4,331	4,171	-160
<u>CORPORATE BUDGETS</u>				
Service Support				
People Support Services	2,596	1,289	1,168	-121
Intelligence and Innovation	100	33	28	-5
Finance and Resources	20,741	10,256	10,211	-45
ICT	138	57	57	0
Service Delivery				
Response	44,515	18,560	18,942	382
Protection	-47	-6	-19	-13
Other Income & Expenditure	1,540	644	643	-1
Appropriation to Reserves				
TOTAL (NET BUDGET REQUIREMENT)	96,778	39,313	39,255	-58
Core Funding	-53,563	-26,465	-26,665	-200
TOTAL (COUNCIL TAX REQUIREMENT)	43,215	12,848	12,590	-258

FIREFIGHTERS' PENSION SCHEMES

NON-FINANCIAL INFORMATION	2019/20 PROJECTION				ACTUAL POSITION AS AT AUGUST 2019			
	1992 FPS	2006 FPS	2015 FPS	TOTAL	1992 FPS	2006 FPS	2015 FPS	TOTAL
Members of FPS at 1 st April 2019	212	8	1,022	1,242	212	8	1,022	1,242
New Members	-	-	80	80	-	1	38	39
Opt-In (including net auto-enrolment)	-	-	-	-	-	-	22	22
Transitional Members during year	-32	-1	33	-	-8	-2	10	-
Transfers from Other Pension Schemes	-	-	10	10	-	-	-	-
Transfers to Other Pension Schemes	-	-	-3	-3	-	-	-	-
Retirements	-55	-2	-	-57	-28	-	-	-28
Opt-Out	-	-	-13	-13	-	-	-3	-3
Leavers	-3	-	-14	-17	-3	-	-1	-4
Ill-Health Retirements	-2	-	-1	-3	-	-	-	-
Members of the Fire Pension Schemes as at 31 st August 2019					173	7	1,088	1,268

CAPITAL MONITORING STATEMENT 2019/20

Scheme	Year 2019/20	Latest Budget £'000	Actuals Aug 2019 £'000	Forecast £'000	Variance £'000
<u>LAND & BUILDINGS</u>					
Boiler Replacement Programme	Ongoing	151	16	151	-
Roof Replacements	Ongoing	140	0	140	-
Windows/Door Replacement	Ongoing	276	1	276	-
Rewires	Ongoing	426	115	426	-
Coventry Fire Station	5 of 5	171	69	171	-
Drill Towers / Training Facilities	2 of 2	295	22	295	-
Security Works	1 of 1	68	0	68	-
HQ Alterations	3 of 3	42	48	48	+6
Aston Fire Station	5 of 5	3,205	1,314	2,905	-300
<u>VEHICLES</u>					
Vehicle Replacement Programme	Ongoing	3,540	589	2,546	-994
<u>ICT & EQUIPMENT</u>					
Enterprise Resource Planning (ERP)	1 of 2	180	0	180	-
C&C Upgrade Vision 4 / ESMCP	4 of 4	417	199	422	+5
Oracle Licensing	9 of 9	25	0	25	-
Grand Total		8,936	2,373	7,653	-1,283
<u>Funded By</u>					
Prudential Borrowing		0		0	-
Capital Grants / Contributions		157		157	-
Capital Receipts to be Applied		0		0	-
Revenue Financing / Earmarked Reserves		8,779		7,496	-1,283
TOTAL		8,936		7,653	-1,283
SURPLUS(-)/DEFICIT(+)					

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 9

30TH SEPTEMBER 2019

1. **PORTFOLIO MANAGEMENT (3PT)**

Report of the Chief Fire Officer.

RECOMMENDED

THAT the contents of the report be noted.

2. **PURPOSE OF REPORT**

- 2.1 This report provides a Strategic overview of the WMFS approach to managing workstreams through Portfolio Management by providing a high-level overview of how WMFS delivers value to the communities of the West Midlands.
- 2.2 The 3PT approach provides us with an agile, flexible and adaptable way of working whilst creating an environment of accountability and an understanding of the value realised through activity and work streams.
- 2.3 This method of Portfolio Management enables us to more effectively tell our story based upon evidence and creates an internal understanding of our priorities in relation to value. It also provides a foundation on which our organisation and the services provided can be audited and inspected against value.

3. **BACKGROUND**

- 3.1 Following on from our Peer review and from the evidence collated it was clear that staff understood and believed in the vision of WMFS, but that work was delivered through conversations and relationships. Following a gap analysis, it was recognised there was a need to understand organisational investment and value through evaluation and scrutiny by creating a non-bureaucratic and streamlined process in a controlled environment that avoids duplication.

- 3.2 It has also been evidenced across the fire sector through a range of reports that a focus needs to be placed upon evaluation and understanding the benefit of the work we undertake to the communities we serve. This is being looked at by the sector in areas of work such as the economic cost of fire through the Community Risk Programme.
- 3.3 The 3PT tool creates an auditable process to demonstrate the effective work people are undertaking capturing the investment and value delivered through each area of work with the ethos being 20% process and 80% leadership.
- 3.4 The Portfolio Management (3PT) has been created in a layered approach (see Appendix 1).

4. **DELIVERABLES**

The Brigade Managers are accountable to the Chief Fire Officer, through the programme aims to deliver the Strategy of the WMFS. The Portfolio (CFO) is accountable for the Programmes and will challenge the delivery and value release to ensure the aims and objectives are being achieved. The Programmes are accountable for Projects.

The deliverables (aims and objectives) of the three Programmes are shown below, supported by the Programme Achievements, constraints, active risks and issues.

4.1.1 **Cultural Programme**

Culture describes the desired environment through an understanding of 'what we value' to enable the delivery of the strategic aims of WMFS through people and processes. Culture is focused on 'how' we do things to support people (who) and processes (what).

The Cultural Programme will ensure that:

- There is a defined set of desired values (WMFS core values), attitudes and behaviours that are understood by our people.
- The elements of the culture that are not appropriate will be challenged.

- Visible link is created between the core values and the delivery of the strategy emphasizing the importance of the 'how'.
- The core values are visible in word and in deed. Culture connects to trust and accountability where everyone recognises that they are personally accountable for the environment they work in and trust their actions will create the desired culture.
- The desired culture and environment is visibly created and modelled by leaders.
- Everyone recognises distributed leadership and their responsibility to lead the strategy in every role and position in the organisation.
- Everyone recognises and embraces the need for change, adaptation and organisational transformation.
- Everyone is displaying the ability to 'challenge directly' and show you 'care personally' at the same time in line with the core values.
- The culture of the organisation will be measured (both quantitatively and qualitatively) to ensure we have the knowledge to understand how the culture is driving behaviors, values and beliefs.

4.1.2 Culture Programme Key Performance highlights

4.1.2.1 Diversity, Inclusion, Cohesion, Equality (DICE) Project

A specific project is being established within the culture programme to ensure that there continues to be strategic focus on DICE.

