

**WEST MIDLANDS FIRE SERVICE**

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**WEST MIDLANDS FIRE AND  
RESCUE AUTHORITY**

**Financial Statements  
& Notes to the Accounts**

**2010/2011**

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

## **Opinion on the Authority and Pension Fund accounting statements**

I have audited the accounting statements and the firefighters' pension fund accounting statements of West Midlands Fire and Rescue Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of West Midlands Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

## Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of West Midlands Fire and Rescue Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year;  
and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

## Authority's responsibilities

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

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

## Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself 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 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

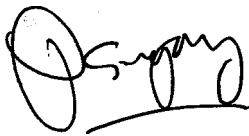
## Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, West Midlands Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

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

## Certificate

I certify that I have completed the audit of the accounts, including the firefighters' pension fund accounting statements, of West Midlands Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



John Gregory  
District Auditor  
20 September 2011

Audit Commission No 1  
Friarsgate  
1011 Strafford Road Solihull  
B90 4BN

## **EXPLANATORY FOREWORD**

1. The Authority's accounts for the year 2010/2011 are set out on the following pages. They consist of:
  - The Movement in Reserves Statement, which shows the movement in the year on the different reserves held by the Authority.
  - The Comprehensive Income and Expenditure Statement, the Authority's main revenue account, covering income and expenditure on all services.
  - The Balance Sheet, which sets out the financial position of the Authority at 31<sup>st</sup> March 2011.
  - The Cash Flow Statement showing movements in cash and cash equivalents during the year and the cash position at the year-end.

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

2. This foreword provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.

3. **Significant Changes in Accounting Policies**

From 1<sup>st</sup> April 2010 the Authority is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS for the Authority is the first day of the preceding financial year, 1<sup>st</sup> April 2009. Where the introduction of IFRS based accounting standards leads to a different financial treatment for assets and liabilities presented in the Balance Sheet, then those accounting standards are taken to apply retrospectively and the Balance Sheet as at 1<sup>st</sup> April 2009 is restated. The first year of IFRS adoption therefore sees the Authority present three Balance Sheets:

- i) Giving the restated position as at 1<sup>st</sup> April 2009,
- ii) A comparative Balance Sheet for 2009/2010,
- iii) Balance Sheet for 2010/2011.

The Authority is also required to explain how its previously reported performance and financial position are affected by the transition to IFRS from UKGAAP. The move to an IFRS based Code has resulted in a considerable number of changes in accounting practices and disclosures, the most significant changes are set out below (a fuller explanation of the changes is provided in relevant notes under transition to IFRS). Whilst the adoption of IFRS has had an impact on the previous reported financial position, Regulations have been introduced which negate these changes thereby maintaining the previously reported General Fund position and available for use reserves.

### **a) Employee Benefit Liabilities**

The adoption of IAS19, Employee Benefits, has required the Authority to estimate the cost of untaken employee leave and other compensatory absences at the end of the last three financial years and make an accrual in the Balance Sheet. The accrual is not taken into account when determining the Authority's statutory General Fund position, being reversed in the Movement in Reserves Statement and shown in the Accumulating Absences Adjustment Account in the Balance Sheet.

### **b) Leases and Lease-type Arrangements**

Under IAS 17 (Leases) a lease can be split into a finance lease or an operating lease. The classification of finance and operating leases has changed under IFRS so that if a lease effectively gives the Authority most of the 'risks and rewards' of the asset, the capital value of the asset and associated debt will have to be calculated and included on the Authority's Balance Sheet.

### **c) Recognition of Grant Income**

The adoption of IAS20, Accounting for Government Grants, has required the Authority to review how it recognises and discloses grants in its revenue account and Balance Sheet. Grants now have to be considered as to whether they have a restriction or a condition on their use, i.e. whether there is a possibility that they will have to be paid back. Where there is no condition and the grant will not be paid back then it is recognised immediately in revenue even if there is no qualifying expenditure in the period. Where there is a condition and the grant remains unspent at the year end then it is shown either as a pre-payment (revenue grant) or as a capital grant receipt in advance (capital grant).

### **d) Injury Pensions Valuations**

Under paragraph 130 of IAS 19 any obligation arising from other long term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the firefighter schemes are dependent on service the Authority has restated the liability expected to arise due to injury awards in respect of service prior to the valid date.

4. The Authority, at its February 2010 meeting approved the net revenue budget of £119.080m. The total surplus or deficit on provision of services is shown on the comprehensive income and expenditure statement and shows a surplus of £73.710m. After statutory adjustments, such as the removal of depreciation, impairments and International Accounting Standard Nineteen (IAS19) entries in relation to pension costs are applied, the Authority shows an overall surplus of £130.572m. In 2010/11 appropriations of £3.917m were made to earmarked reserves and £1.085m were made to general reserves.

5. The total Provision of Services in 2010/11 shows a surplus of £73.710m. Within this surplus is (£130.7m) for the provision of a past service gain for Pensions offset by £123.8m on the provision of Fire Services, £79.5m on Pensions and £0.3m on Fire Service Emergency Planning and Civil Defence. Excluding the past service gain for Pensions the type of costs incurred were:

Employees	48	%
Pensions	39	%
Running Costs	13	%
	<u>100</u>	<u>%</u>

6. The total income of the Authority to fund expenditure in 2010/11 was £146.8m, which came from:

	Budget £000	Actual £000	
Revenue Support Grant	10,247	10,247	8 %
National Non-Domestic Rates	70,566	70,566	54 %
Precept/collection fund surplus/deficit	38,267	38,199	30 %
Interest and Other Income	2,783	10,785	8 %
	<u>121,863</u>	<u>129,797</u>	<u>100 %</u>
Government Grant Pension Fund		16,986	
		<u>146,783</u>	

7. In 2010/11, the Authority spent £3.477m on capital projects, the largest schemes were the refurbishment of Solihull Fire Station at £1.016m, Vehicles Replacement Programme at £0.889m and the refurbishment of Walsall Fire Station at £0.886m. Of the total expenditure, £1.848m was financed directly from revenue and £1.629m by the application of capital grants. Note 27 provides details of funds available to finance capital expenditure. During 2010/11 the Department for Communities and Local Government (CLG) donated New Dimension Assets with a carrying value of £2.119m.
8. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in the notes to the accounts.
9. The Authority, at its February 2010 meeting authorised the limit for external debt at £66m and the statutory limit for external debt at £61m. The Authority's actual long-term liabilities at 31<sup>st</sup> March 2011 were £45.43m.

10. The 2010/11 accounts include the impact of International Accounting Standard 19 – Employee Benefits (IAS19). The effects of IAS19 are shown within the comprehensive income and expenditure statement and balance sheet. There is no effect on Council Tax from the implementation of this standard. The figures disclosed represent a snapshot in time, at present the accounts show that there is a significant shortfall between the forecast cost of pensions and the current level of assets built up in the pension fund.

11. Financial Outlook

On 20<sup>th</sup> October 2010 the Chancellor announced the Government's four year spending plans in the Comprehensive Spending Review. For Fire and Rescue Authorities it was indicated that there would be a reduction to its central grant funding of 25% over a four year period and that this would be 'back loaded' meaning that the largest proportion of the reduction would occur in years three and four.

On 13<sup>th</sup> December 2010, the Secretary of State for Communities announced a provisional two year settlement for Local Government covering 2011/12 and 2012/13. The figures for this Authority represented a grant reduction of £7.677m (9.5%) in 2011/12 and a further £2.487m (3.4%) in 2012/13, an overall reduction in grant funding of £10.164m (12.58%) over two years.

In view of anticipated future cuts and uncertainty about funding, the Authority decided to increase its level of reserves in 2010/11. In doing so it has created a financial buffer to assist manage the financial challenges that lay ahead. Initiatives which were introduced include a pay freeze for all staff and the freezing of vacant posts. These resulted in the general fund balance increasing by £1.085m.

12. Further information about the accounts is available from:

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

Telephone : 0121-380-6920  
or Fax : 0121-380-7009  
or E-Mail : kal.shoker@wmfs.net

13. Interested members of the public also have the right to inspect the accounts before the Audit is completed. The availability of the accounts for inspection is advertised in the local press.

## **ACCOUNTING POLICIES**

### **1. Changes in Accounting Standards**

The 2009/2010 accounts were prepared under UK Generally Accepted Accounting Principles (UK GAAP). For 2010/2011 the Authority has adopted International Financial Reporting Standards (IFRS) which requires changes in the way certain income and expenditure items are reported and considerably increases the number of disclosures required. The change is a Government requirement, the aim of which is that by the adoption of one accounting standard, comparison of financial performance is easier to determine. The accounts and notes that follow comply with the new IFRS requirements.

The presentation of the accounts has changed considerably under IFRS and therefore this has resulted in a document that is not in the format of the accounts previously reported.

The Standards require that up to fifty disclosure notes are completed. Some of these are not appropriate to the Fire Authority and in these instances they have been omitted.

### **2. Migration to IFRS**

The migration to IFRS requires changes to the 2008/2009 and 2009/2010 Balance Sheets and adjustments to the 2009/2010 Revenue Accounts.

#### **Revenue accounts**

	<b>£'000</b>	<b>£'000</b>
<b>2009/2010 UK GAAP Deficit for year</b>		<b>48,643</b>
<b><i>IFRS Adjustments :</i></b>		
Employee Benefits	23	
Capital Charges	140	
Capital grants	(1,127)	
RIA to Government Grant	(352)	
RIA to Contributions	120	
Pension – current service cost	1,250	
Pension Interest	2,129	
		2,183
<b>Restated 2009/2010 IFRS Deficit</b>		<b>50,826</b>

The table details adjustments of £2,183k are needed to make the accounts IFRS compliant. This results in an increase in the deficit to £50,826k.

## Balance Sheet 2008/2009

<b>Total Assets less Liabilities and Local Tax Payers Net Equity</b>	<b>£'000</b>	<b>£'000</b>
<b>UK GAAP - Opening Balance 01.04.09</b>		<b>(739,430)</b>
<b><i>IFRS Adjustments :</i></b>		
Employee Accrual (Note 17.5)	(2,273)	
Transfer to earmarked reserves (Note 4)	1,028	
Capital Grants (Note 17.2)	1,740	
Pension injury awards liability (Note 17.3)	(30,770)	
		(30,275)
<b>Restated 2008/2009 IFRS Opening Balance 01.04.09</b>		<b>(769,705)</b>

## Balance Sheet 2009/2010

<b>Total Assets less Liabilities and Local Tax Payers Net Equity</b>	<b>£'000</b>	<b>£'000</b>
<b>UK GAAP - Opening Balance 01.04.10</b>		<b>(1,059,156)</b>
<b><i>IFRS Adjustments :</i></b>		
Employee Accrual	(2,296)	
Transfer to earmarked reserves	1,258	
Capital Grants	2,730	
Pension injury awards liability	(52,220)	
		(50,528)
<b>Restated 2009/2010 IFRS Opening Balance 01.04.10</b>		<b>(1,109,684)</b>

The previous years figures in the core financial statements have been restated and reflect the adjustments identified above.

### **3. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position as at the year-end, 31<sup>st</sup> March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

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

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

#### **5. 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 investments that mature in 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.

