

**The report is Not Exempt**

**The report is for Decision**

**REPORT TO: FIRE AUTHORITY**

**MEETING DATE:** 18 March  
2019

**SUBJECT:**

**Statement of Accounts for 2017-18 including the Annual Governance Statement**

**SUMMARY**

As per the Accounts and Audit (Wales) Regulations 2014 the Fire and Rescue Authority is required to approve the final Statement of Accounts annually. The Accounts presented provide a summary of the financial position of the Fire and Rescue Authority for the year ended 31 March 2018.

The Statement of Accounts for 2017-18 as presented, at Appendix 1, is inclusive of amendments agreed with WAO as part of their audit.

The Accounts and Audit (Wales) Regulations 2014 do not make reference to an Annual Governance Statement (AGS). However, in its guidance on the Accounts and Audit (Wales) Regulations 2014, the Welsh Government anticipates that relevant bodies will prepare an AGS on internal control and consider that CIPFA's Delivering Good Governance in Local Government: Framework best represents proper practices in relation to the statement of internal control which requires an AGS to be produced. The Accounts and Audit (Wales) Regulations 2014 requires the AGS to accompany the Statement of Accounts.

The AGS for the year ended 31st March 2018 was reported to Performance, Audit and Scrutiny Committee on 5<sup>th</sup> November 2018. The AGS has been updated and is included at Appendix 2.

**RECOMMENDATIONS:**

That the Fire and Rescue Authority receive and approve the audited Statement of Accounts for 2017-18 including the Annual Governance Statement.

| <b>REPORT APPROVAL</b>                               |  |
|--|--|
| <b>Clerk/Monitoring Officer:</b>                     | <b>Comments:</b> Approved<br><b>Date:</b> 11.03.19 |
| <b>Relevant Director:</b>                            | <b>Comments:</b> Approved<br><b>Date:</b> 08.03.19 |
| <b>Section 151 Officer /Treasurer:</b>               | <b>Comments:</b> Approved<br><b>Date:</b> 11.03.19 |
| <b>Chief Fire Officer/ Deputy Chief Fire Officer</b> | <b>Comments:</b> Approved<br><b>Date:</b> 10.03.19 |

| <b>BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:</b>  |
|---|
| The Authority's Code of Corporate Governance<br>Accounts and Audit (Wales) Regulations 2014<br>CIPFA Code of Practice on Local Authority Accounting in the United Kingdom<br>CIPFA's Delivering Good Governance in Local Government: Framework<br>Internal and external audit reports |

|                                  |                                     |
|----------------------------------|-------------------------------------|
| Presenting the Report:           | Chris Moore<br>Section 151 Officer  |
| Report Author(s) and Designation | Sarah Mansbridge<br>Head of Finance |
| Date original report written     | 22/02/2019                          |

**Mae'r Adroddiad Heb ei eithrio****Mae'r Adroddiad AR GYFER PENDERFYNIAD****ADRODDIAD I'R: AWDURDOD TÂN****DYDDIAD Y CYFARFOD : 18**  
Mawrth 2019**TESTUN: Datganiad o Gyfrifon ar gyfer 2017-18, gan gynnwys y Datganiad Llywodraethu Blynyddol****CRYNODEB:**

Yn unol â Rheoliadau Cyfrifon ac Archwilio (Cymru) 2014, mae'n ofynnol i'r Awdurdod Tân ac Achub gymeradwyo'r Datganiad o Gyfrifon terfynol yn flynyddol. Mae'r Cyfrifon a gyflwynwyd yn rhoi crynodeb o sefyllfa ariannol yr Awdurdod Tân ac Achub ar gyfer y flwyddyn a ddaeth i ben ar 31 Mawrth 2018.

Mae'r Datganiad o Gyfrifon ar gyfer 2017-18, fel y'i cyflwynwyd yn Atodiad 1, yn cynnwys diwygiadau y cytunwyd arnynt â Swyddfa Archwilio Cymru, yn rhan o'i harchwiliad.

Nid yw Rheoliadau Cyfrifon ac Archwilio (Cymru) 2014 yn cyfeirio at Ddatganiad Llywodraethu Blynyddol. Fodd bynnag, yn ei arweiniad ar Reoliadau Cyfrifon ac Archwilio (Cymru) 2014, mae Llywodraeth Cymru yn rhag-weld y bydd cyrff perthnasol yn paratoi Datganiad Llywodraethu Blynyddol ar reolaeth fewnol, ac yn ystyried mai Fframwaith y Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifyddiaeth (CIPFA): Cyflawni Llywodraethu Da mewn Llywodraeth Leol sy'n cynrychioli'r arferion priodol orau mewn perthynas â'r datganiad o reolaeth fewnol, sef datganiad sy'n ei gwneud yn ofynnol i Ddatganiad Llywodraethu Blynyddol gael ei lunio. Mae Rheoliadau Cyfrifon ac Archwilio (Cymru) 2014 yn ei gwneud yn ofynnol i'r Datganiad Llywodraethu Blynyddol gael ei gyflwyno ar y cyd â'r Datganiad o Gyfrifon.

Adroddwyd am Ddatganiad Llywodraethu Blynyddol y flwyddyn a ddaeth i ben ar 31 Mawrth 2018 i'r Pwyllgor Archwilio a Chraffu ar Berfformiad ar 5 Tachwedd 2018. Mae'r Datganiad Llywodraethu Blynyddol wedi cael ei ddiweddarau ac yn cael ei gynnwys yn Atodiad 2.