4.1.2.2 Cultural Review Project

A culture stakeholder working group has been set up made up of 50 diverse people cross cutting all levels of the organisation including representation from the FBU, FOA and Unison have come together to form a cultural stakeholder group. The purpose of this group is to discuss the culture of the organisation, consider a range of evidence bases including WMFS HMICFRS inspection report and the cultural review report when received, to discuss and

critically think about culture and work across the organisation to change thinking and the environment. The group are currently discussing the core values of the organisation.

4.1.2.3 Property Asset Plan Project

Coventry Fire Station is now operational, which includes the use of new technology including a new turn out system where the appliance and incident type that is being mobilised is communicated via speakers through the turn out system. The training facility at Coventry is also now out for tender.

4.1.2.4 Fire Control Vision Project

Fire Control are using technology on a day to day basis including the increased use of 999Eye which enables Fire Control operators to see the incident through the camera on the caller's mobile phone and mobilise the right resources to the incident. The use of the Dynamic Cover Tool enables Fire Control to position our fleet and crews where risk is highest enabling us to achieve our attendance standards and save life.

4.1.3 **People Programme**

Aims of the People Programme through the descriptors are to deliver:

People describes the 'Who', ensuring our workforce/staff are the right people with the right skills/capabilities and behaviours and are in the right places to deliver the strategic aims of WMFS through process and culture.

The people programme will ensure that:

- We develop an environment where the safety, health and wellbeing of all staff is a priority.
- We will have a competent, capable and highly skilled team at WMFS as 21st Century public servants to the communities of the West Midlands.
- These competencies will be focused on delivering The Plan today and enabling the skills for tomorrow.

- Behavioural and capability frameworks will enable individuals supported by their line managers to develop and maintain the skill, capabilities and behaviours required enabling everyone to be the best they can be in pursuit of organisational excellence.
- Talent will be identified and recognised.
- Clear development pathways will be visible for all members of the WMFS team.
- Recruitment and attraction will deliver highly capable individuals with the right behaviours and that reflect the communities that WMFS serve.
- Workforce planning and resource (human) management will enable assertive, effective and safe delivery of strategic priorities.

4.1.4 **People Programme Key Performance highlights**

4.1.4.1 Workforce Planning Project

The previous 'Staffing' project has been redesigned to offer a more holistic approach to workforce planning and includes areas such as positive action, recruitment and staffing (management of the risk based flexible use of resources). The project continues to provide an effective approach to reducing the financial strain through fleet availability. The most notable impacts of this approach are that the time for second appliances to be in attendance at incidents has increased by 13 seconds during Q1. In addition, the attendance times to Category 4 incidents have also increased but remain comfortably within target.

As a result of the ridership factor increasing beyond predicted and budgeted levels, the level of savings currently being achieved is not on target and this is highlighted as a (value) risk within the project.

4.1.4.2 Command Based Delivery Project

This is a relatively new project that emanated from the redesign of the programmes. Its focus is on consistency of leadership, delivery and priorities across all command areas including Fire Control. A significant catalyst for this project was staff feedback and organisational evaluation which identified where improvements could be made through this approach.

The current value that has started to be released is a co-ordinated approach to attendance management and the booking of annual leave.

A risk that is being managed through this project relates to the number of people eligible and interested in Crew Commander opportunities as there is currently an insufficient level of applicants to fill all available roles. Whilst this is currently being managed through Voluntary Additional Shifts, an evidence based analysis of the situation will inform the next steps towards a more sustainable approach.

4.1.4.3 Delivery Project – Emergency Services Show

The Emergency Services Show has historically been an ineffective event which has, until being brought in 3PT, not released any measurable value into the Portfolio.

3PT has enabled the holistic look which, amongst other areas, has generated the ability to understand and consider key dependencies within the sector. As a result of detailed stakeholder analysis over the last 3 years we are now utilising this platform to collaborate and find sponsorship for other WMFS events – most notably the Rewards & Recognition Event for staff (held in November). This is a very tangible release of financial value which can be mapped against our Organisational Value Statements thereby rate the SAFER values accordingly.

4.1.5 Process Programme

Process describes the systems, policies and guidance that enable ‘what we do’ to deliver the strategic aims of WMFS through culture and people end ensure:

- We meet our legal and statutory responsibilities and manage organisational risk whilst providing organisational assurance.

- We are effective and efficient by embedding a policy framework which will support and accelerate the desired culture throughout the whole organisation.
- We enable organisational excellence across all areas of The Plan including assertive, effective and safe emergency response.
- We seek continuous improvement through a systemic and evidence-based approach.

4.1.6 **Process Programme Key Performance highlights**

4.1.6.1 **Protection Delivery Project – Brigade Response Vehicles.**

The management of Unwanted Fire Signals from AFA has seen a reduction in the number of calls received. The performance indicator is 200 calls below target compared to nearly 400 over target for the same period last year. This is due to the work of Operational Crews, Business Support Officers and Fire Safety Officers giving advice and working with business to reduce the impact of calls on the SDM.

The flexible staffing arrangements implemented due to the financial constraints are having an impact on value released by BSO's. This is due to the BSO being used to staff appliances during their shifts, reducing the Protection activities. The risk is being analysed and data is being reviewed to manage the issues highlighted.

4.1.6.2 **Protection Technical Delivery Project – Planning and Building Regulations**

Protection have seen an increase in the number of Buildings regulation applications completed within the timescale, from 48% to 78% and during July achieving 98%. This is due to an increased capacity working within technical delivery following the previous £600K investment in Protection and efficiency in processes.

There has been an investment in training new officers, but due to the lag time achieving competence of fire safety officers the full value release may not be realised for 12 months.

4.1.6.3 Protection Technical Delivery Project - Fire Engineers

The ongoing development of staff has seen a number of individuals achieve a Masters Degree in Fire Engineering. Protection have recruited three new Fire Engineers which will support the organisation meet its statutory responsibility in ensuring safety in complex buildings.

With the development and regeneration within West Midlands conurbation, it is predicted that we will see an increase in the number of complex building where Fire Engineers we will be needed to challenge non-compliance and place additional demands on the Technical Delivery Project.

4.1.6.4 Vehicle Replacement Project.

Over recent months, PRL's have been commissioned at various Fire Stations (Bloxwich, Sutton, Aston, Haden Cross, Kings Norton & Northfield). A further appliance is due to be commissioned at Tipton Fire Station by 17th October with 3 further appliances commissioned by December to Fallings Park, Hay Mills and Binley Fire Stations.

However, there is likely to be a delay from quarter 4 of this financial year in the delivery of the 5 PRL's approved as part of the current year's Vehicle Replacement Programme due to issues with the supplier. Active contract management is in place to minimise any delays.

4.1.6.5 Strategic Performance and Planning Framework Project

This project is not progressing as planned aligned to its objectives in areas of improving performance reporting frameworks due to limited capacity of officers within the Strategic Hub. This has been raised as a risk and mitigation plans are being progressed to manage this.

However, the development of the strategic plan is prioritised within this project and has a key dependency with the IRMP Project and is delivering against planned timelines for August and September.