#### **6. Exceptional Items**

When items of income and Expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. To comply with International Accounting Standard Sixteen (IAS16) Property, Plant and Equipment a prior period adjustment has been made to comparative movements in 2009/2010 (Note 8.2).

The accounts have been restated following a move towards IFRS based code from a UK GAAP based SORP (Statement of Recommended Practice).

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

Services and support services are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting MRP transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **9. Employee Benefits**

### **9.1 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 Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **9.2 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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 Movement in Reserves Statement, 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.

### 9.3 Post Employment Benefits

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

- Uniformed Firefighters – Original (1992) Scheme
  - On 1<sup>st</sup> April 2006 the firefighters' pension scheme changed. This is an unfunded scheme, which is administered by the Authority in accordance with the Department for Communities and Local Government regulations. For such schemes, as there are no investment assets, IAS19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Comprehensive Income and Expenditure Statement for movements in the liability and reserve. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the pension fund for these employees. The scheme was only open to those firefighters in the scheme as at 31<sup>st</sup> March 2006 and the employers contribution 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 – New (2006) Scheme
  - On 1<sup>st</sup> April 2006 a new firefighters' pension scheme was established for new firefighters, retained firefighters and for uniformed employees carrying out operational duties in the old pension scheme who wished to transfer to the new scheme. This scheme is an unfunded scheme and operates in exactly the same way as the old scheme except for the reduced level of contribution from employees and employers which reflects the different conditions and benefits of the new scheme. All contributions are made into a pension fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the Government each year.
  - The combined pension fund for uniformed firefighters as at 31<sup>st</sup> March 2011 had a net deficit value of £1,080.960m.
  
- The Local Government Pensions Scheme
  - Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, administered by Wolverhampton City Council. The pension costs that are charged to the Authority's accounts, £1.954m in 2010/11 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 scheme:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund and the liabilities of the Firefighters Pension Schemes attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.7% for the Firefighters' Pension Schemes and a discount rate of 5.5% for the Local Government Pension Scheme.
- The assets of West Midlands Metropolitan Authorities Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities — current bid price
  - unquoted securities — professional estimate
  - unitised securities — current bid price
  - property — market value.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost — the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Expected return on assets — the annual investment return on the fund assets attributable to the Authority, based on an average of the Expected long-term return — credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains or losses on settlements and curtailments — the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Actuarial gains and losses — 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 — debited to the Pensions Reserve.
- Contributions paid to the Pension Funds — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### **9.4 Discretionary Benefits**

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

### **10. Events after the Balance Sheet Date**

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.

## **11. Financial Instruments**

### **11.1 Financial Liabilities**

Amounts owing in respect of advances to fund capital expenditure are owed to Sandwell MBC, the lead Authority. Annual charges to the Income and Expenditure Account for interest payable in 2010/2011 were charged at a rate of 6.11%. This is based on the average interest rate applicable to Sandwell MBC total loans outstanding. Repayments of principal equate to the Minimum Revenue Provision required by Section 63 of the Local Government and Housing Act 1989.

Debt inherited from the former West Midlands County Council is managed by Dudley MBC and redeemed over a period of 40 years from 1<sup>st</sup> April 1986. Annual charges to the Income and Expenditure Account for interest payable were charged on this debt in 2010/11 at a rate of 6.56%.

Creditors are carried on the balance sheet at contract amount.

### **11.2 Financial Assets**

Debtors are carried on the balance sheet at contract amount.

## **12. 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 creditors. 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-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. 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.

### **13. Intangible Assets**

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

### **14. 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 or net realisable value. The total value of stocks held is low at around £900k and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

## **15. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, vehicles, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Authority as Lessee**

#### **15.1 Finance Leases**

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

#### **15.2 Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, vehicles, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Authority as Lessor**

#### **15.3 Finance and Operating Leases**

The Authority does not have any of these assets.

## **16. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the Exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

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

## **17. 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.

## **18. 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 fixed assets are capitalised subject to a de minimus level of £6,000.

## **19. 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction — depreciated historical cost.
- Residential Homes — fair value, determined using the basis of existing use value (EUV).
- All other assets — fair value, determined on the basis of market value (MV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 fair 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. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service].

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

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

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.

## **20. 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 by:

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

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

## **21. Depreciation**

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

The following depreciation policies have been adopted:

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

Wilkes Head & Eve (WHE), the Authority's valuers, are instructed to provide valuations for all land and property assets and recommending the appropriate life expectancies. The last valuation was completed as at 31<sup>st</sup> March 2011.

WHE also provide valuations for splitting land and building assets into components. The Authority intends to adopt these as the basis for depreciation from 1<sup>st</sup> April 2011.

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.

## **22. Disposals and Non-current Assets Held for Sale**

The standard specifies that:-

Assets held for sale should be measured at the lower of carrying amount and fair value less costs to sell.

### **Classification of non-current assets (or disposal groups) as held for sale**

The following criteria have to be met before an asset can be classified as held for sale:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If all the above criteria are met, the asset will be accounted for as an asset held for sale. If any of these is not met, they will continue to be accounted for in accordance with the relevant sections of the code

Assets disposals during 2010/11 consisted of 25 x Cars/Vans, 9 x Pumps/Specialist Vehicles and 1 x Trailer with a total sales value of £124k.

Of those disposals, 2 items exceeded the Authorities capital receipt deminimis level of £10k and were subsequently transferred to the Usable Capital Receipts Reserve.

## **23. Provisions, Contingent Liabilities and Contingent Assets**

### **23.1 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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.

### **23.2 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.

### **23.3 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **24. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

## **25. Accounting for Council Tax Income**

For billing authorities and major preceptors, the Council Tax included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be adjusted shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The effect on the surplus on provision of services for the year 2010/11 in the Comprehensive Income and Expenditure Statement is a deficit of £0.068m which is also reflected in the Movement in Reserves Statement.

## **26. 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.

## **27. Roundings**

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

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

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

- Insurance – The Authority's continues to operate a self insure scheme, with Sandwell M.B.C., for all of its properties and vehicles 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 Fair Value -The Authority has had its land and property assets valued on the basis of fair value as at 31/03/2011 and intends to introduce component accounting to its land and property assets in 2011/12.
- Government Funding - There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2011 for which there is a risk of a material adjustment in the following financial year are:

- Property Plant and equipment – in 2011/2012 component accounting will be introduced which will affect the way depreciation charges are calculated. It is estimated that the annual depreciation charge would increase by £52k if component accounting had been introduced in 2010/2011.
- Pensions Liability – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement age, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) and Mercer Human Resource Consulting provide the Authority with expert advice about the assumptions to be applied (Note 31).
- 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.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

The Authority is required to:

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



John Edwards  
Chairman

Date: 19<sup>th</sup> September 2011

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

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

The accounts set out in the following pages provide a true and fair view of the financial position of the West Midlands Fire and Rescue Authority at 31<sup>st</sup> March 2011 and its income and expenditure for the year then ended.



Stuart Kellas, C.P.F.A  
Treasurer

Date: 19<sup>th</sup> September 2011

# **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, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. 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 This statement explains how the Authority has complied with the code of corporate governance and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a Governance Statement. The Authority has produced its Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. The Authority's Audit and Performance Management Committee has been considering the Framework and its formal implementation as part of its 2010/2011 work programme.

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

- 2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts 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 rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The system of governance has operated throughout the year ended 31 March 2011 and up to the date of the approval of the annual report and accounts. The Authority's Audit and Performance Management Committee has, in accordance with its terms of reference, monitored corporate governance throughout the year.

### **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 Performance Management 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 terms of reference for them and the Lead Members is reviewed annually and is 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 whistleblowing 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 has continued to enhance and strengthen its internal control environment through the introduction of new 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 Executive 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 impact and likelihood). The Register identifies risk owners whose responsibility includes the identification of controls and actions to manage them efficiently, effectively and economically. Further improvements have been made in this area following Internal Audit recommendations.

- 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 Authority's financial system is an ORACLE based general ledger and management information system, which integrates the general ledger function with those of budgetary control and payments. Financial Regulations and Contract Procedure Rules are approved and regularly reviewed by the Authority. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action initiated.
- 3.10 The Authority's performance management and reporting of performance management continues to be improved with a more focused Corporate Strategy, the setting of priorities and is supported by regular performance monitoring. Corporate performance is reported on a quarterly basis and this process provides officers and Members with the opportunity to share knowledge and understanding about key performance issues affecting services.
- 3.11 The Authority has a Standards Committee which promotes high ethical standards amongst Members. This Committee has two independent members, one of whom chairs the Committee. It leads on developing policies and procedures to accompany the revised Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct.

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

- 4.4 The Authority continues to assess how its overall corporate governance responsibilities are discharged. In particular the Authority has considered the principles of the CIPFA/SOLACE guidance, has developed a local code of corporate governance and is working towards the National Good Governance Standard.
- 4.5 The arrangements for the provision of internal audit are contained within the Authority's Financial Regulations. The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003 as amended in 2006. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority. This includes the publication of a quarterly anti-fraud and corruption newsletter known as The FRAUDitor, the production of a Raising Fraud Awareness guide for managers and running a series of Raising Fraud Awareness Seminars.
- 4.6 The resulting Audit Plan is discussed and agreed with Corporate Board officers and the Audit and Performance Management Committee and shared with the Authority's external auditor. Regular 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.
- 4.7 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 and inspection letter;
  - Other work undertaken by independent inspection bodies.
- 4.8 From the work undertaken by Internal Audit in 2010/2011 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.

## 5. Significant governance arrangements within the Authority

5.1 West Midlands Fire and Rescue Authority has set out **four key priorities**:

- Communities and Partnerships
- Response
- People
- Value for Money

5.2 These form the basis of the Authority's Corporate Strategy (known as The Plan) 2011-15 which sets out the nine outcomes and thirteen strategic objectives for the Service.

5.3 The Audit Commission published the Annual Governance Report for its 2009/2010 audit work which reported an unqualified opinion on the financial statements. It also issued an unqualified value for money conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. No issues have been identified for 2010/2011 and therefore an unqualified opinion on the financial statements and value for money is planned to be reported in the Annual Governance Statement.

5.4 The review of internal control also highlighted the following:

### 5.4.1 Goods Receipting System

A review was carried out on the procedures followed for the receipting of ordered goods, prior to the payment of invoices. The main issues raised were:

- Maintenance of a suitable audit trail and reporting facilities.
- Restriction of future date entries.
- Filing and retention of Delivery Notes.
- Implementation of an approved procedure for payment of outstanding invoices where it has not been possible to obtain satisfactory confirmation of delivery within a reasonable timescale.
- Provision within the system for applying corrections to data entered incorrectly.
- Endeavouring to make sure that suppliers clearly print order numbers on delivery notes.

### 5.4.2 Accounts Receivable

An audit of accounts Receivable was undertaken. Debtor's invoices are raised by the WMFS Revenues Team, Sandwell MBC (SMBC) Finance receive and allocate payments, and reconciliations are undertaken by the WMFS Finance Section. Outstanding Debt is pursued and monitored by SMBC Debt Recovery Team in accordance with an agreed Service Level Agreement (SLA).