**ARGYMHELLION:**

Bod y Gwasanaeth Tân ac Achub yn cael ac yn cymeradwyo'r Datganiad o Gyfrifon archwiliedig ar gyfer 2017-18, gan gynnwys y Datganiad Llywodraethu Blynyddol.

| <b>CYMERADWYO'R ADRODDIAD</b>                              |   |
|--|---|
| <b>Clerc:</b>  | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 11.03.19</b> |
| <b>Cyfarwyddwr:</b>  | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 08.03.19</b> |
| <b>Cyllid/Trysorydd:</b>                                   | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 11.03.19</b> |
| <b>Prif Swyddog Tân /<br/>Dirprwy Brif<br/>Swyddog Tân</b> | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 10.03.19</b> |

|  |
|--|
| <p><b>PAPURAU CEFNDIR A DDEFNYDDIWDYD WRTH BARATOI'R ADRODDIAD HWN:</b><br/> Cod Llywodraethu Corfforaethol yr Awdurdod<br/> Rheoliadau Cyfrifon ac Archwilio (Cymru) 2014<br/> Cod ymarfer y Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifyddiaeth ar gyfer Cadw<br/> Cyfrifon Awdurdodau Lleol yn y Deyrnas Unedig<br/> Fframwaith y Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifyddiaeth (CIPFA):<br/> Cyflawni Llywodraethu Da mewn Llywodraeth Leol<br/> Adroddiadau archwilio mewnol ac allanol</p> |
|--|

|   |                                     |
|---|-------------------------------------|
| Yn cyflwyno'r Adroddiad:                        | Chris Moore<br>Swyddog A151         |
| Awdur(on) yr Adroddiad a'u Swyddi               | Sarah Mansbridge<br>Pennaeth Cyllid |
| Dyddiad yr ysgrifennwyd yr adroddiad gwreiddiol | 22/02/2019                          |

**REPORT TO THE FIRE AUTHORITY**  
**18 MARCH 2019**  
**STATEMENT OF ACCOUNTS FOR 2017-18 INCLUDING THE ANNUAL GOVERNANCE**  
**STATEMENT**

**1 Summary**

- 1.1 As per the Accounts and Audit (Wales) Regulations 2014 the Fire and Rescue Authority is required to approve the final Statement of Accounts annually. The Accounts presented provide a summary of the financial position of the Fire and Rescue Authority for the year ended 31 March 2018.
- 1.2 The Statement of Accounts for 2017-18 as presented, at Appendix 1, is inclusive of amendments agreed with WAO as part of their audit.
- 1.3 The Accounts and Audit (Wales) Regulations 2014 do not make reference to an Annual Governance Statement (AGS). However, in its guidance on the Accounts and Audit (Wales) Regulations 2014, the Welsh Government anticipates that relevant bodies will prepare an AGS on internal control and consider that CIPFA's Delivering Good Governance in Local Government: Framework best represents proper practices in relation to the statement of internal control which requires an AGS to be produced. The Accounts and Audit (Wales) Regulations 2014 requires the AGS to accompany the Statement of Accounts.
- 1.4 The AGS for the year ended 31st March 2018 was reported to Performance, Audit and Scrutiny Committee on 5<sup>th</sup> November 2018. The AGS has been updated and is included at Appendix 2.

**2 National/Wales Position**

- 2.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 and its content is defined by the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code) and CIPFA's Service Reporting Code of Practice (SERCOP).
- 2.2 The production of an Annual Governance Statement is considered to be good practice and is undertaken by all Fire Authorities and Local Authorities in Wales.

**3 Mid and West Wales Fire and Rescue Service Current Position**

- 3.1 The Fire Authority is required to approve and sign an audited set of accounts by 30th September each year. Due to the delays with the completing the audit of prior years' Statement of Accounts it has not been possible to comply with the deadlines set out in the Accounts and Audit (Wales) Regulations 2014.
- 3.2 A revised timescale for completing the 2017-18 Statements of Accounts was agreed with the Wales Audit Office.
- 3.3 A draft Statement of Accounts for 2017-18 was provided to Wales Audit Office on 3<sup>rd</sup> December 2018.
- 3.4 The AGS was provided to Wales Audit Office after the meeting of the Performance, Audit and Scrutiny Committee held on 5<sup>th</sup> November 2018.

3.5 Wales Audit Office recommended that the AGS be updated inline with CIPFA's Delivering Good Governance in Local Government: Framework. The updated AGS is included at Appendix 2.

3.6 The Statements of Accounts are now up to date and it is anticipated that the Authority will now be able to comply with early closure deadlines set out in the Accounts and Audit (Wales) Regulations 2014.

#### **4 Proposal**

4.1 The audited Mid and West Wales Fire and Rescue Authority Statement of Accounts 2017-18 and the AGS 2017-18 for approval are included at Appendix 1 and 2.

4.2 Following approval, the Statement of Accounts 2017-18 will be certified by the Auditor General.

4.3 The final Statement of Accounts will be published on the Authority's website following Fire and Rescue Authority approval and after signature by the Chair and Section 151 Officer.

#### **5 Financial/Procurement Implications**

5.1 The financial position of the Authority at the 31<sup>st</sup> March 2018 is as reported in the Statement of Accounts 2017-18 at Appendix 1.