5. **INVESTMENT AND VALUE RELEASE**

- 5.1 All financial investment is directly reflected in each project. By measuring investment and value we can assess the value of a project and its continuation.
- 5.2 Projects are measured against how they are delivering the strategy on an on-going basis through the SAFER methodology (see Appendix 1) and reviewed through Project, Programme and Portfolio meetings. Areas of significant value release will be reported into Fire Authority through PPF and where appropriate, Fire Authority papers.

6. **ACTIVE VALUE RISKS AND ISSUES**

- 6.1 The Strategic Enabling Team assess and manage organisational risks and issues on a day to day basis through the 3PT approach. When these risks or issues become organisational and of strategic importance they are then reflected within the corporate risk register and presented to Fire Authority.
- 6.2 A description of Project Risks and Issue are shown below;

A project risk is an identified risk that is likely to happen, all active risks have both a mitigation and contingency plan attached.

A project Issue is a risk that has now been realised, with a resolution plan in place.

Organisational outcomes are presented regularly through Quarterly Performance Review meetings. A review of organisational risk management is currently taking place looking at replacing the existing Review of Corporate Risk and aligning it to 3PT.

7. **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. Areas of policy change that are identified at Project are subject to an Equality Impact Assessment.

8. **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.

9. **FINANCIAL IMPLICATIONS**

This report does not contain any financial information.

PHIL LOACH
CHIEF FIRE OFFICER

APPENDIX 1

WMFS is a forward-looking organisation with aspirations to continually improve the services provided based upon an evidence-based approach. Using our IRMP it is essential that we look to the future.

3PT is the acronym for a layered approach to portfolio management.



Portfolio Approach

The Portfolio

The Chief Fire Officer (CFO) is accountable for the value realised through the portfolio. The portfolio is the overarching layer and will be based upon the Organisational Strategy (Plan) and IRMP. The value achieved through the portfolio directly leads to the value release of WMFS to the community served.

The Programme

The Brigade Managers are accountable for the value release through the three programmes of People, Process and Culture. The value released in each of the 3 programmes directly leads to the value of the portfolio.

The Projects

The Strategic Enabling Team are accountable for the value realised through projects. The value realised through the projects will directly lead to the value of the programmes.

The Tasks

The SE Team and their individual project teams are accountable for the value realised through the tasks. The value realised through the tasks directly leads to the value of the project.

This approach demonstrates the desired focus on the value realised at every stage in the 3PT approach rather than a focus on the process.

Value

West Midlands Fire Service's approach to 3PT is focused on the value that will be created through an activity.

Definition of 'value':

Value is the difference between the investment (cost) and Value (benefit), worth or usefulness that is released. This value is defined through a set of organisational value statements and measured through at set of organisational value measures. Personal value commitments then make an individual accountable for the process of releasing the value.

It is important to recognise that process will deliver a product whilst leadership will deliver value.

Organisational Value Statements

The Organisational Value Statements (OVS's) are a set of organisational descriptors aligned to the Strategy. All projects and programmes that contribute to the portfolio need to align to at least one of these value statements. The value statements are the organisational outcome the project should be looking to achieve.

As part of the rolling 3-year strategy the OVS's are reviewed to maintain alignment to the Strategy.

Measuring Value

Value Measures are a set of qualitative and quantitatively measures that will be used to determine and evidence the value created against each value statement.

The SAFER measures are the metric used to calculate against the Organisational Value Statements to show the value released through each ~Project, Programme into the Portfolio.

- Satisfaction - Internal/External (Qualitative)
- Aspiration - How it supports continuous improvement (value measurement in development)

- Financial Value (ROI or SROI)
- Environmental (Pestle analysis– Qualitative)
- Risk Reduction (Dynamic Cover Tool/Community Safety Strategy)

END.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

30 SEPTEMBER 2019

1. BRIGADE MANAGER RECRUITMENT PROCESS 2019

Report of the Chief Fire Officer

RECOMMENDED

- 1.1 THAT members note the decision taken on the 5th July 2019 under the 'Arrangements to Act in Matters of Urgency' (Constitution, Standing Orders, Part 7, (17), to delegate the Authority to the Chief Fire Officer, to revise the establishment of the Brigade Management Team, through the establishment of an additional Assistant Chief Officer role and to commence the recruitment of a Deputy Chief Fire Officer and Assistant Chief Officer.
- 1.2 THAT members note the decision made by the Appointments Committee as set out in its minutes of 9th September 2019.
- 1.3 THAT members note the commencement of the recruitment process for the appointment of an additional Assistant Chief Fire Officer (ACFO).

2. PURPOSE OF REPORT

To inform members of the approach taken under the Authority's Constitutions Standing Orders, Part 7 (17), Arrangements to Act in Matters of Emergency and the resulting outcomes and of a further recruitment process to appoint to a new ACFO role.

3. **BACKGROUND**

- 3.1 On the 5th July the Chair and Chief Fire Officer (CFO) considered a paper which proposed revising the Brigade Management Team (BMT), to remove the role of a Deputy Chief Fire Officer (DCFO) and replace this role with an Assistant Chief Fire Officer (ACFO), as well as increase the establishment of the BMT from 3 Brigade Managers to 4, by introducing an additional ACFO role. The proposed establishment was:
- Chief Fire Officer
 - 3 Assistant Chief Officers
- 3.2 This was an outcome of the review of the Strategic Enabling Team (SET), where the composition of the BMT and SET was considered. It was recommended through this review, that the BMT increase from the current establishment of 3 to a future establishment of 4. The existing approach to operating with 3 Gold Command roles for the Service, providing gold cover on a 24/7 basis was not a sustainable approach and provided less ability for resilience and contingency planning across the BMT.
- 3.3 It was also recognised that there is a duty of care for the Authority in operating any duty system to take into consideration the impact of this on work life balance.
- 3.4 The proposed approach would support the effective leadership of the Service in continual improvement, the delivery of the Plan through the 3 programmes of People, Process and Culture, as well as a more balanced approach to operating the gold command rota system, aligned to the Gold Book recognised approach.
- 3.5 This reconfiguration of posts would be achieved in a broadly cost neutral way, through disestablishing the role of the DCFO and reducing the current establishment of 6 Area Managers to 4.

- 3.6 As part of the restructure of SET and consideration around the expectations of the four Area Managers, there is a proposal to recognise these arrangements with a 10% enhancement. The remuneration is proposed for the work that is considered to be outside of the Area Manager Role map.
- 3.7 Whilst the proposal supported an approach which recognised continued funding constraints, the Fire Authority considered the size of the Service, the complexities of the area it covers and communities it serves; and that these supported the need for a DCFO role to be retained (notwithstanding the additional salary cost compared to an ACFO role), in addition to recruiting an additional ACFO role as part of the Brigade Manager establishment.
- 3.8 It was agreed by the Chair on 5th July 2019 to increase the establishment of the BMT to 4, whilst retaining the role of the DCFO and recruiting an additional permanent ACFO role and to commence the recruitment process immediately.
- 3.9 The paper setting out the detailed recommendations and resolutions are set out in Appendix 1.