Accounts Receivable is a key financial system, the control matrices (nature and type of tests, sample sizes, etc.) used in the review include the requirements of the External Auditors, in order that they can place reliance on the work and thereby reduce their own year-end testing accordingly.

The main issues raised were:

- A recommendation that notes of actions taken on debtor's accounts are updated on the relevant computer screen, in all cases.
- Clearance of two longstanding receipt entries included in the reconciliation of Accounts Receivable to the General Ledger.

#### 5.4.3 Absence Management

Responsibility for Absence Management rests with line management and procedures covering Absence Monitoring are included in Standing Order 5/1. Overall monitoring of Absence Management for the whole of WMFS is performed by the Human Resources Department.

The review resulted in a key recommendation, that proposed plans of action should be implemented and monitored to try to reduce the number of days that staff are absent from work. Plans include:

- Attendance management briefing sessions.
- Monthly management reports.
- System produced automated flags to management so that they are immediately made aware of when their staff reach levels of absence that require action to be taken.

#### 5.4.4 Partnerships

At the time of the audit, WMFS had approximately 20 partnerships in place with organisations. The partnerships are a mix of corporate and local level agreements and are overseen by the Community and Fire Safety Section. The following recommendations were made:

- All partnership agreements should have, at least, formal terms of reference.
- WMFS should share its anti-fraud policy and processes with partnering organisations.
- The partnership toolkit should be updated to include the risk impact assessment, in accordance with Standing Orders.

#### 5.4.5 Fire Stations – Management of Cash

Each fire station has a cash imprest which is used to purchase items of a minor and urgent nature. Imprests are of varying amounts, with £500 being the highest. Funds are managed by a Station Assistant at each location, who is responsible for keeping track of money available and submitting reimbursement claims to the Finance Section. Following reimbursement to the station's bank account, cash is then withdrawn by the Station Assistant to replenish the imprest.

A sample of five stations were visited, key recommendations arising from these visits were:

- The relevant Standing Order should be amended to state that financial documents should be retained for six years, in line with other Standing Orders.
- Most of the petty cash payments were for payment of standby duties. To comply with HM Revenues and Customs requirements, and to reduce the risk of running short of funds to manage the day to day functions of the station, WMFS should introduce the payment of standby duties via the payroll function.
- Finance training should be compulsory for all new Station Assistants before they commence their role in management of cash imprests at stations.

#### 5.4.6 General and Pensions Payroll

A review was completed of the General and Pensions payroll functions. Payroll is a key financial system and the control matrices (nature and type of tests, sample sizes, etc.) used in the review include the requirements of the External Auditors, in order that they can place reliance on the work and thereby reduce their own year-end testing accordingly.

Recommendations were made and agreed with management, including that as there was no process in place, a review system should be introduced for personnel who have retired on ill health benefits, to ensure that overpayments are not made.

#### 5.4.7 Treasury Management

The Authority's Treasury Management service is provided by Sandwell MBC. Internal controls over the arrangements with the local authority were reviewed and recommendations made including the amending of the Terms of Reference of the Audit and Performance Management Committee to include scrutiny and review of Treasury Management arrangements.

#### 5.4.8 Accounts Payable

Accounts Payable is a key financial system and the control matrices (nature and type of tests, sample sizes, etc.) used in the review include the requirements of the External Auditors, in order that they can place reliance on the work and thereby reduce their own year-end testing accordingly.

The main issues raised were:

- Specific verification checks should be carried out where requests to change supplier bank accounts are received, as a number of public sector organisations have been affected by attempted fraud, which centred around fraudsters submitting requests to change bank details for payments.
- To enable effective monitoring of order commitments, consideration should be given to adding the i-Procurement module onto the current Sandwell Business System (SBS) systems in use.

#### 5.4.9 Procurement

The review looked at the receipting and evaluation of tenders received by the Authority to ensure that it complied with its own Standing Orders and the award criteria within the issued tenders. The main issues raised were:

- Standing Orders require officers to undertake risk assessments on individual contracts that either exceed the EU Procurement Threshold or where the failure of the Contract will have a significant impact on the core operations of the Authority. Unfortunately for the supply and fitting of tyres contract this requirement had not been followed.
- In one instance a consultant, acting on the Fire Authority's behalf, failed to get a contract signed between the Fire Authority and the contractor, in contravention of the Authority's Standing Orders.
- There were no formal procedures requiring all returned Pre-Qualification Questionnaires to be recorded. Without this the Authority was unable to inform unsuccessful companies easily if they fail to meet the relevant evaluation criteria.

#### 5.4.10 Risk Management

We found that good progress is being made in the embedment of risk management, and in the year ahead the Authority is to focus upon the development of an Assurance Map. Such a document would be useful for the Audit and Performance Management Committee in helping ensure Members that key risks to the Authority's objectives are being appropriately mitigated.

5.5 All of the above issues have been raised with relevant managers and actions are being taken to achieve improvements.



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John Edwards  
Chairman



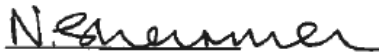
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Vij Randeniya  
Chief Fire Officer



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Stuart Kellas  
Treasurer



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Neeraj Sharma  
Clerk and Monitoring Officer

## MOVEMENT IN RESERVES STATEMENT

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

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	(4,450)	(16,796)	(2,691)	(23,937)	793,642	769,705
<b>Movement in Reserves During 2010/11</b>						
(Surplus) or deficit on the provision of services	50,826	-	-	50,826	-	50,826
Other Comprehensive Income and Expenditure	-	-	-	-	289,153	289,153
<b>Total Comprehensive Income and Expenditure</b>	<b>50,826</b>	<b>-</b>	<b>-</b>	<b>50,826</b>	289,153	<b>339,979</b>
Adjustments between accounting basis and funding basis under regulations (Note 3)	(48,317)	-	1,328	(46,989)	46,989	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,509</b>	<b>-</b>	<b>1,328</b>	<b>3,837</b>	<b>336,142</b>	<b>339,979</b>
Transfers to/from Earmarked Reserves (Note 4)	(2,749)	2,749	-	-	-	-
<b>(Increase)/Decrease in 2009/10</b>	<b>(240)</b>	<b>2,749</b>	<b>1,328</b>	<b>3,837</b>	<b>336,142</b>	<b>339,979</b>
<b>Balance at 31 March 2010</b>	<b>(4,690)</b>	<b>(14,047)</b>	<b>(1,363)</b>	<b>(20,100)</b>	<b>1,129,784</b>	<b>1,109,684</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>	<b>(4,690)</b>	<b>(14,047)</b>	<b>(1,363)</b>	<b>(20,100)</b>	<b>1,129,784</b>	<b>1,109,684</b>
<b>Movement in Reserves During 2010/11</b>						
(Surplus) or deficit on the provision of services	(73,710)	-	-	(73,710)	-	(73,710)
Other Comprehensive Income and Expenditure	-	-	-	-	(56,862)	(56,862)
<b>Total Comprehensive Income and Expenditure</b>	<b>(73,710)</b>	<b>-</b>	<b>-</b>	<b>(73,710)</b>	<b>(56,862)</b>	<b>(130,572)</b>
Adjustments between accounting basis and funding basis under regulations (Note 3)	68,708	-	(27)	68,681	(68,681)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(5,002)</b>	<b>-</b>	<b>(27)</b>	<b>(5,029)</b>	<b>(125,543)</b>	<b>(130,572)</b>
Transfers to/from Earmarked Reserves (Note 4)	3,917	(3,917)	-	-	-	-
<b>(Increase)/Decrease in 2010/11</b>	<b>(1,085)</b>	<b>(3,917)</b>	<b>(27)</b>	<b>(5,029)</b>	<b>(125,543)</b>	<b>(130,572)</b>
<b>Balance at 31 March 2011</b>	<b>(5,775)</b>	<b>(17,964)</b>	<b>(1,390)</b>	<b>(25,129)</b>	<b>1,004,241</b>	<b>979,112</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2009/2010				2010/2011		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
R 111,225	R (3,684)	R 107,541	Firefighting and Rescue Operations	112,763	(4,291)	108,472
R 18,681	R (1,731)	R 16,950	Community Safety	20,895	(2,175)	18,720
R 356	(53)	R 303	Fire Service Emergency Planning and Civil Defence	341	(3)	338
1,769	(157)	1,612	Corporate and democratic core	1,741	(118)	1,623
-	-	-	Non distributed costs – Adjustment to Pension Past Service Cost	(130,652)	-	(130,652)
391	-	391	Non distributed costs	24	-	24
<b>R 132,422</b>	<b>R (5,625)</b>	<b>R 126,797</b>	<b>Cost of Services</b>	<b>5,112</b>	<b>(6,587)</b>	<b>(1,475)</b>
2	(95)	(93)	Other operating Expenditure (Note 5)		(124)	(124)
R 61,228	(385)	R 60,843	Financing and investment income and Expenditure (Note 6)	67,961	(326)	67,635
	-	-	Surplus or deficit of discontinued operations		-	-
	-	R (136,721)	Taxation and non-specific grant income (Note 7)		-	(139,746)
		<b>R 50,826</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(73,710)</b>

2009/2010				2010/2011		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
R 1,580	(51,357)	(49,777)	Surplus or deficit on revaluation of Property, Vehicles, Plant and Equipment assets (Note 17.1)	7,519	(6,458)	1,061
		-	Surplus of deficit on revaluation of available for sale financial assets			-
		R 338,930	Actuarial gains/losses on pension assets/liabilities			(57,923)
		R 289,153	<b>Other Comprehensive Income and Expenditure</b>			<b>(56,862)</b>
		R 339,979	<b>Total Comprehensive Income and Expenditure</b>			<b>(130,572)</b>

## 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.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
107,678	150,286	Property, Vehicles, Plant & Equipment	8	147,512
-	-	Investment Property		-
352	224	Intangible Assets	9	105
-	-	Assets Held for Sale		-
-	-	Long Term Investments		-
-	-	Long Term Debtors		-
<b>108,030</b>	<b>150,510</b>	<b>Long Term Assets</b>		<b>147,617</b>
-	-	Short Term Investments		-
-	-	Assets Held for Sale		-
885	884	Inventories	11	839
14,978	9,801	Short Term Debtors	12	4,955
23,467	22,668	Cash and Cash Equivalents	13	33,718
<b>39,330</b>	<b>33,353</b>	<b>Current Assets</b>		<b>39,512</b>
-	-	Cash and Cash Equivalents		-
-	-	Short Term Borrowing		-
R (18,626)	R (16,159)	Short Term Creditors	14	(15,109)

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
-	-	Provisions		-
-	-	Liabilities in Disposal Groups		-
<b>R (18,626)</b>	<b>R (16,159)</b>	<b>Current Liabilities</b>		<b>(15,109)</b>
-	-	Long Term Investments		-
(215)	(215)	Provisions	15	(1,820)
(49,157)	(47,264)	Long Term Borrowing	34	(45,430)
R (849,067)	R(1,229,909)	Other Long Term Liabilities	31	(1,103,882)
-	-	Donated Assets Account		-
-	-	Capital Grants Receipts in Advance		-
<b>R (898,439)</b>	<b>R(1,277,388)</b>	<b>Long Term Liabilities</b>		<b>(1,151,132)</b>
<b>R (769,705)</b>	<b>R(1,109,684)</b>	<b>Net Assets</b>		<b>(979,112)</b>
R (23,937)	R (20,100)	Usable Reserves	16	(25,129)
R 793,642	R 1,129,784	Unusable Reserves	17	1,004,241
<b>R 769,705</b>	<b>R 1,109,684</b>	<b>Total Reserves</b>		<b>979,112</b>

## 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.

<b>2009/2010 £000</b>		<b>2010/2011 £000</b>
50,826	Net (surplus) /deficit on the provision of services	(73,710)
(58,932)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	55,224
1,169	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,775
<b>(6,937)</b>	<b>Net cash flows from Operating Activities (Note 18)</b>	<b>(14,711)</b>
5,843	Investing Activities (Note 19)	1,827
1,893	Financing Activities (Note 20)	1,834
<b>799</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>(11,050)</b>
23,467	Cash and cash equivalents at the beginning of the reporting period	22,668
<b>22,668</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 13)</b>	<b>33,718</b>

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

### **1. MATERIAL ITEMS OF INCOME AND EXPENSES**

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All material items of Income and expenditure have been disclosed within the Comprehensive Income and Expenditure Statement.