#### **6 Risk Assessment/Legal Implications**

6.1 Under the Accounts and Audit (Wales) Regulations 2014 the responsible finance officer is required to re-certify the financial statements as being true and fair prior to their presentation to the Authority for approval. The responsible finance officer has re-certified the financial statements.

6.2 The process by which this Code of Corporate Governance is maintained effects a reduction in risk for the Authority

#### **7 Equality and Diversity Including Welsh Language**

7.1 The Code of Corporate Governance involves the majority of the Authority's strategies and governance arrangements and as such will have been equality impact assessed in their production.

#### **8 Human Resource and People Development**

8.1 Considered not relevant.

#### **9 Information and Communications Technology (ICT)**

9.1 Considered not relevant.

#### **10 Estates**

10.1 Considered not relevant.

## **11 Service Delivery**

11.1 Considered not relevant.

## **12 Fire Authority Governance**

12.1 Under Article 4 of the Constitution it is for the Fire and Rescue Authority to approve the Annual Statement of Accounts.

12.2 This report forms part of the Governance arrangements that allows the Section 151 Officer, Chief Fire Officer and Chair of the Fire Authority to sign the Annual Governance Statement and the Statement of Accounts.

## **13 Consultation & Communication**

13.1 WAO and officers of Mid and West Wales Fire and Rescue Service have communicated throughout the audit, culminating in the final Statement of Accounts for 2017-18.

13.2 Audits will have been undertaken in consultation with many relevant officers. Some audits will have commented on the extent of the Authority's consultation and engagement with our communities. As recommended by the Wales Audit Office (WAO), staff have had extensive involvement in the Corporate Assurance process.

## **14 Evaluation**

14.1 Considered not relevant.

## **15 Well-being of Future Generations (Wales) Act 2015**

15.1 The annual accounts process is completed having regard for the Well Being of Future Generations Wales Act. The Statement of Accounts is prepared on a going concern basis. It is the financial report which mirrors the performance of Authority and its achievement of corporate objectives. The Annual Governance Statement includes a Well-being Statement

## **16 Data Protection and Privacy Issues**

16.1 The report does not include personal information concerning individuals other than where information is provided as required under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2017-18.

## **17 Recommendations**

17.1 That the Fire and Rescue Authority receive and approve the audited Statement of Accounts for 2017-18 including the Annual Governance Statement.

**MID AND WEST WALES  
FIRE AND RESCUE AUTHORITY**



**STATEMENT OF ACCOUNTS**

**2017/18**



**STATEMENT OF ACCOUNTS****PAGE**

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## **Narrative Report**

Operational guidance for Fire and Rescue Authorities in Wales is detailed in the Fire and Rescue National Framework which has been produced by Welsh Government. The National Framework seeks to expand the role of Fire and Rescue Authorities in Wales in relation to prevention, education and engaging with the communities they serve whilst ensuring that their reactive firefighting capability is not compromised.

Mid and West Wales Fire and Rescue Authority produces annual action plans for managing down risks and improving services with an increasing emphasis on prevention and education. The Service is actively engaged in working with the communities it serves, an example of which is carrying out Home Safety checks. The Authority works in partnership with other emergency services, for example, the Welsh Ambulance Service, Dyfed Powys Police and South Wales Police are located at several of our properties, also the Welsh Ambulance Service through the Co-Responder scheme. Other schemes include our participation in the Young Firefighters' Association operated by off duty firefighters with branches across Mid and West Wales; the Phoenix project which has proved very successful with youth groups in the area; as well as participating in the new Public Services Boards formed under the Wellbeing of Future Generations Act.

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of Mid and West Wales Fire and Rescue Authority for the financial year 2017/18.

The statements and their purposes are as follows:

### **Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Authority and its officers for the preparation and approval of the Statement of Accounts.

### **Comprehensive Income and Expenditure Statement (CIES)**

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 both Expenditure and Funding Analysis and the Movement in Reserves Statement.

Fire and Rescue Authorities are considered to be "one service" entities and the "provision of Fire Services" is presented as one-line in the CIES.

### **Movement in Reserves Statement (MiRS)**

This MiRS 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. This is different from the statutory amounts required to be charged to the General Fund Balance, and the Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Fire and Rescue Authority.

### **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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **Cash Flow Statement (CFS)**

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.

### **Firefighters Pension Fund Account**

This shows the financial position of the Firefighters pension fund account, indicating whether the Authority owes, or is owed money by the Welsh Government to balance the account, together with details of its net assets.

### **Expenditure and Funding Analysis (EFA)**

The EFA is a disclosure note, it brings together Authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund.

Both the CIES and EFA include a segmental analysis which requires Authorities to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance. Therefore, Authorities are no longer required to report the cost of individual services in their CIES.

### **Notes to the Accounting Statements**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. They disclose information not presented elsewhere in the financial statements but is relevant to an understanding of them.

### **Annual Governance Statement**

This statement provides a continuous review of the effectiveness of the Authority's governance framework including the system of internal control and risk management systems, to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses.

The Annual Governance Statement accompanies the Statement of Accounts but is not part of the Statement.

## Summary of the Financial Year

The net revenue expenditure for the year was £45.076m, the contributions received from Unitary Authorities totalled £45.436m. During the year a net sum of £14k was appropriated to Earmarked Reserves for ring-fenced activities, resulting in a surplus of £346k. Outturn is based on actuals at the time of preparing the accounts. The surplus is transferred to the General Fund Balance. This transfer can be seen in the Movement in Reserves Statement and within the Usable Reserves in note 9.