3.10 **DCFO Recruitment**

- 3.10.1 The DCFO role was advertised nationally on the 24th July 2019 and a selection process took place between 9th August and 9th September, which included:
- Initial Officer Sift of applications, undertaken by CFO
 - Assessment of professional qualification and experience of Incident Command Level 4 and Gold Command, undertaken by CFO
 - Psychometric testing
 - Appointments Committee – Members' Introduction session
 - Professional discussion with CFO
 - Appointments Committee appointment of DCFO
- 3.10.2 The decision of the Appointments Committee is set out in its minutes of the 9th September 2019.

3.10.3 The advertisement for the DCFO role attracted 12 applicants. All applicants were male, of which 3 were White British, 1 White Irish and 8 Black, Asian or Minority Ethnic (BAME).

No candidate declared a disability.

4 candidates progressed to the Appointments Committee, one of which was BAME.

A review of this process will be undertaken in due course, for consideration of the Appointments Committee.

3.11 **ACO Recruitment**

3.11.1 Following the DCFO appointment a process will need to commence to appoint to the new ACFO role on a permanent basis.

3.11.2 This process to appoint an ACFO will need to consider the current outcomes of the review of Area Managers and the SET review. The process will therefore commence once the proposal around the review of the Area Managers has progressed through the Employee Relations Framework and the consideration, or where appropriate, the application of the Reorganisation, Redeployment and Redundancy Policy.

3.11.3 The appointments process for an ACFO role will be aligned to organisational policy.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment has not been carried out. The policies referenced in this report are subjected to a Equality Impact Assessment.

5. **LEGAL IMPLICATIONS**

5.1 This report supports a more sustainable approach to the delivery of Gold Command across 4 Brigade Manager roles, providing increased resilience and contingency planning across the BMT.

5.2 This approach is recognised as good practice through the Gold Book and supports the Authority’s accountability in their duty of care.

6. FINANCIAL IMPLICATIONS

6.1 The impact of the establishment changes are shown below:
£’000

Establishment of additional ACO Post	173
Dis-establishment of Area Commander (x2)	(188)
Salary Adjustment to Area Commanders (x4) (provisional)	35
Net cost	20

7. ENVIRONMENTAL IMPLICATIONS

There are no environmental implications.

BACKGROUND PAPERS

The Constitution 2018

Arrangements to Act in Matters of Urgency - Establishment of Brigade Management Team and commencement recruitment and appointment process for Assistance Chief Officers – 5th July 2019

The contact officer for this report is: Karen Gowreesunker, Clerk, Strategic Enabler (Strategic Hub) Tel. No.: 0121 380 6638

Phil Loach
Chief Fire Officer

Ref. AU/2019/Sept/91309193

Appendix 1

Arrangements to Act in Matters of Urgency – WMFRA Constitution, Standing Orders, Part 7, (17)

Establishment of Brigade Management Team and commencement recruitment and appointment process for Assistance Chief Officers

On 5th July 2019 the Chair agreed the following resolutions under the above arrangements.

It was resolved that

1. The CFO is delegated the authority to revise the current Brigade Manager establishment to include an additional ACO as a permanent appointment; thereby increasing the 'current' establishment as set in the ACO appointment paper, from 3 gold command roles, returning to the gold book recognised 4 role gold command rota and retaining the position of a DCFO.
2. The CFO will commence the recruitment process for the DCFO and the new ACO position immediately, aligned to the overall timelines set out in the paper.
3. The convening of the appointments committee to appoint the DCFO and ACO role as set out in resolution 1 and 2.
4. This decision and rationale will be retrospectively reported to the Fire Authority in September 2019.

Notes from 5th July meeting between Chair and CFO

Also present: Monitoring Officer, Section 151 Officer and Clerk

Summary of discussion aligned to ACO appointment paper (set out below)

The Chair recognised the need for the paper and the circumstances set out within. Specifically, the need for enough cover to provide a sustainable gold command capability across the Service area, aligned to the recognised approach as set out in the Gold Book.

Ref. AU/2019/Sept/91309193

The need for temporary arrangements to be implemented for the short term whilst the recruitment of established roles was discussed, to ensure maintenance of gold command resilience. In addition, the Fire Authority's preference to retain the role of a DCFO and establishing an additional ACO role was highlighted.

Whilst the proposal in the paper supported an approach which recognised continued funding constraints, the Fire Authority considered the size of the Service, the complexities of the area it covers and communities it serves; and that these supported the need for a DCFO role to be retained (notwithstanding the additional salary cost compared to an ACO role), in addition to recruiting an additional ACO role as part of the Brigade Manager establishment. The recruitment process for both these posts are to commence immediately through a national recruitment process. It was anticipated that the appointments process would commence in August 2019 for the established DCFO and new ACO role, through the appointments committee.

It was recognised that the CFO will temporarily recruit two ACOs to ensure gold command cover is provided (for the short term) as soon as is possible, as proposed in the paper above, to enable gold command cover whilst a recruitment process takes place for a permanent DCFO and additional ACO (see resolutions below).

Paper submitted for Chairs consideration on 5th July

Arrangements to Act in Matters of Urgency – WMFRA Constitution, Standing Orders, Part 7, (17)

Establishment of Brigade Management Team and commencement of recruitment and appointment process for Assistance Chief Officers

It is recommended that:

1. The Chair approve the delegation to the Chief Fire Officer to revise the establishment of the Brigade Management Team as proposed in this paper.
2. The Chair approve the commencement of a recruitment and appointment process of two Assistant Chief Officers, as an outcome of the SET review 2018/2019.

Ref. AU/2019/Sept/91309193

Background:

Currently the established structure of the Brigade Management team consists of the following three roles:

- Chief Fire Officer
- Deputy Chief Fire Officer
- Assistant Chief Officer

To enable the operation of Gold Command for the Service, these three roles plus an additional Area Commander (AC) from the Strategic Enabling Team (SET) operate on a rota system, providing gold cover on a 24/7 basis.

It is important to note that the Gold Book recognises a 4 person gold command rota system. The current approach operated at WMFS provides three established gold command roles. The SET member supporting the gold command rota to bring this to the recommended 4 is not a sustainable approach, as this role is not recognised as part of the continuous duty rota. This provides less ability for resilience and contingency planning across the Brigade Management (BM) team.

There is also a duty of care for the Authority in operating any duty system to take into consideration the impact of this on work life balance.

As part of the SET review the composition of the BM and Strategic Enabling teams were reviewed and it is recommended through this review, that the BM team

increase from the current establishment of 3 to 4. This will support the effective leadership of the Service in continual improvement, the delivery of the Plan through the 3 programmes of People, Process and Culture, as well as a more balanced approach to operating the gold command rota system, aligned to the Gold Book recognised approach.

To support this change, an additional two ACO roles would be recruited into the BM team on a permanent basis, replacing the DCFO role and enabling an additional ACO role to be established.

This reconfiguration of posts would be achieved in a cost neutral way, through disestablishing the role of the DCFO and reducing the current establishment of 6 Area Commanders to 4.