### **2. EVENTS AFTER THE BALANCE SHEET DATE**

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No events have occurred since the balance sheet date which would affect the reasonableness of the figures provided.

### 3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2010/2011	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(5,612)	-	-	5,612
Revaluation losses on Property Plant and Equipment	(1,699)	-	-	1,699
Movements in the market value of Investment Properties	-	-	-	-
Amortisation of intangible assets	(119)	-	-	119
Capital grants and contributions applied	3,748	-	-	(3,748)
Movement in the Donated Assets Account	-	-	-	-
Revenue Expenditure funded from capital under statute	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	2,371	-	-	(2,371)
Capital Expenditure charged against the General Fund.	1,848	-	-	(1,848)

2010/2011	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27	(27)	-	-
Use of the Capital Receipts Reserve to finance new capital Expenditure	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-

2010/2011	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	36,741	-	-	(36,741)
Employer's pensions contributions and direct payments to pensioners payable in the year	14,378	-	-	(14,378)
Gain in relation to Government Grants payable to the Pension Fund on the Authority's behalf	16,986	-	-	(16,986)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(68)	-	-	68
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	107	-	-	(107)
<b>Total Adjustments</b>	<b>68,708</b>	<b>(27)</b>	<b>-</b>	<b>(68,681)</b>

2009/2010	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(6,560)	-	-	6,560
Revaluation losses on Property Plant and Equipment	(7,253)	-	-	7,253
Movements in the market value of Investment Properties	-	-	-	-
Amortisation of intangible assets	(135)	-	-	135
Capital grants and contributions applied	R 1,127	-	-	R (1,127)
Movement in the Donated Assets Account	-	-	-	-
Revenue Expenditure funded from capital under statute		-	-	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3)	-	-	3
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,910	-	-	(1,910)
Capital Expenditure charged against the General Fund.	4,157	-	-	(4,157)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-

2009/2010	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	42	(42)	-	-
Use of the Capital Receipts Reserve to finance new capital Expenditure	-	1,370		(1,370)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
<b>Adjustments primarily involve the Deferred Capital Receipts Reserve (England and Wales):</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-

2009/2010	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Pensions Reserve:-</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note31)	R (75,030)	-	-	R 75,030
Employer's pension contributions and direct payments to pensioners payable in the year	14,842	-	-	(14,842)
Gain in relation to Government Grants payable to the Pension Fund on the Authority's behalf	18,276	-	-	(18,276)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	333	-	-	(333)
<b>Adjustment primarily involving the Unequal Pay Back Pay adjustment Account:</b>				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	R (23)	-	-	R 23
<b>Total Adjustments</b>	(48,317)	1,328	-	46,989

#### 4. TRANSFERS TO/FROM EARMARKED RESERVE

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in both 2009/10 (restated) and 2010/11.

2009/2010	Balance at 1 <sup>st</sup> April 2009	Transfers Out 2009/10	Transfers In 2009/10	Not Utilised	Balance at 31 <sup>st</sup> March 2010
	£000	£000	£000	£000	£000
<b>GENERAL FUND</b>					
Insurance	8,116	140	250	-	8,226
Capital Works	3,588	3,323	2468	53	2,680
Budget carry forwards	709	661	525	-	573
Station Works	554	277	66	-	343
Fire-fighting & Rescue Equipment	77	78	255	-	254
Project Management/Support	570	396	21	15	180
Training & Development	265	60	73	143	135
System Enhancements/Upgrades	117	57	80	10	130
LAA Match Funding	194	69	-	-	125
Fire Prevention and Education	112	10	-	-	102
Fire Control Support	87	33	-	15	39
Legal Costs	190	-	-	190	-
Boiler Replacement Programme	490	490	-	-	-
BA Sets & Accessories	699	699	-	-	-
<b>Total before Reclassifications</b>	<b>15,768</b>	<b>6,293</b>	<b>3,738</b>	<b>426</b>	<b>12,787</b>
<b>Reclassified Reserves:</b>					
New Dimensions	735	70	109	-	774
Partnership Working	293	924	1,161	44	486
<b>Total Reclassified Reserves</b>	<b>1,028</b>	<b>994</b>	<b>1,270</b>	<b>44</b>	<b>1,260</b>
<b>Grand Total including Reclassifications</b>	<b>16,796</b>	<b>7,287</b>	<b>5,008</b>	<b>470</b>	<b>14,047</b>

<b>2010/2011</b>	<b>Balance at 1<sup>st</sup> April 2010</b>	<b>Transfers Out 2010/11</b>	<b>Transfers In 2010/11</b>	<b>Not Utilised</b>	<b>Balance at 31<sup>st</sup> March 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund:</b>					
Capital Works	2,680	2,006	7,058	185	7,547
Insurance	8,226	2,018	-	-	6,208
Project Management/Support	180	162	1,250	33	1,235
Partnership Working	486	1,224	1,652	31	883
New Dimensions	774	66	109	-	817
System Enhancements/Upgrades	130	114	352	-	368
Fire-fighting and Rescue Equipment	254	164	245	-	335
Training & Development	135	58	98	14	161
Legal Fees Contingency	-	-	155	-	155
Office Equipment/Furniture	-	-	88	-	88
Fire Prevention & Education	102	23	56	48	87
Fire Control Support	39	8	18	-	49
Station Works	343	188	5	140	20
Fire Research & Investigation	-	-	11	-	11
Budget carry forwards	573	556	-	17	-
LAA Match Funding	125	124	-	1	-
<b>Total</b>	<b>14,047</b>	<b>6,711</b>	<b>11,097</b>	<b>469</b>	<b>17,964</b>

## 5. OTHER OPERATING EXPENDITURE

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2009/2010 £000		2010/2011 £000
(93)	Gains/losses on the disposal of non current assets	(124)
<b>(93)</b>	<b>Total</b>	<b>(124)</b>

## 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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2009/2010 £000		2010/2011 £000
3,002	Interest payable and similar charges	2,855
R 58,226	Pensions interest cost and expected return on pensions assets	65,106
(385)	Interest receivable and similar income	(326)
-	Income and Expenditure in relation to investment properties and changes in their fair value	-
-	Other investment income	-
<b>60,843</b>	<b>Total</b>	<b>67,635</b>

## 7. TAXATION AND NON SPECIFIC GRANT INCOMES

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2009/2010 £000		2010/2011 £000
(37,418)	Council tax income	(38,199)
(64,916)	Non domestic rates	(70,566)
(14,984)	General Government Grant	(10,247)
(18,276)	Government Grant Pension Fund	(16,986)
R (1,127)	Capital grants and contributions	(3,748)
<b>(136,721)</b>	<b>Total</b>	<b>(139,746)</b>

## 8. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

### 8.1 Movements on Balances 2010/2011

2010/11	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1 April 2010	138,157	27,043	-	1,543	2,987	169,730
Additions	2,298	449	-	-	730	3,477
Donations	-	2,119	-	-	-	2,119
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(5,147)	-	-	(24)	-	(5,171)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,699)	-	-	-	-	(1,699)
Derecognition – disposals	-	(1,198)	-	(127)	-	(1,325)
Derecognition – other	-	-	-	-	-	-
Assets reclassified (to)/from held for sale	-	-	-	-	-	-
Other movements in cost or valuation	-	2,503	-	1,088	(3,591)	-
<b>At 31 March 2011</b>	<b>133,609</b>	<b>30,916</b>	<b>-</b>	<b>2,480</b>	<b>126</b>	<b>167,131</b>

<b>2010/2011</b>	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
<b>Accumulated Depreciation and Impairment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2010	591	18,709	-	144	-	19,444
Depreciation charge	3,537	2,052	-	21	-	5,610
Depreciation written out to the Revaluation Reserve	(4,089)	-	-	(21)	-	(4,110)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
De-recognition – disposals	-	(1,198)	-	(127)	-	(1,325)
De-recognition – other	-	-	-	-	-	-
Other movements in depreciation and impairment	-	(1,088)	-	1,088	-	-
<b>At 31 March 2011</b>	<b>39</b>	<b>18,475</b>	<b>-</b>	<b>1,105</b>	<b>-</b>	<b>19,619</b>

<b>2010/2011</b>	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
<b>Net Book Value</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 31 March 2011	133,570	12,441	-	1,375	126	147,512
At 31 March 2010	137,566	8,334	-	1,399	2,987	150,286

## 8.2 Comparative Movements in 2009/2010

<b>2009/10</b>	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	<b>Total Property, Vehicles, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2009	111,830	26,510	-	2,241	-	<b>140,581</b>
Additions	2,015	1,645	-	-	2,987	<b>6,647</b>
Donations	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve (Note 8.5)	30,720	-	-	4	-	<b>30,724</b>
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services (Note 8.5)	(7,277)	-	-	24	-	<b>(7,253)</b>
Derecognition – disposals	-	(969)	-	-	-	<b>(969)</b>
Derecognition – other	-	-	-	-	-	-
Assets reclassified (to)/from held for sale	-	-	-	-	-	-
Other movements in cost or valuation	869	(143)	-	(726)	-	-
<b>At 31 March 2010</b>	<b>138,157</b>	<b>27,043</b>	<b>-</b>	<b>1,543</b>	<b>2,987</b>	<b>169,730</b>

<b>2009/10</b>	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
<b>Accumulated Depreciation and Impairment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2009	14,820	17,813	-	270	-	<b>32,903</b>
Depreciation charge	4,471	2,005	-	84	-	<b>6,560</b>
Depreciation written out to the Revaluation Reserve (Note 8.5)	(18,814)	-	-	(239)	-	<b>(19,053)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve.	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Derecognition - disposals	-	(966)	-	-	-	<b>(966)</b>
Derecognition - other	-	-	-	-	-	-
Other movements in depreciation and impairment	114	(143)	-	29	-	-
<b>At 31 March 2010</b>	<b>591</b>	<b>18,709</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>19,444</b>

<b>2009/10</b>	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
<b>Net Book Value</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 31 March 2010</b>	<b>137,566</b>	<b>8,334</b>	<b>-</b>	<b>1,399</b>	<b>2,987</b>	<b>150,286</b>
<b>At 31 March 2009</b>	<b>97,010</b>	<b>8,697</b>	<b>-</b>	<b>1,971</b>	<b>-</b>	<b>107,678</b>

### 8.3 Depreciation

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

### 8.4 Capital Commitments

As at the 31<sup>st</sup> March 2011, the Authority authorised capital expenditure in future years of £14.086m, of which £0.726m has been committed leaving £13.360m as the uncommitted sum which all relates to expenditure on property, plant and equipment.