Revenue for the year compared to budget is detailed in the following table:

| <b>Outturn for the year 2017/18</b> | <b>Budget<br/>£000</b> | <b>Actual<br/>£000</b> | <b>Variance<br/>£000</b> |
|-------------------------------------|------------------------|------------------------|--------------------------|
| <b>Revenue</b>                      |                        |                        |                          |
| Expenditure including grants        | 49,483                 | 49,405                 | (78)                     |
| Income including grants             | (3,897)                | (4,329)                | (432)                    |
| Net Expenditure including grants    | <b>45,586</b>          | <b>45,076</b>          | <b>(510)</b>             |
| Unitary Authority contributions     | (45,436)               | (45,436)               | 0                        |
| Transfer to/(from) Reserves         | (150)                  | 14                     | 164                      |
| <b>(Surplus)/Deficit</b>            | <b>0</b>               | <b>(346)</b>           | <b>(346)</b>             |

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the six constituent local authorities in proportion to population. For 2017/18, the proportions were as follows:

| <b>Constituent Local Authorities</b>         | <b>Values<br/>£000</b> | <b>Proportion<br/>%</b> |
|--|------------------------|-------------------------|
| Carmarthenshire County Council               | 9,349                  | 20.6                    |
| Ceredigion County Council                    | 3,829                  | 8.4                     |
| Neath and Port Talbot County Borough Council | 7,099                  | 15.6                    |
| Pembrokeshire County Council                 | 6,237                  | 13.8                    |
| Powys County Council                         | 6,648                  | 14.6                    |
| City and County of Swansea Council           | 12,274                 | 27.0                    |
| <b>Total</b>                                 | <b>45,436</b>          | <b>100.0</b>            |

## Revenue Sources of Funding

The Authority receives revenue from the following sources:

| 2016/17<br>£000 |                                 | 2017/18<br>£000 |
|-----------------|---------------------------------|-----------------|
| 2,874           | Revenue Grants                  | 2,918           |
| 35              | Interest                        | 36              |
| 1,607           | Fees & Charges/Reimbursements   | 1,375           |
| <b>4,516</b>    | <b>Sub Total</b>                | <b>4,329</b>    |
| 44,205          | Unitary Authority Contributions | 45,436          |
| <b>48,721</b>   | <b>Total Revenue Funding</b>    | <b>49,765</b>   |

## Capital Expenditure

Capital expenditure in the year totalled £6.041m. The following table sets out expenditure by category and financing for 2017/18.

|   | Estimate<br>2017/18<br>£000 | Actual<br>2017/18<br>£000 | Estimate<br>2018/19<br>£000 |
|---|-----------------------------|---------------------------|-----------------------------|
| <b>Expenditure:</b>                                   |                             |                           |                             |
| Property – Refurbishments, adaptations, new buildings | 700                         | 740                       | 3,064                       |
| Infrastructure  | 35                          | 5                         | 35                          |
| Vehicles, Plant                                       | 3,630                       | 2,593                     | 4,733                       |
| Assets under Construction                             | 0                           | 1,434                     | 0                           |
| Intangible Assets                                     | 297                         | 469                       | 0                           |
| Joint Public Service Centre (REFCUS)                  | 0                           | 800                       | 0                           |
| <b>Total Capital Expenditure</b>                      | <b>4,662</b>                | <b>6,041</b>              | <b>7,832</b>                |
| <b>Financed by:</b>                                   |                             |                           |                             |
| Capital Grants & Contributions                        | 0                           | 969                       | 0                           |
| Capital Donations                                     | 0                           | 10                        | 0                           |
| Capital Receipts                                      | 0                           | 21                        | 0                           |
| Earmarked Reserves                                    | 297                         | 1,320                     | 0                           |
| Finance Lease   | 0                           | 0                         | 0                           |
| Borrowing   | 4,365                       | 3,721                     | 7,832                       |
| <b>Total Financing</b>                                | <b>4,662</b>                | <b>6,041</b>              | <b>7,832</b>                |

The Capital Programme of £4.662m was approved by Fire Authority in February 2017. Actual expenditure includes additional projects relating to capital grant funding of £861k awarded for vehicles and equipment; and Joint Public Service Centre £800k agreed capital contribution for build and £173k for Software funded from reserves.

## **Capital Borrowing**

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer deeming it to be prudent, sustainable and affordable. All loans are from the Public Works Loan Board (PWLB) except for two Invest to Save loans from Welsh Government. There were no new external loans taken out in the year in respect of the capital funding requirement. The total principal outstanding as at 31 March 2018 is £16.529m.

## **Pension liability**

In 2017/18, thirty-three members of staff retired. The net cost of the Firefighters Pension Scheme to the revenue budget continues to grow, and the liability in terms of future pension commitments has increased due to adjustments made by the Actuaries to their assumptions. The actuarially assessed liability as at 31 March 2018 was £493.180m for the Firefighters Pension Scheme and £11.062m for the Local Government Pension Scheme.

Under International Accounting Standard 19 (Employee Benefits) the Authority is required to provide details of assets and future liabilities for pensions payable to employees, both past and present. This is outlined in greater detail in the disclosures to the accounts, note 30.

## **Reserve Accounting**

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2018/19. This is consistent with the accounting treatment of previous years, with the maintenance and utilisation of reserves forming a cornerstone of corporate financial stability and operational service planning in the short and medium term.