Ref. AU/2019/Sept/91309193

It is proposed that this revised structure is established for the BM team and a recruitment process to commence immediately for the two ACO posts, supporting the replacement for the DCFO post by the end of August, thereby supporting the continuation of the gold command rota.

This delegation will be undertaken within the Authority's approved policy: Arrangements to Act in Matters of Urgency – WMFRA Constitution, Standing Orders, Part 7, (17), as set out in Appendix 1.

Timelines for recruitment and appointment:

- 2 ACO positions:
- recruitment process to commence immediately – July
- Appointments Panel to convene in August 2019

Appendix 1

Part 4, section 17. Arrangements to Act in Matters of Urgency

- (1) The Authority shall make arrangements for its function to be discharged, in cases of urgency, as follows:-
 - (a) by delegation to the Executive Committee which shall deal with all matters of an urgent nature which cannot be reasonably delayed until the next ordinary meeting of the Authority or appropriate Committee; or
 - (b) in cases of extreme urgency, by delegation to a Chief Officer. This Standing Order shall not apply to the functions which are properly undertaken by the Appointments Committee, the Audit and Risk Committee, the Standards Committee, or the Appeals Committee.
- (2) Where a Chief Officer proposes to act on a matter of urgency, such action must be within approved Authority policy. A Chief Officer proposing to act under these arrangements must:-
 - (a) seek the agreement of the Clerk that he/she is satisfied that the matter in question constitutes a genuine matter of urgency, that all other avenues for the determination

Ref. AU/2019/Sept/91309193

of the matter have been exhausted and that the urgency has not arisen due to a failure to finalise reports in time under normal procedures; 18 Sept 2018
2016 West Midlands Fire and Rescue Authority –
Constitution Part 4

- (b) consult the Chair and Vice-Chair of the Authority on the action the Chief Officer proposes to take.
- (3) The Chief Officer concerned shall record the urgent circumstances which make it necessary for action to be taken before the next ordinary meeting of the Authority or relevant Committee concerned.
- (4) Where action is taken under any of these circumstances, a report of that action, including a note of the circumstances which made it necessary, must be reported to the next ordinary meeting of the Authority.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

30 SEPTEMBER 2019

1. STREAMING OF FIRE AUTHORITY MEETINGS

Report of the Clerk.

RECOMMENDED

THAT members note the information in this report regarding the future streaming of Fire Authority meetings.

2. PURPOSE OF REPORT

To explore to options which will enable the future streaming of all Fire Authority meetings, both internally to staff and externally

3. BACKGROUND

- 3.1 The Authority has a legal duty to provide a record of public council meetings, fulfilling this through the publishing of papers prior to an Authority meeting, as per statutory requirements. This includes the publishing of meeting minutes.
- 3.2 To further enable transparency in decision making all Authority meetings are open to the attendance of members of the public, members of staff (where appropriate) and press, except for the hearing of reports which have been classified as private (pink) papers.
- 3.3 To support increased engagement and understanding of fire service activity, the streaming of Authority meetings could provide new opportunities for Service staff and West Midlands residents, enabling them to view meetings and (virtually) hear the decision-making process.
- 3.4 This will provide both staff and community residents with the ability to understand the background, discussion and challenges to decisions made at Authority meetings as these

Ref. KG/AU/Sept 2019 1

decisions are taken.

- 3.5 Currently the Authority does not stream meetings internally or externally. There are two options to consider in being able to explore this approach for the future.

Option 1: Live streaming internally and externally.

- 3.6 The Authority has the ability to live stream meetings internally using Surface Hubs across fire service locations and this approach is in the process of being tested.
- 3.7 Live streaming externally would require further investment to support the procurement of equipment and the ongoing cost of the software required to enable this approach.
- 3.8 This can provide real time viewing of Authority meetings in progress. The potential value of this investment will need to be assessed and a further report provided to members outlining the costs, versus value to be delivered.
- 3.9 External live streaming is a new concept and if this option were to be implemented it would require testing and a review of current processes in place to prepare for and conduct Authority meetings.

Option 2: Live streaming internally and publishing the video and audio record externally.

- 3.10 The Authority currently has the ability to provide this option but it should be recognised that this would not provide live streaming of meetings externally.
- 3.11 Either option would require testing and assessment prior to implementation and a review of current processes in place to support Authority meetings, to understand the impact and changes required for both preparation and conduct of meetings.
- 3.6 It is proposed that these options are reviewed further by officers with a further report to be provided to the Authority in due course providing an overview of costs versus anticipated value to be delivered.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

This report supports the delivery of the role of elected members on the Fire Authority as set out in the Fire Authority Constitution.

6. **FINANCIAL IMPLICATIONS**

Financial options are to be reported as part of a wider assessment of costs, value to be delivered and process change required.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications

BACKGROUND PAPERS

Non applicable

The contact officer for this report is Karen Gowreesunker, Clerk to the Authority, telephone number: 0121 380 6638

Karen Gowreesunker
CLERK TO AUTHORITY

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

30 SEPTEMBER 2019

1. **MEMBER STATION VISITS**

Report of the Clerk

RECOMMENDED

THAT Members approve the schedule of station visits and an agreed approach to enabling effective feedback from visits into the Service, as a key component to member engagement.

2. **PURPOSE OF REPORT**

To set out an annual schedule of stations visits for members of the Authority to support members in their roles.

3. **BACKGROUND**

3.1 The Authority Constitution requires all members to be actively aware of issues inside and outside of the Authority, relevant to the provision of fire and rescue services in order to fulfil a community leadership and representative function, working as necessary in partnership with other local organisations, in order to effectively promote the safety and well-being of the whole community of the West Midlands.

3.2 In addition, the Constitution also requires as part of visits and conferences, that members undertake at least 2 station visits per year.

3.2 Members should meet this requirement through the delivery of committee roles and through engagement with stations and communities in their local areas. To support this responsibility, a schedule of station visits has been prepared as set out in Appendix 1.

3.3 These visits have been aligned to take place after station and command area performance meetings on a quarterly

Ref. AU/KG/Sept2019

basis, providing members with the ability to meet the widest compliment of staff and managers from across their area over a 12 month period.

- 3.4 Members will continue to receive quarterly newsletters informing them of progress and performance aligned to their command area. These newsletters will continue to support awareness of local performance.
- 3.5 Each station visit will enable members to engage with their local stations in supporting the achievement of the Authority's corporate strategy, The Plan, through:
 - Meeting with staff on stations within their local area to understand local performance and progress in delivering services
 - Supporting community engagement regarding the activity of stations to increase community awareness regarding local prevention, protection and response services.
 - Supporting the development of local partnerships between the Service and their local authorities and local community partnerships, to enable an increasingly effective approach to targeting vulnerable people.
- 3.6 Members should engage directly with station commanders and/or operational commanders to vary any of the arrangements set out in the Visit Schedule in Appendix 1.
- 3.7 Feedback from these sessions into the Service will be provided on a thematic basis supported by a clear evidence base.
- 3.8 Member attendance at these visits will form part of reporting back into their local authorities
- 3.8 Themes identified from these visits will be analysed quarterly and will support members in the determination of the Authority's scrutiny programme, which incorporates a maximum of 2 reviews per year.
- 3.9 Themes will also be fed into the Strategic Enabling Team on a quarterly basis.