The largest of these commitments represents:

	£000
• Solihull Fire Station Refurbishment	257
• Walsall Fire Station Refurbishment	146
• Academy Refurbishments	100

### 8.5 Effect of changes in estimates

To comply with IAS16, a prior period adjustment has been made to comparative movements in 2009/2010. The increase/decrease in revaluation of assets as at 31<sup>st</sup> March 2009 has been recognised in the revaluation reserve line and in the surplus/deficit on the provision of services line. Depreciation has been written out to the revaluation reserve.

### 8.6 Revaluations

The Authority has had all of its property assets valued as at 31<sup>st</sup> March 2011 on the basis of fair value. The work was completed by its external valuers- Wilkes Head and Eve who are qualified valuers. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors valuation manual (7<sup>th</sup> Edition) which was effective from 2nd May 2011 and is IVS compliant. The use of the manual means there is certainty with the valuation process and means that no estimates were necessary.

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

## 9. INTANGIBLE ASSETS

Software licences exceeding deminimis levels are accounted for here and are depreciated over a period of five years.

The movement on Intangible Asset balances during 2010/11 and 2009/10 (for comparative purposes) is as follows:

	2009/10			2010/11		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
■ Gross carrying amounts	-	634	634	-	641	641
■ Accumulated amortisation	-	(282)	(282)	-	(417)	(417)
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>352</b>	<b>352</b>	<b>-</b>	<b>224</b>	<b>224</b>
Additions:						
■ Internal development	-	-	-	-	-	-
■ Purchases	-	7	-	-	-	-
■ Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Revaluations increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(135)	(135)	-	(119)	(119)
Other changes	-	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>224</b>	<b>224</b>	<b>-</b>	<b>105</b>	<b>105</b>
Comprising of:						
■ Gross carrying amounts	-	641	641	-	641	641
■ Accumulated amortisation	-	(417)	(417)	-	(536)	(536)
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>224</b>	<b>224</b>	<b>-</b>	<b>105</b>	<b>105</b>

The carrying amount of the Intangible assets represents the net book value of the following items:

	31 <sup>st</sup> March 2010 Carrying Amount £000	31 <sup>st</sup> March 2011 Carrying Amount £000	Remaining Amortisation Period as at 31 <sup>st</sup> March 2011
Oracle Licences	1	-	None
S.M.A.R.T. Licences	41	-	None
A.M.I.R.A. Licence	26	13	1 year
Oracle Licences	82	41	1 year
Oracle Licences	54	36	2 years
Veritas Netbackup Licence	4	3	2 years
AXIS Scan Licence	9	7	3 years
S.M.A.R.T. Licences	7	5	4 years
<b>Total</b>	<b>224</b>	<b>105</b>	

## 10. FINANCIAL INSTRUMENTS

### 10.1 Financial Instruments – Balance Sheet

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

	Long Term		Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
<b>Investments</b>				
Loans and receivables	-	-	-	-
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
<b>Total investments</b>	-	-	-	-
<b>Debtors</b>				
Loans and receivables	-	-		
Financial assets carried at contract amounts	-	-	4,930	9,801
<b>Total Debtors</b>	-	-	4,930	9,801
<b>Borrowing</b>				
Financial liabilities at amortised cost	(45,430)	(47,264)	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total borrowing</b>	(45,430)	(47,264)	-	-
<b>Other long Term Liabilities</b>				
PFI and finance lease liabilities	-	-	-	-
<b>Total other long term liabilities</b>	-	-	-	-
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	(15,109)	R (16,159)
<b>Total creditors</b>	-	-	(15,109)	R (16,159)

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## Income, Expense, Gains and Losses

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss	Total £000
Interest expense	2,855	-	-	-	2,855	3,002	-	-	-	3,002
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	2,855	-	-	-	2,855	3,002	-	-	-	3,002
Interest income	-	(326)	-	-	(326)	-	(385)	-	-	(385)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	(124)	-	-	-	(124)	(93)	-	-	-	(93)
Fee income	-	-	-	-	-	-	-	-	-	-
<b>Total income in surplus or Deficit on the Provision of Services</b>	(124)	(326)	-	-	(450)	(93)	(385)	-	-	(478)
Gains on revaluation	(6,458)	-	-	-	(6,458)	(51,357)	-	-	-	(51,357)
Losses on revaluation	7,519	-	-	-	7,519	1,580	-	-	-	1,580
Amounts recycled to the surplus or deficit on the provisions of services after impairment	-	-	-	-	-	-	-	-	-	-
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	1,061	-	-	-	1,061	(49,777)	-	-	-	(49,777)
Net (gain)/loss for the year	3,792	(326)	-	-	3,466	(46,868)	(385)	-	-	(47,253)

## 10.2 Nature and extent of risks arising from Financial Instruments

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

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

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

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

### 10.2.1 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 £0.510m of the £4.955m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010	31 March 2011
	£000's	£000's
Less than three months	504	462
Three to six months	23	34
Six months to one year	9	8
More than one year	6	6
	542	510

For all debt over twelve months old, the Authority makes a bad debt provision.

### 10.2.2 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.

### 10.2.3 Market risk

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

During 2010/11, if interest rates had been 1% lower with all other variables held constant, the impact on the Comprehensive Income and Expenditure Statement would be a fall in interest of £0.336m. The impact of a 1% increase in interest rates would be the same but reversed, interest would increase by £0.336m.

During 2009/10, if interest rates had been 1% lower with all other variables held constant, the impact on the Comprehensive Income and Expenditure Statement would be a fall in interest of £0.308m. The impact of a 1% increase in interest rates would be the same but reversed, interest would increase by £0.308m.

## 11. INVENTORIES

	General Stores		Mechanical Stocks		Heating Oil Petrol/ Diesel		Total	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	634	604	159	164	92	116	885	884
Purchases	1,360	1,041	419	353	847	840	2,626	2,234
Recognised as an expense in the year	(1,390)	(1,103)	(414)	(346)	(823)	(830)	(2,627)	(2,279)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at year-end	604	542	164	171	116	126	884	839

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

## 12. DEBTORS

31 March 2010 £000		31 March 2011 £000
4,434	Central government bodies	276
4,112	Other local authorities	3,899
-	NHS bodies	19
-	Public corporations and trading funds	1
1,255	Other entities and individuals	760
<b>9,801</b>	<b>Total</b>	<b>4,955</b>

## 13. CASH AND CASH EQUIVALENTS

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

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
29	31	Cash held by the Authority	31
23,438	22,637	Bank current accounts	33,687
<b>23,467</b>	<b>22,668</b>	<b>Total Cash and Cash Equivalents</b>	<b>33,718</b>

## 14. CREDITORS

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<b>31 March 2010</b>		<b>31 March 2011</b>
<b>£000</b>		<b>£000</b>
3,456	Central government bodies	2,853
7,627	Other local authorities	7,924
-	NHS bodies	-
-	Public corporations and trading funds	33
5,076	Other entities and individuals	4,299
<b>R 16,159</b>	<b>Total</b>	<b>15,109</b>

## 15. PROVISIONS

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Provisions are made for liabilities the Authority has incurred where it is more than likely than not that payment will be made to discharge the liability. If it is found that the provision is no longer needed it is returned to the revenue accounts. Movements within the Authorities provisions is shown below:

	<b>Outstanding Legal Cases £000</b>	<b>Compensation Claims £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2010</b>	215	-	-	215
Additional provisions made in year	-	-	1,820	1,820
Amounts used in year	(215)	-	-	(215)
Unused amounts reversed in year	-	-	-	-
Unwinding of discounting in year	-	-	-	-
<b>Balance at 31 March 2011</b>	-	-	1,820	1,820

During the year, the industrial relations issue has been resolved and the provision released.

An insurance provision of £1.8m for previous years' employee and public liability claims is held in line with recommendations of the actuarial valuation. Whilst the Actuary can give advice about the total value of claims they are not able to confirm when these will be submitted.

## 16. USABLE RESERVES

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Changes in the Authority's usable reserves are summarised in the Movement in Reserves Statement. The detail behind each of the movements is shown in Notes 3 and 4.

## 17. UNUSABLE RESERVES

31 March 2010 £'000		31 March 2011 £000
R (51,888)	Revaluation Reserve	(49,346)
-	Available for Sale Financial Instruments Reserve	-
R (50,419)	Capital Adjustment Account	(52,439)
-	Financial Instruments Adjustment Account	-
-	Deferred Capital Receipts Reserve	-
R 1,229,909	Pensions Reserve	1,103,882
(114)	Collection Fund Adjustment Account	(46)
-	Unequal Pay Back Pay Account	-
R 2,296	Accumulated Absences Account	2,190
<b>1,129,784</b>	<b>Total Unusable Reserves</b>	<b>1,004,241</b>

### 17.1 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.

2009/2010 £000s		2010/2011 £000s
(2,178)	<b>Balance at 1 April</b>	(51,888)
R (51,357)	Upward revaluation of assets	(6,458)
R 1,580	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	7,519
(51,955)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(50,827)
-	Difference between fair value depreciation and historical cost depreciation	-
-	Accumulated gains on assets sold or scrapped	-
R 67	Amount written off to the Capital Adjustment Account	1,481
<b>R(51,888)</b>	<b>Balance at 31 March</b>	<b>(49,346)</b>

## 17.2 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 enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert 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 enhancement.

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.

2008/09 £000	2009/10 £000		2010/11 £000
(53,998)	R (55,740)	<b>Balance at 1 April</b>	(50,419)
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income:</b>	
	6,560	Charges for depreciation and impairment of non-current assets	5,610
	7,253	Revaluation losses on Property, Vehicles, Plant and current assets	1,699
	135	Amortisation of intangible assets	119
	-	Revenue Expenditure funded from capital under statute	-
	R 4	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(53,998)	R (41,788)		(42,991)
	R (67)	Adjusting amounts written out of the Revaluation Reserve	(1,481)
(53,998)	R (41,855)	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	(44,472)
	(1,370)	<b>Capital financing applied in the year:</b>	
	-	Use of the Capital Receipts Reserve to finance new capital Expenditure	-
	-	Use of the Major Repairs Reserve to finance new capital Expenditure	-
R (1,742)	R (1,127)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,748)

	-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
	(1,910)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,371)
	(4,157)	Capital Expenditure charged against the General Fund	(1,848)
R (55,740)	R (50,419)		(52,439)
	-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
	-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>R (55,740)</b>	<b>R (50,419)</b>	<b>Balance at 31 March</b>	<b>(52,439)</b>

### 17.3 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 Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2008/2009 £000</b>	<b>2009/2010 £000</b>		<b>2010/2011 £000</b>
818,297	R 849,067	Balance at 1 April	1,229,909
R 30,770	R 338,930	Actuarial gains or losses on pensions assets and liabilities	(57,922)
	R 75,030	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(36,741)
	(14,842)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,378)
	(18,276)	Gains	(16,986)
<b>R 849,067</b>	<b>R 1,229,909</b>	<b>Balance at 31 March</b>	<b>1,103,882</b>

## 17.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/2010 £000		2010/2011 £000
219	<b>Balance 1<sup>st</sup> April</b>	<b>(114)</b>
(333)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	68
<b>(114)</b>	<b>Balance 31<sup>st</sup> March</b>	<b>(46)</b>

## 17.5 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, egg 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.