## **Capital Financing Costs**

The charge made to the Service revenue accounts to reflect the cost of non-current assets used in the provision of services was £2.757m. This is a notional charge for depreciation and amortisation, and an adjustment is made to the year-end balance so the contributions required to fund the service are not affected. The actual cost to the Service for financing capital is £774k for loan and finance lease interest, £1.862m Minimum Revenue Provision and £1.320m revenue contribution.

## **Impact of the Current Economic Climate**

The accounting statements are required to reflect the conditions applying at the end of the year. The financial year has seen a period of significant political and economic uncertainty at a national level. The most significant factors affecting the Authority were/are:

- The outcome of the General Election in June 2017, which resulted in hung parliament. The Democratic Unionist Party agreed to a “confidence and supply agreement” enabling the Conservative Party to form a government, albeit with a very small majority;
- A possible easing of the austerity agenda and a relaxation of public sector pay restraint;
- A gradual but sustained increase in the underlying rate of inflation from historic low levels, and widespread uncertainty regarding the pace of change of interest rates;

- Continuing and significant uncertainty regarding the terms of the UK's departure from the European Union, and the implications for the UK economy (including the impact on public sector revenues), the terms of any future trade and customs arrangements and the potential for any future grant funding streams to replace existing EU programmes; and
- In December 2018, Mark Drakeford was confirmed as the new First Minister after a vote in the Welsh Assembly. As yet it is uncertain what this might mean for the future of Local Authority funding in Wales. Further uncertainty stems from the consultation on the reform of fire and rescue authorities in Wales which ended 5<sup>th</sup> February 2019 and the outcomes of which will be published in due course.

The Authority's Annual Improvement Plan outlines various projects to review structures and processes in place throughout the organisation to make the necessary reductions for future years. The financial implications of these were clearly reflected in the Medium Term Financial Plan. Both the Annual Improvement Plan and the Medium Term Financial Plan are available on the Mid and West Wales Fire and Rescue Authority website.

Our overall financial standing has been maintained at a prudent level. The majority of our reserves are earmarked for specific purposes – whether this is to address liabilities now or in the future e.g. Employee and Pensions reserve, or for financing specific capital schemes.

### **Additional Information**

Additional information about these accounts is available from the S151 Officer to the Authority and the Head of Finance. Interested members of the public also have a statutory right to inspect the accounts before the audit is completed; availability of the accounts for inspection is advertised on the Mid and West Wales Fire and Rescue Authority website.

### **Acknowledgements**

Finally, I wish to thank all Finance staff within the Resources Directorate, and their colleagues throughout the Authority, who have worked on the preparation of these statements. I also wish to thank the Chief Fire Officer and Directors for their assistance and co-operation throughout this process.

Chris Moore FCCA  
S151 Officer  
10<sup>th</sup> December 2018

## STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer,
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

### The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, including the Pension Fund Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Chief Financial Officer has also:

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

### CERTIFICATE OF THE CHIEF FINANCIAL OFFICER

I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2018 and its income and expenditure for the year then ended.

Signature: \_\_\_\_\_ Chief Financial Officer

Dated: \_\_\_\_\_



# **Audit report of the Auditor General to the Mid and West Wales Fire and Rescue Authority**

## **Report on the audit of financial statements**

### **Opinion**

I have audited the financial statements of

- the Mid and West Wales Fire & Rescue Authority; and
- the Firefighters' Pension Fund Account.

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Mid and West Wales Fire & Rescue Authority's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The Firefighters' Pension Fund accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Mid and West Wales Fire & Rescue Authority and the Firefighters' Pension Fund as at 31 March 2018 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Fire & Rescue Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fire & Rescue Authority's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## **Other information**

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Fire & Rescue Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### **Certificate of completion of audit**

I certify that have completed the audit of the accounts of Mid and West Wales Fire and Rescue Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Fire & Rescue Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
20 March 2019

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (contributions from constituent authorities, government grants, other income etc.) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA is a note to the financial statements not a primary statement. However, it has been positioned with the primary statements to aid the readers understanding.

| 2016/17  |  |   | 2017/18  |  |   |
|--|--|---|--|--|---|
| Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding & Accounting Basis | Net Expenditure in Comprehensive Income and Expenditure Statement | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding & Accounting Basis | Net Expenditure in Comprehensive Income and Expenditure Statement |
| £000   | £000   | £000  | £000   | £000   | £000  |
| 41,184   | (959)  | 40,225  | 42,476   | 2,011  | 44,487  |
| <b>41,184</b>  | <b>(959)</b>                                       | <b>40,225</b>   | <b>42,476</b>  | <b>2,011</b>                                       | <b>44,487</b>   |
| (41,411)   | 11,477   | (29,934)  | (41,516)   | 8,342  | (33,174)  |
| <b>(227)</b>   | <b>10,518</b>                                      | <b>10,291</b>   | <b>960</b>   | <b>10,353</b>                                      | <b>11,313</b>   |
|  |  |   |  |  |   |
| General Fund Balance                                   | Earmarked General Fund Reserves                    | Total General Fund Balance  | General Fund Balance                                   | Earmarked General Fund Reserves                    | Total General Fund Balance  |
| £000   | £000   | £000  | £000   | £000   | £000  |
| 0  | (8,768)  | (8,768)   | (361)  | (8,634)  | (8,995)   |
| (227)  | 0  | (227)   | 960  | 0  | 960   |
| (134)  | 134  | 0   | (1,306)  | 1,306  | 0   |
| <b>(361)</b>   | <b>(8,634)</b>                                     | <b>(8,995)</b>  | <b>(707)</b>   | <b>(7,328)</b>                                     | <b>(8,035)</b>  |