Ref. AU/KG/Sept2019

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

This report supports the delivery of the role of elected members on the Fire Authority as set out in the Fire Authority's constitution Article 2.

6. **FINANCIAL IMPLICATIONS**

There are no financial implications

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications

BACKGROUND PAPERS

Non applicable

The contact officer for this report is Karen Gowreesunker, Clerk to the Authority, telephone number 0121 380 6638

Karen Gowreesunker
CLERK TO AUTHORITY

Ref. AU/KG/Sept2019

Fire Station / Control Engagements

Item 12

Coventry & Solihull Command

(Fire Stations – Coventry, Canley, Foleshill, Binley, Bickenhill and Solihull)

29 th October 2019	1000hrs – 1200hrs	Bickenhill Fire Station
WC 20 th January 2020	TBC	Solihull Fire Station
WC 13 th April 2020	TBC	Canley Fire Station
WC 20 th July 2020	TBC	Foleshill Fire Station
WC 12 th October 2020	TBC	Coventry Fire Station
WC 11 th January 2020	TBC	Binley Fire Station

Birmingham Commands (North and South)

(Fire Stations – Sheldon, Hay Mills, Billesley, Highgate, Northfield, Kings Norton, Woodgate Valley, Bournbrook, Aston, Ward End, Perry Barr, Sutton Coldfield, Erdington, Handsworth and Ladywood)

31 st October 2019	1000hrs – 1200hrs	Ladywood Fire Station
28 th January 2020	1300hrs – 1500hrs	Highgate Fire Station
24 th April 2020	1000hrs – 1200hrs	Aston Fire Station
31 st July 2020	1300hrs – 1500hrs	Hay Mills Fire Station
30 th October 2020	1000hrs – 1200hrs	Handsworth Fire Station
29 th January 2021	1300hrs – 1500hrs	Bournbrook Fire Station

Black Country North Command

(Fire Stations – Walsall, Bloxwich, Willenhall, Aldridge, Wolverhampton, Fallings Park, Bilston, Tettenhall)

25 th October 2019	0930hrs – 1130hrs	Fallings Park Fire Station
24 th January 2020	1300hrs – 1500hrs	Aldridge Fire Station
24 th April 2020	1000hrs – 1200hrs	Walsall Fire Station
28 th July 2020	1300hrs – 1500hrs	Tettenhall Fire Station
16 th October 2020	1000hrs – 1200hrs	Willenhall Fire Station

Black Country South Command

(Fire Stations – Oldbury, Smethwick, Haden Cross, Dudley, Stourbridge, Brierley Hill, Tipton, West Bromwich, Wednesbury)

14 th October 2019	1030hrs – 1230hrs	Haden Cross Fire Station
16 th January 2020	1300hrs – 1500hrs	Dudley Fire Station
9 th April 2020	1300hrs – 1500hrs	West Bromwich Fire Station
23 rd July 2020	1300hrs – 1500hrs	Stourbridge Fire Station
8 th October 2020	1300hrs – 1500hrs	Oldbury Fire Station
21 st January 2021	1300hrs – 1500hrs	Brierley Hill Fire Station

Fire Control

18th November 2019 Following Fire Authority HQ

6th April 2020 Following Fire Authority HQ

Quarterly Briefing Papers

30th October 2019 – Briefing Paper sent to Authority Members

31st January 2020 – Briefing Paper sent to Authority Members

20th May 2020 – Briefing Paper sent to Authority Members

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 13

30 SEPTEMBER 2019

1. **CONTRACT AWARDS SUMMARY FOR PERIOD TO 30 SEPTEMBER 2019**

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 April 2019.

2. **PURPOSE OF REPORT**

This report provides a six month summary of all contracts that have been awarded since April 2019.

3. **BACKGROUND**

3.1 At the Authority meeting on 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 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.

Ref. AU12108191

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

Standing Order 1/8 – Procurement Procedures

The contact name for this report is ACO Gary Taylor, Strategic Enabler (Process), 0121 380 6914.

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	Basis of award e.g. Lowest Price or MEAT*	Date and Minute Number of Planned Tender Report	Any Other Relevant Information
Childcare Voucher Scheme	Fideliti Limited	23 May 2019	4 years	£200,000	£800,000	£8,000	Direct Award from Framework Agreement	18 Feb 2019	Only the management fee of £2,000 pa is funded by the Authority
Tyres	Lodge Tyres Ltd	9 April 2019	2 yrs plus option to extend for further 2 yrs	£45,000	£180,000	£220,000	MEAT	18 Feb 2019	The contract was awarded on behalf of the Authority and Shropshire & Wrekin FRS making the total contract value £350,000

* Most Economically Advantageous Tender (MEAT)

Minutes of the Audit and Risk Committee^{Item 14}

29 July 2019
at Fire Service Headquarters, Vauxhall Road,
Birmingham B7 4HW

Present: Councillors Miks (Chair), Gill (Vice Chair), Miller and Spence

Apology: Councillor David Barry
Mr Ager (Independent)
Peter Farrow, Audit Manager
John Matthews, Internal Audit
ACO Gary Taylor, Strategic Enabler (Process)

As well as the Members of the Committee the following officers attended the meeting:

Mike Griffiths, Treasurer
Kal Shoker, Finance Manager
Karen Gowreesunker, Strategic Enabler (Strategic Hub)
Richard Percival, Grant Thornton
Javed Aktar, Grant Thornton

Councillor Brackenridge, Chair (Observing)

At the beginning of the meeting everyone introduced themselves.

35/19 **Declarations of Interest**

There were no declarations of interest.

36/19 **Minutes of the Audit and Risk Committee held on 3 June 2019**

Resolved that the minutes of the Audit and Risk Committee held on 3 June 2019 be approved as a correct record.

37/19 **Audit and Risk Committee Terms of Reference**

The Committee noted its Terms of Reference.

The Terms of Reference had been amended to reflect the separation of the role of the Pensions Board from the Role of the Audit and Risk Committee.

Audit and Risk Committee

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

Pension Board

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

Resolved that the amendments to the Audit and Risk Committee Terms of Reference be approved.

38/19 **Audit Findings Report 2018/19**

The Committee noted the Audit Findings report (AFR) 2018/19. The AFR set out and reported on 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.

Mr Richard Percival, Grant Thornton, explained the findings to the Members of the Committee and summarised the key messages on the Financial Statements and Value for Money arrangements arising from their audit of the accounts.

It was confirmed that there was nothing to report under the Auditor’s Statutory Duties and the Auditor was able to provide an Unqualified Opinion.

The Management Representation letter would be signed following the meeting.

Materiality for the financial statements remained at circa £2.5m with the performance materiality circa £1.8m and was set out in a table in the report.

The Auditor stated that they had looked at four risk areas:

The revenue cycle includes fraudulent transactions – no issues to report in this regard.

Management override of controls - no issues identified in respect of management of override of control

Karen Gowreesunker left the meeting at this point.