2008/2009 £000	2009/2010 £000		2010/2011 £000	
			£000	£000
0	2,273	<b>Balance 1<sup>st</sup> April</b>		<b>2,296</b>
	(2,273)	Settlement or cancellation of accrual made at the end of the preceding year	(2,296)	
2,273	2,296	Amounts accrued at the end of the current year	2,190	
	23	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(106)
<b>2,273</b>	<b>2,296</b>	<b>Total</b>		<b>2,190</b>

## 18. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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The cash flows for operating activities include the following items:

2009/2010 £000		2010/2011 £000
(1,457)	Interest received	(385)
3060	Interest paid	2,983

## 19. CASH FLOW STATEMENT - INVESTING ACTIVITIES

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2009/2010 £000		2010/2011 £000
7,012	Purchase of property, vehicles, plant and equipment, investment property and intangible assets	3,453
(42)	Proceeds from the sale of property, vehicles	(27)
(1,127)	Capital Grants Received	(1,599)
<b>5,843</b>	<b>Net cash flows from investing activities</b>	<b>1,827</b>

## 20. CASH FLOW STATEMENT - FINANCING ACTIVITIES

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2009/2010 £000		2010/2011 £000
1,893	Repayments of short- and long-term borrowing	1,834

## 21. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and Expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Corporate Board on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and Expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

### West Midlands Fire Service Service Information For the year ended 31 March 2011

	F&R Operations £000s	Community Safety £000s	Total £000s
Fees, charges & other service income	(1,442)	(1,012)	<b>(2,454)</b>
Government grants	(2,849)	(1,164)	<b>(4,013)</b>
<b>Total Income</b>	<b>(4,291)</b>	<b>(2,176)</b>	<b>(6,467)</b>
Employee expenses	65,958	14,070	<b>80,028</b>
Other operating expenses	6,908	2,057	<b>8,965</b>
Support Service Recharges	19,047	3,746	<b>22,793</b>
<b>Total operating expenses</b>	<b>91,913</b>	<b>19,873</b>	<b>111,786</b>
<b>Net Cost of Services</b>	<b>87,622</b>	<b>17,697</b>	<b>105,319</b>

### West Midlands Fire Service Service Information For the year ended 31 March 2010

	F&R Operations £000s	Community Safety £000s	Total £000s
Fees, charges & other service income	(1,268)	(1,049)	<b>(2,317)</b>
Government grants	(2,416)	(682)	<b>(3,098)</b>
<b>Total Income</b>	<b>(3,684)</b>	<b>(1,731)</b>	<b>(5,415)</b>
Employee expenses	68,556	13,245	<b>81,801</b>
Other operating expenses	5,971	1,782	<b>7,753</b>
Support Service Recharges	20,972	3,491	<b>24,463</b>
<b>Total operating expenses</b>	<b>95,499</b>	<b>18,518</b>	<b>114,017</b>
<b>Net Cost of Services</b>	<b>91,815</b>	<b>16,787</b>	<b>108,602</b>

These segments do not represent the way monitoring reports are reported to the Authority's Corporate Board.

## Reconciliation of Income and Expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2009/10</b> <b>£000s</b>	<b>2010/11</b> <b>£000s</b>
Cost of Services in Service Analysis	<b>108,602</b>	<b>105,319</b>
Add services not included in main analysis	2,286	2,002
Add amounts not reported to management	30,751	(94,418)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(14,842)	(14,378)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>126,797</b>	<b>(1,475)</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

**West Midlands Fire Service  
Service Information  
For the year ended 31 March 2011**

**Reconciliation to Subjective  
Analysis**

	<b>Service Analysis</b>	<b>Services not in Analysis</b>	<b>Not reported to mgmt</b>	<b>Not included in I&amp;E</b>	<b>Allocation of Recharges</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, charges & other service income	(2,454)	(120)	0	0	0	<b>(2,574)</b>	0	<b>(2,574)</b>
Surplus or deficit on associates and joint ventures	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Interest and investment income	0	0	0	0	0	<b>0</b>	(326)	<b>(326)</b>
Income from council tax	0	0	0	0	0	<b>0</b>	(38,199)	<b>(38,199)</b>
Government grants and contributions	(4,013)	0	0	0	0	<b>(4,013)</b>	(101,547)	<b>(105,560)</b>
<b>Total Income</b>	<b>(6,467)</b>	<b>(120)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,587)</b>	<b>(140,072)</b>	<b>(146,659)</b>
Employee expenses	80,028	1712	(101,847)	(14,378)	14,999	<b>(19,486)</b>	0	<b>(19,486)</b>
Other service expenses	8,965	602	0	0	7,602	<b>17,169</b>	0	<b>17,169</b>
Support Service recharges	22,793	(192)	0	0	(22,601)	<b>0</b>	0	<b>0</b>
Depreciation, amortisation and impairment	0	0	7,429	0	0	<b>7,429</b>	0	<b>7,429</b>
Pensions Interest Cost and expected Return on Pension Assets	0	0	0	0	0	<b>0</b>	65,106	<b>65,106</b>
Interest Payments	0	0	0	0	0	<b>0</b>	2,855	<b>2,855</b>
Precepts & Levies	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	<b>0</b>	(124)	<b>(124)</b>
<b>Total operating expenses</b>	<b>111,786</b>	<b>2,122</b>	<b>(94,418)</b>	<b>(14,378)</b>	<b>0</b>	<b>5,112</b>	<b>67,837</b>	<b>72,949</b>
<b>Surplus or deficit on the provision of services</b>	<b>105,319</b>	<b>2,002</b>	<b>(94,418)</b>	<b>(14,378)</b>	<b>0</b>	<b>(1,475)</b>	<b>(72,235)</b>	<b>(73,710)</b>

**West Midlands Fire Service  
Service Information  
For the year ended 31 March 2010**

**Reconciliation to Subjective Analysis**

	<b>Service Analysis</b>	<b>Services not in Analysis</b>	<b>Not reported to mgmt</b>	<b>Not included in I&amp;E</b>	<b>Allocation of Recharges</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, charges & other service income	(2,317)	(210)	0	0	0	<b>(2,527)</b>	0	<b>(2,527)</b>
Surplus or deficit on associates and joint ventures	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Interest and investment income	0	0	0	0	0	<b>0</b>	(385)	<b>(385)</b>
Income from council tax	0	0	0	0	0	<b>0</b>	(37,418)	<b>(37,418)</b>
Government grants and contributions	(3,098)	0	0	0	0	<b>(3,098)</b>	(99,303)	<b>(102,401)</b>
<b>Total Income</b>	<b>(5,415)</b>	<b>(210)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,625)</b>	<b>(137,106)</b>	<b>(142,731)</b>
Employee expenses	81,801	1,983	16,804	(14,842)	16,050	<b>101,796</b>	0	<b>101,796</b>
Other service expenses	7,753	739	0	0	8,187	<b>16,679</b>	0	<b>16,679</b>
Support Service recharges	24,463	(226)	0	0	(24,237)	<b>0</b>	0	<b>0</b>
Depreciation, amortisation and impairment	0	0	13,947	0	0	<b>13,947</b>	0	<b>13,947</b>
Pensions Interest Cost and expected Return on Pension Assets	0	0	0	0	0	<b>0</b>	58,226	<b>58,226</b>
Interest Payments	0	0	0	0	0	<b>0</b>	3,002	<b>3,002</b>
Precepts & Levies	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	<b>0</b>	(93)	<b>(93)</b>
<b>Total operating expenses</b>	<b>114,017</b>	<b>2,496</b>	<b>30,751</b>	<b>(14,842)</b>	<b>0</b>	<b>132,422</b>	<b>61,135</b>	<b>193,557</b>
<b>Surplus or deficit on the provision of services</b>	<b>108,602</b>	<b>2,286</b>	<b>30,751</b>	<b>(14,842)</b>	<b>0</b>	<b>126,797</b>	<b>(75,971)</b>	<b>50,826</b>

## 22. OFFICERS' REMUNERATION

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

		Salary	Expenses	Benefits	Total	Pension	Total
			Allowances	In Kind	( ex pension)		(inc pension)
2009/2010							2010/2011
£		£	£	£	£	£	£
	<b>Senior Officer whose salary is £150,000 or more per year:</b>						
201,109	Chief Fire Officer – Vij Randeniya	161,600	1,344	-	162,944	34,583	197,527
	<b>Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:</b>						
160,755	Deputy Chief Fire Officer	129,280	1,419	-	130,699	27,537	158,236
151,986	Assistant Chief Fire Officer (Note 1)	56,897	935	-	57,832	11,832	69,664
*	Director of Technical Support (Note 2)	98,280	1,419	-	99,699	20,979	120,678
149,161	Assistant Chief Fire Officer (Note 3)	91,793	550	2,514	94,857	19,637	114,494
*	Director of Operations (Note 4)	73,218	1,419	-	74,637	15,527	90,164
119,853	Director of Corporate Services	101,000	180	2,847	104,027	14,948	118,975
117,596	Director of Human Resources	101,000	180	2,544	103,724	14,948	118,672
99,930	Director of Finance & Procurement	86,632	1,419	-	88,051	12,822	100,873
1,000,390		899,700	8,865	7,905	916,470	172,813	1,089,283

Note 1 Retired 19<sup>th</sup> September 2010.

Note 2 Promoted to Director of Technical Support from 1<sup>st</sup> September 2010.

Note 3 Seconded to Hereford and Worcester Fire Authority from 2<sup>nd</sup> July 2010.

Note 4 Promoted to Director of Operations from 31<sup>st</sup> January 2011.

\* Comparatives are not shown for 2009/2010 as not a member of the Corporate Board.

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

Remuneration band	2009/10	2010/11
	Number of employees	Number of employees
£ 50,000 to £ 54,999	20	13
£ 55,000 to £ 59,999	16	20
£ 60,000 to £ 64,999	11	9
£ 65,000 to £ 69,999	7	7
<b>Total</b>	<b>54</b>	<b>49</b>

The table excludes senior employees who are members of the Corporate Board.