## Comprehensive Income and Expenditure Statement (CIES)

| 2016/17             |                |               | 2017/18  |                     |                |               |
|---------------------|----------------|---------------|--|---------------------|----------------|---------------|
| Expenditure<br>£000 | Income<br>£000 | Net<br>£000   |  | Expenditure<br>£000 | Income<br>£000 | Net<br>£000   |
| 44,707              | (4,482)        | 40,225        | Provision of Fire Services   | 48,779              | (4,292)        | 44,487        |
| <b>44,707</b>       | <b>(4,482)</b> | <b>40,225</b> | <b>Cost of Services</b>  | <b>48,779</b>       | <b>(4,292)</b> | <b>44,487</b> |
|                     |                |               | 1 Other Operating Expenditure  |                     |                | (21)          |
|                     |                | 14,322        | Financing and Investment Income and Expenditure (Note 10)              |                     |                | 13,262        |
|                     | (44,257)       |               | Taxation and Non-Specific Grant Income (Note 11)                       |                     |                | (46,415)      |
|                     |                | <b>10,291</b> | <b>(Surplus) or Deficit on Provision of Services</b>                   |                     |                | <b>11,313</b> |
|                     |                |               | 0 Surplus or deficit on revaluation of Property, Plant and Equipment   |                     |                | 0             |
|                     |                | 72,890        | Remeasurement of the net defined benefit liability / (asset) (Note 18) |                     |                | 18,555        |
|                     |                | <b>72,890</b> | <b>Other Comprehensive Income and Expenditure</b>                      |                     |                | <b>18,555</b> |
|                     |                | <b>83,181</b> | <b>Total Comprehensive Income and Expenditure</b>                      |                     |                | <b>29,868</b> |

## Movement in Reserves Statement (MiRS)

| Movement in Reserve Statement 2017/18            | General Fund Balance | General Fund Reserves | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Fire Authority Reserves |
|--|----------------------|-----------------------|--------------------------|-----------------------|-------------------|-------------------------------|
| <b>Bal 31 March 2017</b>                         | <b>(361)</b>         | <b>(8,634)</b>        | <b>0</b>                 | <b>(8,995)</b>        | <b>439,408</b>    | <b>430,413</b>                |
| Movements:                                       |                      |                       |                          |                       |                   |                               |
| (Surplus) / Deficit on provision of services     | 11,313               | 0                     | 0                        | 11,313                | 0                 | 11,313                        |
| Other CIES                                       | 0                    | 0                     | 0                        | 0                     | 18,555            | 18,555                        |
| <b>Total CIES</b>                                | <b>11,313</b>        | <b>0</b>              | <b>0</b>                 | <b>11,313</b>         | <b>18,555</b>     | <b>29,868</b>                 |
| Adjustments accounting & funding (Note 8)        | (10,353)             | 0                     | 0                        | (10,353)              | 10,353            | 0                             |
| <b>Net (Increase) / Decrease before transfer</b> | <b>960</b>           | <b>0</b>              | <b>0</b>                 | <b>960</b>            | <b>28,908</b>     | <b>29,868</b>                 |
| Transfers To / (From) Reserves (Note 9)          | (1,306)              | 1,306                 | 0                        | 0                     | 0                 | 0                             |
| <b>(Increase) / Decrease in 2017/18</b>          | <b>(346)</b>         | <b>1,306</b>          | <b>0</b>                 | <b>960</b>            | <b>28,908</b>     | <b>29,868</b>                 |
| <b>Balance 31 March 2018</b>                     | <b>(707)</b>         | <b>(7,328)</b>        | <b>0</b>                 | <b>(8,035)</b>        | <b>468,316</b>    | <b>460,281</b>                |

| Movement in Reserves Statement 2016/17           | General Fund Balance | General Fund Reserves | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Fire Authority Reserves |
|--|----------------------|-----------------------|--------------------------|-----------------------|-------------------|-------------------------------|
| <b>Bal 31 March 2016</b>                         | <b>0</b>             | <b>(8,768)</b>        | <b>0</b>                 | <b>(8,768)</b>        | <b>355,938</b>    | <b>347,170</b>                |
| Prior Year Adjustments                           | 0                    | 0                     | 0                        | 0                     | 62                | 62                            |
| <b>Bal 1 April 2016</b>                          | <b>0</b>             | <b>(8,768)</b>        | <b>0</b>                 | <b>(8,768)</b>        | <b>356,000</b>    | <b>347,232</b>                |
| Movements:                                       |                      |                       |                          |                       |                   |                               |
| (Surplus) / Deficit on provision of services     | 10,291               | 0                     | 0                        | 10,291                | 0                 | 10,291                        |
| Other CIES                                       | 0                    | 0                     | 0                        | 0                     | 72,890            | 72,890                        |
| <b>Total CIES</b>                                | <b>10,291</b>        | <b>0</b>              | <b>0</b>                 | <b>10,291</b>         | <b>72,890</b>     | <b>83,181</b>                 |
| Adjustments accounting & funding (Note 8)        | (10,518)             | 0                     | 0                        | (10,518)              | 10,518            | 0                             |
| <b>Net (Increase) / Decrease before transfer</b> | <b>(227)</b>         | <b>0</b>              | <b>0</b>                 | <b>(227)</b>          | <b>83,408</b>     | <b>83,181</b>                 |
| Transfers To / (From) Reserves (Note 9)          | (134)                | 134                   | 0                        | 0                     | 0                 | 0                             |
| <b>(Increase) / Decrease in 2016/17</b>          | <b>(361)</b>         | <b>134</b>            | <b>0</b>                 | <b>(227)</b>          | <b>83,408</b>     | <b>83,181</b>                 |
| <b>Balance 31 March 2017</b>                     | <b>(361)</b>         | <b>(8,634)</b>        | <b>0</b>                 | <b>(8,995)</b>        | <b>439,408</b>    | <b>430,413</b>                |