Valuation of pension fund net liability – the Auditor did not have anything to report on this work, however, during the course of the audit The Authority has sought a revised report from the actuary in order to account for the impact of the recent “McCloud” judgement and also in relation to Guaranteed Minimum Pension (GMP) impact.

The Auditor stated that this was a complex issue regarding age discrimination that had been referred to the Court of Appeal but an appeal by the government had been denied.

It was noted that the final version of the accounts would need to allow for this issue. The revised actuaries reports were received in July and accounts updated accordingly, it had led to an increase in the net pension liability of £53.633m.

The overall impact is nil because of the way local authority accounts work and is a latent issue. However, contributions will be significantly impacted and the Treasurer would need to consider this.

A review had now been undertaken. The Finance Manager confirmed that this was a national issue that affected every fire authority across the country.

Valuation of Property Plant and Equipment – the Auditor stated that the valuation involved large figures and a slight change to estimated key assumptions can impact on the figures involved.

The Auditor had reviewed and were comfortable with the valuations.

The Auditor stated he was prepared to give an Unqualified Opinion and was waiting for a letter of assurance from the West Midlands Pension Fund in the next couple of days.

In respect of Value for Money, the Auditor had carried out an initial risk assessment in February 2019 and identified one significant risk using the guidance contained in AGN03.

The Auditor stated that they cannot cover all bases but looking for risks where a wrong conclusion could be based.

Financial sustainability was a key issue for all authorities and fire authorities.

In 2018/19 the Auditor considered the Authority's £2.5m favourable variance to be a good result considering the challenges faced.

2019/20 budget assumes savings of £3.8m and the use of £1.1m of balances.

The use of balances had been discussed at the previous meeting of the Audit and Risk Committee.

The Auditor stated that the future financial outlook for the Fire and Rescue Authorities is key and there would be pressure and significant uncertainty on balances going forward and also a pressure to spend on balances.

By 2021/22 there would be an estimated £1.7m gap in the budget.

Notwithstanding this there is sufficient financial stability.

One Member was extremely concerned on the amount of money to be found in savings and felt that further savings would bring suffering to the employees, the Authority and organisation. Concern was expressed for employees and jobs. With the reserves being reduced, the Members asked the Auditor what would happen if the government did not provide a grant.

The Auditor stated that the reserves bought time but could only be used once and there was a level of uncertainty. Officers could only plan for the known, but will continue to have to make savings.

The Treasurer stated that the use of reserves had been discussed at Authority meeting in February 2019 where the budget had been confirmed.

There would be a short fall this year and next year and it was recognised that in year 3 there would be significant shortfall.

The issue will be addressed in the next few months at meetings of the Authority and Policy Planning Forum.

The report identified flashing warning signs for the next two years and the Authority will need to consider these issues in the next two years if the warning signs unfold.

In response to a question from the Chair regarding the significant new risks emerging which will require the Authority to find further efficiency savings, it was confirmed the Internal and External Auditors were keeping an eye on these issues and the Authority would be required to look at these issues at future meetings.

Another Member expressed concern about the pension liability on the Authority for the next ten years.

The Auditor confirmed that an actuarial re-evaluation would be taking place next year.

The Treasurer confirmed that the specific pension issue has created the need to reassess the situation in the next six months.

All sectors are affected and the Fire Sector total equated to £4bn and the Authority's share of this amount will be high.

The full impact will not be known for a number of months. It is also unknown how this will be funded.

The Chair asked the Auditor for an explanation of the difference between the proposed and final fee figures.

The Auditor stated that Grant Thornton are regulated.

Between last year and this year a new contract was negotiated by the Public Sector Appointments Ltd (PSAA) and fees were reduced by one third.

The Regulator required further work on Pensions and PPE costing £1,000, the additional work on assessing the impact of the McCloud ruling required additional work costing £1,500 and additional work was required on Pensions IAS19 at a cost of £1,500. The additional charge of £4,000 was to cover the additional work undertaken.

There is a process for fees and following referral to the Public Sector Audit Appointments Ltd they will or will not approve.

The Auditor confirmed that all authorities would be asked for an additional fee because additional issues were not in the initial contract.

39/19 **Statement of Accounts 2018/19**

The Audit and Risk Committee's approval was sought for the Authority's Statement of Accounts for the financial year ended 31 March 2019. The full Statement was attached as Appendix A to the report and can be viewed at www.wmfs.net/your-fire-service/openness/documents.

A summary of the Statement outlining the main issues was 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 was to be signed by the Chair of the Audit and Risk Committee and the Treasurer at the end of the meeting. Members were informed that the Statement linked to the Workshop held for Members of the Audit Committee on 3 June 2019, however, as the majority of Members were new to the Audit and Risk Committee, the Treasurer recapped the main areas of the lengthy report. The Treasurer stated that the main Statements were the Comprehensive Income and Expenditure Statement and the Balance Sheet, although both were significantly affected by accounting requirements relating to pension arrangements.

The Treasurer highlighted the Movement in Reserves Statement which showed Earmarked Reserves had decreased by £5.604m from £38.984m to £33.380m in the year ending 31st March 2019 and General Reserves had decreased by £1.476m to £6.914m in the year ending 31st March 2019.

Last year the assumption was that the Authority would need to use £1.5m in general balances and the figure was in line with the assumed use.

The Authority's overall reserves had decreased by £7.080m and it was anticipated that this trend would continue.

The Treasurer stated that the prime purpose of the report was to seek approval of the set of accounts, which was a sizable document. A summary of the accounts was also provided.

The Treasurer confirmed that the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement were set out on pages 69 and 70 of the agenda pack.

Total reserves as at 31 March 2019 were £42.700m and it was anticipated they would reduce further in future years.

The overall reserves as at 31st March 2019 are made up of:
£6.914m Un-earmarked general fund reserve
£33.380m Earmarked general fund reserve
£2.249m Capital receipts reserve
£0.157m Government grant

There are other long term liabilities which are linked to pension liabilities of £1.8 billion.

The Treasurer highlighted the scale and size of this figure which was required to be reflected as part of accounting regulations.

The Treasurer also highlighted the Long Term Borrowing which stood at £35.697m. This had reduced from £36.002m the previous year. This was historical borrowing undertaken by the Authority which was used to acquire assets.

The value of Property Vehicles Plant and Equipment stood at £131.195m

The value of assets was higher than the outstanding borrowing amounts.

£40.302m Cash and cash equivalents was held as at 31 March 2019 compared to £51.379m as at 31 March 2018 the figure was down by circa £11m, a significant proportion of which was the reduction in reserves.

One Councillor expressed concerns about the impact of reducing budget on employees.

In answer to a Members question, the Treasurer confirmed that the guidance stated that if general balances exceeded 5% of the total budget, the Authority would be expected to justify this.

The Authority's general balances were above this figure but by 31st March 2021 this figure will be circa £5m and earmarked balances will reduce more quickly as they are being used to fund capital projects.

The Authority's budget was considered to be relatively healthy but would not be so in a couple of years and members would see a real change in the future.

Members of the Authority would be increasingly required to consider the impact of the reducing budget.