### 23. MEMBERS' ALLOWANCES

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

2009/2010 £000		2010/2011 £000
-	Salaries	-
235	Allowances	227
3	Expenses	5
<b>238</b>	<b>Total</b>	<b>232</b>

### 24. EXTERNAL AUDIT COSTS

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Fees payable to the Audit Commission with regards to external audit services:

2009/2010 £000		2010/2011 £000
60	Fees payable for the audit of the annual accounts	67
28	Fees payable for the Value for Money conclusion	20
<b>88</b>	<b>Total</b>	<b>87</b>

## 25. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

	2009/10 £000	2010/11 £000
<b><i>Credited to Taxation and Non Specific Grant Income:</i></b>		
Revenue Support Grant	14,983	10,247
Redistributed Business Rates	64,916	70,566
Pension Top up Grant	18,276	16,986
Capital Grant	1,127	1,629
New Dimension Assets Donation	-	2,119
<b>Total</b>	<b>99,302</b>	<b>101,547</b>
<b><i>Credited to Services:</i></b>		
Fire Control Projects	1,345	1,704
New Dimension Training Crewing and Accommodation	1,022	1,074
Sandwell Partnerships	27	276
Future Job Schemes	51	222
Other Birmingham Partnerships	303	150
Road Casualty Reduction	191	140
Safeside	54	130
Migration Impact Fund	30	67
New Risks s29 Grant	0	66
Family Learning	38	57
Other Partnerships	38	127
<b>Total</b>	<b>3,099</b>	<b>4,013</b>
<b><i>Credited to Support Services:</i></b>		
Fire Control Projects	0	142
Fire Reduction Partnership	0	173
Other Partnerships	17	0
<b>Total</b>	<b>17</b>	<b>315</b>

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

	31 March 2011 £000
<b><i>Grants - Receipts in Advance:</i></b>	
Fire Control Projects Implementation	920

Following the termination of the UK wide FiReControl project in 2010/11, any surplus of grant held as at the 31<sup>st</sup> March 2011 by the Authority to assist in the delivery of the West Midlands Regional Fire Control Centre has now been reflected as a Receipt in Advance with the view that this excess will be returned to the Department for Communities and Local Government during 2011/12.

## 26. RELATED PARTIES

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

Letters have been sent to Officers and Councillors asking them to identify whether they have any relationships with related parties. One Councillor has this type of relationship, an interest as an Alternate Director in NEC Group Limited. The value of creditor invoices paid to the group is £12k and there were no sales invoices.

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

<b>Related Party</b>	<b>Nature of Transaction</b>	<b>Receipts £000's</b>
Central Government	Revenue Support Grant	10,247
	N.N.D.R. Grant	70,566
West Midland Local Authorities	Precept/collection fund surplus/deficit	38,199

## 27. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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 Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movements in the CFR is analysed in the second part of this note.

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<i>Opening Capital Financing Requirement</i>	49,831	52,352
<i>Capital investment</i>		
Property, Vehicles, Plant and Equipment	6,647	3,477
Investment Properties	-	-
Intangible Assets	7	-
Revenue Expenditure Funded from Capital under Statute	-	-
<i>Sources of finance</i>		
Capital Receipts	(1,370)	-
Government grants and other contributions	(1,127)	(1,629)
Sums set aside from revenue:		
- Direct Revenue Contributions	(4,157)	(1,848)
- MRP/loans fund principal	(1,910)	(2,371)
Deferral of Supported Borrowing to future years	4,431	8,990
<i>Closing Capital Financing Requirement</i>	52,352	58,971

<i>Movements in year</i>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
MRP/loans fund principal	(1,910)	(2,371)
Deferral of Supported Borrowing to future years	4,431	8,990
Increase in underlying need to borrowing (supported by government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	-
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
<i>Increase/(decrease) in Capital Financing Requirement</i>	<b>2,521</b>	<b>6,619</b>

## **28. LEASES**

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### **Authority as Lessee (Renter of an asset)**

#### **Finance Leases**

The Authority does not have any Finance leases.

#### **Operating Leases – Cancellable**

The Authority has entered into a 25 year contract in October 2008 with Network rail for the lease of four railway arches which can be cancelled, without penalty, by giving six months notice. For 2010/11 the costs is £22.4k. Leases at peppercorn rentals for land at Bickenhill Fire Station, Stone House Lane and Vauxhall Road exists with Birmingham City Council.

The Authority has a five year contract, with Xerox, for a leased photocopier which has a total contact cost of £6.5k (£1.3k per annum). It is anticipated that this agreement will cease in July 2011.

#### **Authority as Lessor (owner of an asset)**

The Authority does not have any of these.

## **29. IMPAIRMENT LOSSES**

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All property and land assets were valued at 31<sup>st</sup> March 2011. Some valuations have increased whilst others have reduced. Where a loss occurs, the regulations require firstly a charge against specific revaluation provisions. If there are none then it is charged directly to the Comprehensive Income and Expenditure Statement. If the loss is greater than the credit on the revaluation provision, only the surplus is charged to the Comprehensive Income and Expenditure Statement.

During 2010/11 the value of the impairment loss was £1.088m. This is a summary position with the detail being disclosed in Note 8 which reconciles the movement over the year in the Property, Vehicles, Plant and Equipment asset balances.

## **30. TERMINATION BENEFITS**

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Some staff who were working in the former regional control centre were made redundant during the year. These staff were employed by a private company called The West Midlands Fire and Rescue Services Regional Centre Ltd and it is for them to disclose the redundancy costs within their accounts.

The Authority terminated the contracts of 8 people in 2010/11 incurring liabilities of £45k.

## **31. DEFINED BENEFIT PENSION SCHEMES**

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### **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 that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three post employment schemes:

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

### **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 Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

<b>2009/10</b>	<b>Local Government Pension Scheme £000</b>	<b>Firefighters' Pension Scheme 1992 £000</b>	<b>Firefighters' Pension Scheme 2006 £000</b>	<b>Firefighters' Compensation Scheme £000</b>
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Current Service Cost	1,388	12,400	1,660	R 1,250
Past service costs	-	-	-	-
Settlements and curtailments	106	-	-	-
Financing and Investment Income and Expenditure:				
Interest cost	3,508	52,840	440	R 3,640
Expected return on scheme assets	(2,202)	-	-	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,800</b>	<b>65,240</b>	<b>2,100</b>	<b>R 4,890</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial (gains) and losses	12,790	295,510	6,100	R 24,530
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>15,590</b>	<b>360,750</b>	<b>8,200</b>	<b>R 29,420</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(2,800)</b>	<b>(65,240)</b>	<b>(2,100)</b>	<b>R (4,890)</b>
Gain in relation to Government Grant payable to the Pension Fund on the Authority's behalf	-	20,156	(1,880)	-
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>				
Employers' contributions payable to the scheme	1,928	10,405	1,040	-
Retirement benefits payable to pensioners	-	-	-	1,470

<b>2010/11</b>	<b>Local Government Pension Scheme £000</b>	<b>Firefighters' Pension Scheme 1992 £000</b>	<b>Firefighters' Pension Scheme 2006 £000</b>	<b>Firefighters' Compensation Scheme £000</b>
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Current Service Cost	2,415	20,540	3,660	2,190
Past service costs	(4,542)	(115,450)	(1,670)	(8,990)
Settlements and curtailments	-	-	-	-
Financing and Investment Income and Expenditure:	-	-	-	-
Interest cost	4,304	58,700	880	4,340
Expected return on scheme assets	(3,118)	-	-	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(941)</b>	<b>(36,210)</b>	<b>2,870</b>	<b>(2,460)</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-	-	-	-
Actuarial (gains) and losses	(3,712)	(44,520)	150	(9,840)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,653)</b>	<b>(80,730)</b>	<b>3,020</b>	<b>(12,300)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>941</b>	<b>36,210</b>	<b>(2,870)</b>	<b>2,460</b>
Gain in relation to Government Grant payable to the Pension Fund on the Authority's behalf	-	<b>19,257</b>	<b>(2,271)</b>	-
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>				
Employers' contributions payable to the scheme	<b>1,954</b>	<b>9,853</b>	<b>1,131</b>	
Retirement benefits payable to pensioners				<b>1,440</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £57.922m.

### Assets and Liabilities in Relation to Post-employment Benefits

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

	<b>Funded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 1992 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2006 £000</b>	<b>Unfunded liabilities: Firefighters' Compensation Scheme £000</b>
	<b>2009/10</b>	<b>2009/10</b>	<b>2009/10</b>	<b>2009/10</b>
Opening balance at 1 April	(48,922)	(774,670)	(5,120)	R (53,410)
Current service cost	(1,388)	(12,400)	(1,660)	R (1,250)
Interest cost	(3,508)	(52,840)	(440)	R (3,640)
Contributions by scheme participants	(846)	-	-	-
Actuarial gains and losses	(21,046)	(295,510)	(6,100)	R (24,530)
Benefits paid	1,257	-	-	1,470
Past service costs	-	-	-	-
Entity combinations	-	-	-	-
Curtailments	(106)	-	-	-
Settlements	-	-	-	-
Employers' contributions payable to the scheme	-	10,405	1,040	-
Gain in relation to Government Grant payable to the Pension Fund on the	-	20,155	(1,880)	-
Closing balance at 31 March	(74,559)	(1,104,860)	(14,160)	R (81,360)

	<b>Funded liabilities: Local Government Pension Scheme £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 1992 £000</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme 2006 £000</b>	<b>Unfunded liabilities: Firefighters' Compensation Scheme £000</b>
	<b>2010/11</b>	<b>2010/11</b>	<b>2010/11</b>	<b>2010/11</b>
Opening balance at 1 April	(74,559)	(1,104,860)	(14,160)	(81,360)
Current service cost	(2,415)	(20,540)	(3,660)	(2,190)
Interest cost	(4,304)	(58,700)	(880)	(4,340)
Contributions by scheme participants	(838)	-	-	-
Actuarial gains and losses	3,575	44,520	(150)	9,840
Benefits paid	1,356	-	-	1,440
Past service costs	4,542	115,450	1,670	8,990
Entity combinations	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Employers' contributions payable to the scheme	-	9,853	1,131	-
Gain in relation to Government Grant payable to the Pension Fund on the Authority's behalf	-	19,257	(2,271)	-
Closing balance at 31 March	(72,643)	(995,020)	(18,320)	(67,620)

Reconciliation of fair value of the scheme (plan) assets:

	<b>Local Government Pension Scheme £000</b>	
	<b>2009/10</b>	<b>2010/11</b>
Opening balance at 1 April	33,055	45,030
Expected rate of return	2,202	3,118
Actuarial gains and losses	8,256	137
Employer contributions	1,928	1,954
Contributions by scheme participants	846	838
Benefits paid	(1,257)	(1,356)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	45,030	49,721

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2,938,000 (2009/10 £10,458,000).

#### Scheme History

	2006/07* £000	2007/08* £000	2008/09 £000	2009/10 £000	2010/11 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(50,356)	(58,158)	(48,922)	(74,559)	(72,643)
Firefighters' Pension Schemes	(983,120)	(855,640)	R(833,200)	R(1,200,380)	(1,080,960)
<b>Fair value of assets in the Local Government Pension Scheme</b>	36,831	39,538	33,055	45,030	49,721
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(13,525)	(18,620)	(15,867)	(29,529)	(22,922)
Firefighters' Pension Schemes	(983,120)	(855,640)	R(833,200)	R(1,200,380)	(1,080,960)
<b>Total</b>	(996,645)	(874,260)	R(849,067)	R(1,229,909)	(1,103,882)

\* The Authority has elected not to restate fair value of scheme assets for 2006/07 and 2007/08 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,104m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £979m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover firefighters' pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £2m. Expected contributions for the firefighters' pension schemes in the year to 31 March 2012 are £11.5m.