## Balance Sheet

| 31 March<br>2017<br>£000 | Balance Sheet  | 31 March<br>2018<br>£000 |
|--------------------------|--|--------------------------|
| 59,680                   | Property, Plant & Equipment (Note 12)                          | 60,287                   |
| 0                        | Assets Under Construction (Note 12)                            | 1,434                    |
| 432                      | Intangible Assets (Note 13)                                    | 846                      |
| 308                      | Long Term Debtors (Note 15)                                    | 205                      |
| <b>60,420</b>            | <b>Long Term Assets</b>  | <b>62,772</b>            |
| 570                      | Inventories  | 663                      |
| 5,685                    | Short Term Debtors (Note 15)                                   | 4,926                    |
| 4,561                    | Cash and Cash Equivalents (Note 16)                            | 3,051                    |
| <b>10,816</b>            | <b>Current Assets</b>  | <b>8,640</b>             |
| (435)                    | Short Term Borrowing (Note 14)                                 | (523)                    |
| (4,066)                  | Short Term Creditors (Note 17)                                 | (5,956)                  |
| (246)                    | Capital Grants Receipts in Advance (Note 25)                   | (94)                     |
| (784)                    | Other Short-Term Liabilities (Note 28)                         | (729)                    |
| <b>(5,531)</b>           | <b>Current Liabilities</b>                                     | <b>(7,302)</b>           |
| (16,529)                 | Long Term Borrowing (Note 14)                                  | (16,059)                 |
| (4,819)                  | Other Long-Term Liabilities (Note 28)                          | (4,090)                  |
| (474,770)                | Liability related to defined benefit pension schemes (Note 30) | (504,242)                |
| <b>(496,118)</b>         | <b>Long Term Liabilities</b>                                   | <b>(524,391)</b>         |
| <b>(430,413)</b>         | <b>Net Liabilities</b>   | <b>(460,281)</b>         |
| (8,995)                  | Usable Reserves (Note 9)                                       | (8,035)                  |
| 439,408                  | Unusable Reserves (Note 18)                                    | 468,316                  |
| <b>430,413</b>           | <b>Total Reserves</b>  | <b>460,281</b>           |

## Cash Flow Statement

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| 10,291          | Net (surplus) or deficit on the provision of services   | 11,313          |
| (13,601)        | Adjustment to surplus or deficit on the provision of services for noncash movements   | (16,260)        |
| 35              | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 1,000           |
| <b>(3,275)</b>  | <b>Net cash (inflow)/outflow from operating activities</b>  | <b>(3,947)</b>  |
| 3,972           | Net cash (inflow)/outflow from investing activities   | 5,117           |
| 5,084           | Net cash (inflow)/outflow from financing activities   | 340             |
| <b>5,781</b>    | <b>Net (increase) or decrease in cash and cash equivalents</b>  | <b>1,510</b>    |
| 10,342          | Cash and cash equivalents at the beginning of the reporting period  | 4,561           |
| <b>4,561</b>    | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>3,051</b>    |

A detailed breakdown of the Cash flow is provided in Notes 19 to 21



## **Note 1 - Accounting Policies**

### **1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) 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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. Cash and Cash Equivalents**

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

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

### **4. Prior Period Adjustments, Changes in Accounting Policies, 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.

## **5. Charges to Revenue for Non-current Assets**

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

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

The Authority is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **6. Employee Benefits**

### **- Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### **- Termination Benefits**

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

enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the 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.

#### - Post-employment Benefits

Employees of the Authority are members of two separate pension schemes: the Local Government Pensions Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council; and the Firefighter Pension Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the Local Government Pension Scheme is funded through the ownership of assets, the Firefighter Pension Scheme is unfunded.

### **The Local Government Pension Scheme LGPS**

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Dyfed Pension Fund 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Dyfed Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The change in the net pensions liability is analysed into the following components:  
Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the

period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Dyfed Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

### **The Firefighter Pension Scheme FFPS**

The FFPS is accounted for as an unfunded defined benefits scheme, the scheme has no assets and no investment income:

- The liabilities of the Fund 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on Government bond yields of appropriate duration plus an additional margin).

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **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 LGPS and FFPS.

## **7. Events After the Reporting Period**

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

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

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

## **8. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## **Financial Assets**

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

## **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

## **9. Government Grants and Contributions**

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

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

Amounts recognised as due to the Authority are not credited to the 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as 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 and Expenditure (non-ringfenced 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.

## **10. 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).

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 in the Comprehensive Income and Expenditure Statement over a range of 3 to 15 years.

## **11. Inventories and Long-term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in, First Out (FIFO) costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **12. 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, 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**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, 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).

### **13. Property, 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, plant and equipment.

#### **- Recognition**

Expenditure on the acquisition, creation or enhancement of property, 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.

The de-minimis level for capitalising assets, with a useful life exceeding 12 months, is £5,000.