In answer to a question regarding penalties for Authority's with general balances higher than 5%, the Treasurer confirmed that the argument being used was if balances were being used to smooth out budget reductions and are earmarked to support projects and the capital infrastructure, then there would not be a direct loss but there were differing political views on reserves.

It was confirmed that the reserves are kept in banks and building societies as part of the Treasury Management arrangements with Sandwell MBC.

In answer to a question from the Chair regarding a longer term debt to Dudley MBC, the Finance Manager confirmed that this debt related to the ex-West Midlands County Council and all local authorities including the Fire Authority were required to make contributions towards the debt which should would be running for the next 7 years.

In response to a question from the Chair regarding the Assets that the Authority holds, the Treasurer confirmed that the Fire Authority used to provide accommodation for firefighters and their families and some remain occupied with strong legal tenancy agreements. Some of the accommodation is empty but are within the boundary of the fire station and the Service were considering how best to utilise the accommodation.

An example was given that at Perry Barr Fire Station, planning permission was being sought for alternative access to the properties so that they could be brought back into use by a housing association or property developer. Officers were looking at ways of using the accommodation as effectively or appropriately as possible.

The Chair requested a report at the next Audit and Risk Committee regarding the Authority's residential homes. The Treasurer agreed to provide the information requested.

Members enquired about the critical judgement in applying accounting policies on page 90 of the agenda pack and, in particular, the statement of No residual value of assets. The Authority assumes that the residual value of plant or equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than the resale at the end of their useful life. The Treasurer stated that equipment and plant is sold on if it is felt it has a sales value and officers would seek to gain some income and depreciation is reflected in the accounts.

Some equipment was cannibalised for parts when it has come to end of its useful lifespan.

Resolved that the Summary Accounts be noted and Statement of Accounts for 2018/19 as set out at Appendix A be approved.

40/19 **Treasury Management Annual Report 2018-19**

The Committee received the Treasury Management Annual Report 2018/19, which covered the Treasury Activity during 2018/19 and the Actual Prudential Indicators for 2018/19, which had been compiled by the Treasurer.

The Authority approved its 2018/19 Treasury Management strategy as part of the Budget Setting report in February 2018 and also received a mid-year Treasury Management update at the Audit and Risk Committee meeting in November 2018.

The three key Treasury Management activities to note were:

Capital Expenditure

The Authority's capital expenditure for 2018/19 was £8.809m which was funded mainly by the use of revenue contributions (£8.149m) capital grants (£0.660m). The largest spend on capital was £3.8m on the redevelopment of Coventry Fire Station, £1.8m on the Vehicle Replacement Programme and £1.3m on the redevelopment of Aston Fire Station.

No borrowing was undertaken to finance any capital expenditure in 2018/19.

The Authority's Debt

As at 31 March 2019 the Authority's total external debt was £36m of which £33.1m was in respect of borrowing undertaken with Public Works Loan Board and the balance £2.9m is in respect of the Authority's share of the Ex WMCC debt. The value of long-term assets held by the Authority as at 31st March 2019, which the loans have helped fund was £131.4m

The average rate of interest payable on this debt was 5.4%.

The Authority's Investment

As at 31 March 2019 the Authority's investments totalled £40.9m which are invested with Sandwell MBC as part of the treasury management arrangement the Fire Service has with them.

Interest is received on the Authority's average cash balance and is based on the average return achieved by Sandwell MBC plus 10 basis points which for 2018/19 was 0.73%. This compares favourably to the benchmark, which is the average 7-day LIBID rate of 0.51%.

In answer to a Member's enquiry it was confirmed that the average rate of interest was 5.4%. Some of the outstanding loans that were over 20 years old had a higher rate of interest whereas more recent loans attracted lower interest rates.

In answer to a question from the Chair about the possibility of renegotiating the interest rates charged on long term loans, the Finance Manager confirmed that it was possible to refinance debt and Treasury Management advisors would look at this from time to time and if the PWLB offered better interest rates, officers would look to take advantage of the better interest rates. However, it was noted that if loans were repaid and replacement loans taken out, there would be a premium to pay and officers needed to consider the balance between paying a loan off and paying the premium charge.

41/19 **Minutes of the Pensions Board held on 4 March 2019 and 4 June 2019**

The Committee received the Minutes of the Pensions Board held on 4 March 2019 and 4 June 2019.

Mr Kal Shoker gave the apologies of Mr Neil Chamberlain, Chair of the Pensions Board who was unable to attend the meeting.

It was explained the frequency of Pension Board meetings had increased from two to four per year. This was to ensure more timely discussions on pensions issues and to reduce the time between meetings. Previously, due to a meeting being cancelled there had only been one Pension Board in a municipal year.

Similarly, to ensure a quorum at meetings, the number of Employee Representatives and Employer Representatives had increased from 2 to 3.

Both sets of minutes were considered together. It was noted that the Chair of the Strategic Advisory Board, Malcolm Eastwood, had attended the Pensions Board on the 4 March 2019.

The Committee were informed that the Pension Board considered on a regular basis:

Pensions Advisor – supporting information
Risk Register
Firefighters Pension Scheme Bulletins
Topical Legal and Regulatory Information

The Chair noted the Actions and, in particular, the item regarding Engagement with the Audit and Risk Committee. Mr Shoker explained that the Pension Board recommended regular engagement and dialogue with the Audit and Risk Committee as Scheme Manager and the Chair of the Pensions Board.

One of the Actions in the Minutes of the meeting of the 4 June 2018 was a request for a named person to be nominated as a point of contact for the Scheme Manager. The Chair stated that this would remain as the Audit and Risk Committee.

The Chair thanked the Pensions Board for their work and reports.

43/19 Annual Report of the Pensions Board 2018/19

The Annual Report of the Pensions Board for 2018/19 was received.

42/19 Audit and Risk Workplan 2018-2019

The Committee noted the Work Programme for 2018/19.

43/19 Update on Topical, Legal and Regulatory Issues

There were no new issues to report.

44/19 Training

Members were asked to let the Clerk know if there were any specific areas of training required.

Councillor Spence had previously received training from the Treasurer that had been very useful.

LGA Training for Scheme Managers would be arranged for the Members of the Audit and Risk Committee and members of the Pension Board. A date would be confirmed.

The meeting finished at 1120 hours.

Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net

**Minutes of the Appointments, Standards and Appeals
Committee**

9 September 2019 at 1030 hours
at Fire Service Headquarters, 99 Vauxhall Road, Birmingham

Present: Councillor Young (Vice Chair)
Councillors Barlow, Brackenridge, Edwards,
Hogarth, Iqbal, Miks

Apologies: Councillor Walsh

1/19 **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 Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) Order 2006 relating to any individual.

2/19 **Interview for the post of Deputy Chief Fire Officer**

The Committee interviewed four candidates for the post of Deputy Chief Fire Officer.

By a unanimous decision the Committee:-

Resolved that Mr W Brown, (London Fire Brigade) be appointed to the post of Deputy Chief Fire Officer.

(Proceedings ended at 1700 hours)

Julie Connor
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