## **Pensions Increase**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

This has the effect of reducing the Authority's pension liabilities by £130.7m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund balance.

## **Injury Awards Restated**

The expected injury awards for active members have been valued in line with the requirements of IAS19. Under paragraph 130 of IAS19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the Firefighters' schemes are dependent on service the Government Actuary's Department have valued the liability expected to arise due to injury awards in respect of service prior to the valuation date. To be consistent the value of injury liabilities for the year ended 31 March 2009 and the year ended 31 March 2010 have been restated due to this.

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters' Pension Scheme has been assessed using an approach and model supplied by the Government Actuary's Department and certified by them on 11th May 2011. The West Midlands Metropolitan Authorities Pension Fund has been based on triennial actuarial valuations, the last review being 31<sup>st</sup> March 2010 and assessed by Mercer Human Resource Consulting. In calculating the IAS19 figures for the West Midlands Metropolitan Authorities Pension Fund the actuary assumed an investment return of 6.42% (this is based on actuals to 31<sup>st</sup> December 2010 and an estimate based on market index returns for the final quarter). The actual return for the year to the 31<sup>st</sup> March 2011 was 7.42%.

The principal assumptions used in their calculations have been:

	Local Government Pension Scheme		Firefighters' Pension Schemes	
	2009/10	2010/11	2009/10	2010/11
Long-term Expected rate of return on assets in the scheme:				
Equities	7.5%	7.5%	-	-
Government Bonds	4.5%	4.4%	-	-
Other Bonds	5.2%	5.1%	-	-
Property	6.5%	6.5%	-	-
Cash/Liquidity	0.5%	0.5%	-	-
Other	7.5%	7.5%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.2	21.6	23.3	23.4
Women	24.1	24.2	25.2	25.3
Longevity at 65 for future pensioners:				
Men	22.2	23.0	26.2	26.3
Women	25.0	25.8	28.0	28.0
Rate of inflation RPI	3.5%	3.4%	3.9%	3.8%
Rate of inflation CPI	3.0%	2.9%	3.1%	3.0%
Rate of increase in salaries	5.25%	4.65%	5.4%	5.3%
Rate of increase in pensions	3.5%	2.9%	3.9%	3.0%
Rate for discounting scheme liabilities	5.7%	5.5%	5.8%	5.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	*90%	*90

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

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

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

	<b>31<sup>st</sup> March 2010</b>	<b>31<sup>st</sup> March 2011</b>
	<b>%</b>	<b>%</b>
Equities	53.7	59.1
Government Bonds	7.9	8.2
Other Bonds	6.0	5.9
Property	7.2	8.5
Cash/Liquidity	1.4	2.1
Other	23.8	16.2
	<b>100.0</b>	<b>100.0</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	<b>Local Government Pension Scheme</b>	<b>Firefighters' Pension Scheme 1992</b>	<b>Firefighters' Pension Scheme 2006</b>	<b>Firefighters' Compensation Scheme</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>2006/07</b>				
Differences between the expected and actual return on assets	0.9	-	-	-
Experience gains and losses on liabilities	-	1.2	7.8	(1.2)
<b>2007/08</b>				
Differences between the expected and actual return on assets	(2.7)	-	-	-
Experience gains and losses on liabilities	(1.5)	0.9	(18.3)	0.7
<b>2008/09</b>				
Differences between the expected and actual return on assets	(32.7)	-	-	-
Experience gains and losses on liabilities	-	1.1	(12.1)	R 2.2
<b>2009/10</b>				
Differences between the expected and actual return on assets	18.3	-	-	-
Experience gains and losses on liabilities	-	3.7	8.7	R (4.3)
<b>2010/11</b>				
Differences between the expected and actual return on assets	0.3	-	-	-
Experience gains and losses on liabilities	0.4	3.7	(4.9)	8.8

## Assumptions Made about the Future and Other Major Sources of Estimation uncertainty – Pensions Liability

### Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.

### Effect if actual results differ from assumptions

A sensitivity analysis for the West Midlands Metropolitan Authorities Pension Fund as at 31 March 2011 is shown below:

Disclosure item		+0.1% p.a. discount rate	+0.1% p.a. salary inflation	+0.1% p.a. expected return on equities	1 year addition to members' life expectancy
	£000	£000	£000	£000	£000
Liabilities as at 31 March 2011	72,643	71,186	73,262	72,643	74,327
Assets as at 31 March 2011	(49,721)	(49,721)	(49,721)	(49,721)	(49,721)
Deficit/(Surplus) as at 31 March 2011	22,922	21,465	23,541	22,922	24,606
Projected Current Service Cost for year commencing 1 April 2011	2,149	2,070	2,191	2,149	2,198
The above figure is based on a percentage rate applied to payroll. The Percentage rate is:	16.7%	16.1%	17.0%	16.7%	17.1%
The projected pensionable payroll used in the above calculation is:	12,868	12,868	12,868	12,868	12,868
Projected Expected Return on Assets for year commencing 1 April 2011	(3,398)	(3,398)	(3,398)	(3,425)	(3,398)
Projected Interest Cost for year commencing 1 April 2011	4,040	4,030	4,075	4,040	4,134

The table below shows the indicative impact on the total liability as at 31 March 2011 for the Firefighters' Pension Scheme.

<b>Change in assumption*</b>	<b>Approximate effect on total liability</b>
<i>Rate of Return:</i>	
(i) in excess of earnings: -0.5% a year	+2.5%
(ii) in excess of pensions: -0.5% a year	+7.5%
<i>Pensioner mortality:</i>	
(iii) pensioners living (on average) 2 years longer:	+4%

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

In variant (i), the assumed rate of return in excess of pension increases remains unchanged, and in variant (ii), the assumed rate of return in excess of earnings remains unchanged.

### **32. CONTINGENT LIABILITIES**

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Contingent liabilities are possible future liabilities that will only become certain on the occurrence of some future event. A contingent liability is less certain than a provision - the latter is expected to occur. Due to uncertainty about future events, these liabilities are not shown on the balance but are disclosed within the notes.

The Authority does not have any of these and therefore further disclosures are not needed.

### **33. CONTINGENT ASSETS**

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An asset in which the possibility of an economic benefit depends solely upon future events that can't be controlled by the Authority. Due to the uncertainty of the future events, these assets are not placed on the Balance Sheet but are disclosed within the notes.

The Authority does not have any of these and therefore further disclosures are not needed.

### 34. LOANS OUTSTANDING

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

	<u>2008/ 2009</u>	<u>2009/ 2010</u>	<u>2010/2011</u>
	£	£	£
Sandwell M.B.C.	44,395,648	42,619,822	40,915,029
Dudley M.B.C.	<u>4,761,322</u>	<u>4,643,888</u>	<u>4,514,711</u>
	<u>49,156,970</u>	<u>47,263,710</u>	<u>45,429,740</u>

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

2009/10 £000's			2010/11 £000's	
1992	2006		1992	2006
		<b>Contributions Receivable</b>		
		From Fire Authority		
(10,333)	(1,043)	Normal	(9,777)	(1,134)
(74)	-	Early Retirements	(85)	-
(5,313)	(807)	From Firefighters' Contributions	(5,027)	(877)
		<b>Transfers in</b>		
(5)	(30)	Individual	(287)	(260)
		<b>Benefits Payable</b>		
26,396	-	Pensions	27,546	-
9,160	-	Commutations and lump sum retirement benefits	6,858	-
122	-	Lump sum death benefits	-	-
		<b>Payments to and on account of leavers</b>		
203	-	Individual transfers	29	-
<b>20,156</b>	<b>(1,880)</b>	<b>Net amount payable for the year</b>	<b>19,257</b>	<b>(2,271)</b>
<b>(20,156)</b>	<b>1,880</b>	<b>Top up Grant payable by the Government</b>	<b>(19,257)</b>	<b>2,271</b>

1 April 2009 £000's	2009/10 £000's	NET ASSETS STATEMENT	2010/11 £000's
(1,766)	-	Unpaid pensions due	-
-	(592)	Top-up payable to the Government	-
4,188	4,076	Top-up receivable from the Government	75
(2,372)	(3,484)	Amount owing to General Fund	(75)
(50)	-	Death Grant Payable	-
-	-		-

## NOTES TO THE PENSION FUND ACCOUNT

The fund was established at 1<sup>st</sup> April 2006 under the Firefighters' Pension Scheme (Amendment) England Order 2006 and covers both the 1992 and 2006 Firefighters' Pension Schemes. Before 1<sup>st</sup> April 2006 the Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. The Firefighters' Pension Schemes remain unfunded and consequently the fund has no investment assets. Benefits are funded by contributions from the Authority and employees and any difference between benefits payable and contributions receivable is met by top-up grant from the CLG.

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

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the CLG and are subject to triennial revaluation by the Government Actuary's Department. The contribution rates for 2010/11 are shown in the table below.

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

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

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

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the 31<sup>st</sup> March 2011. For further information on the liability to pay pensions see Note 31.

The Code of Practice on Local Authority Accounting prevents fire authorities from reporting IAS19 data within the fund accounts. Therefore the value of the net assets statement at 1 April 2009 is the same as at 31 March 2009.

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.

There were no material changes to the pension fund accounts as a result of IFRS transition.

## **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 fixed assets is separated from accounting for their financing. This is one of two reserves that help to manage this separation. It provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

### ***Capital Expenditure***

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

### ***Capital Receipt***

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

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

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

### ***Creditor***

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

### ***Current Assets***

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

### ***Current Liabilities***

Amounts falling due for payment in the next accounting period.

### ***Current Service Cost (Pensions)***

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

### ***Debtor***

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

**Deferred Liability**

Amounts owed to outside bodies to be paid in predetermined installments 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.

**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.

**Financial Reporting Standards (FRS)**

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

**Fixed Asset**

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

**General Fund**

The total services of the Authority, the net cost of which is met by Precepts, Government Grants and NNDR.

**Government Grants**

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

**Government Grants Deferred Account**

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

**Impairment**

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

***Interest Cost (Pensions)***

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

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

The new set of accounting standards that has been introduced across the private and public sector. IFRS requires the adoption of thirty-nine accounting standards and is being introduced to all Fire Authorities, from 1<sup>st</sup> April 2010.

***Liabilities***

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

***Long term Debtors***

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

***Materiality***

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

***Minimum Revenue Provision***

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

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

Rates which are levied on business properties.

***Net Book Value***

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

***Net Realisable Value***

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

***Non Operational Assets***

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

***Operational Assets***

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

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

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

**Precept**

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

**Provisions**

Amounts set aside to meet future liabilities arising from past events.

**Related Party**

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 Midland Local Authorities.

Members of the Authority or parties related to them.

Chief Officer or parties related to them.

**Reserves**

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

**Revaluation Reserve**

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

**Revenue Support Grant (RSG)**

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

**SORP – Statement of Recommended Practice**

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

**Stock in Hand**

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