#### **- 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 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 and Expenditure 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 – depreciated historical cost
- assets under construction – historical cost
- Authority offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

### **- 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 in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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.

### **- Depreciation**

Depreciation is provided for on all property, 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 certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (10-80 years)
- vehicles, plant, furniture and equipment – straight-line allocation (3-15 years)
- infrastructure – straight-line allocation (5-40 years)

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

### **- Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund

Balance in the Movement in Reserves Statement. Receipts under £10,000 and miscellaneous receipts not related to disposal of assets cannot be treated as capital items and shall be credited to the CIES.

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

##### **- Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an 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.

##### **- 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.

##### **- 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.

#### **15. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. These reserves are explained in the relevant notes to the Balance Sheet. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority.

## **16. 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 (HMRC). VAT receivable is excluded from income.

## **17. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

## **Note 2 - Accounting Standards Issued, Not Adopted**

Where a new Standard has been published but has not yet been adopted by the Code, the Authority is required to disclose information relating to the impact of the accounting change. The changes that are introduced in the 2018/19 Code are:

- IFRS 15 - Revenue from contracts with customers, effective 2018-19, introduces a new comprehensive framework for revenue recognition which is a principles-based five-step model for recognising revenue arising from contracts with customers. It replaces IAS 18 Revenue and IAS 11 Construction Contracts and is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services.
- IFRS 9 - Financial Instruments, replaces IAS39 and has been implemented in the 2018-19 Code of Practice. A new approach is introduced for the classification and measurement of financial assets. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.
- The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated.
- IFRS 16 – leases – A new leasing standard was due to be issued on 1st January 2019 but CIPFA/LASACC has agreed to delay implementation until 1<sup>st</sup> April 2020. The new standard will affect the classification of operating and finance leases for lessees, and result in a potentially significant increase in the number of leased in assets that are recognised on the balance sheet, as well as the liabilities associated with those assets. CIPFA/LASAAC understands that CIPFA will issue a project plan and application guidance to assist local authorities with implementation for 1<sup>st</sup> April 2020 in due course.

It is not anticipated that the above amendments will have a material impact on the information provided in the Authority's financial statements.

### **Note 3 - Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, 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 as follows:

- Uncertainty continues about both future funding and any potential reorganisation of local government, as well as uncertainty about the implications of the vote to leave the European Union. 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.

### **Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – Non-current Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of the asset is reduced depreciation increases and the carrying amount of the asset falls.
- 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 in retirement ages, mortality rates and, for the Local Government pension scheme, the expected returns on pension fund assets. Consulting Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. Please refer to Note 30 for Pension liability sensitivity analysis.

### **Note 5 - Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Financial Officer as per date noted on page 8. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events after the Balance Sheet date.

## Note 6 - Note to the Expenditure and Funding Analysis

|   | 2017/18   |  |                              |                              |
|---|---|--|------------------------------|------------------------------|
|   | Net Capital<br>Statutory<br>Adjustments<br>£000 | Net Pensions<br>Statutory<br>Adjustments<br>£000 | Other<br>Differences<br>£000 | Total<br>Adjustments<br>£000 |
| Provision of Fire Services  | 3,586   | (1,606)  | 31                           | 2,011                        |
| <b>Net Cost of Services</b>   | <b>3,586</b>                                    | <b>(1,606)</b>                                   | <b>31</b>                    | <b>2,011</b>                 |
| Other Income and<br>Expenditure   | (4,181)   | 12,523   | 0                            | 8,342                        |
| <b>Difference between the<br/>Statutory Charge and the<br/>Surplus or Deficit in the<br/>Comprehensive Income<br/>and Expenditure<br/>Statement</b> | <b>(595)</b>                                    | <b>10,917</b>                                    | <b>31</b>                    | <b>10,353</b>                |

|   | 2016/17   |  |                              |                              |
|---|---|--|------------------------------|------------------------------|
|   | Net Capital<br>Statutory<br>Adjustments<br>£000 | Net Pensions<br>Statutory<br>Adjustments<br>£000 | Other<br>Differences<br>£000 | Total<br>Adjustments<br>£000 |
| Provision of Fire Services  | 2,942   | (3,904)  | 3                            | (959)                        |
| <b>Net Cost of Services</b>   | <b>2,942</b>                                    | <b>(3,904)</b>                                   | <b>3</b>                     | <b>(959)</b>                 |
| Other Income and<br>Expenditure   | (2,332)   | 13,809   | 0                            | 11,477                       |
| <b>Difference between the<br/>Statutory Charge and<br/>the Surplus or Deficit in<br/>the Comprehensive<br/>Income and Expenditure<br/>Statement</b> | <b>610</b>                                      | <b>9,905</b>                                     | <b>3</b>                     | <b>10,518</b>                |

**Net Capital Statutory Adjustments** – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Pensions Statutory Adjustments** - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

**Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Note 7 - Expenditure and Income Analysed by Nature

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Expenditure</b>                                   |                 |
| 36,679          | Employee Costs                                       | 38,007          |
| 11,081          | Other Operating Costs                                | 12,984          |
| 7,811           | Support Services                                     | 7,525           |
| 2,944           | Depreciation, Amortisation, Impairment & Revaluation | 2,787           |
| 548             | Interest Paid  | 774             |
| 1               | Gain or loss on disposal of assets                   | 0               |
| <b>59,064</b>   | <b>Total Expenditure</b>                             | <b>62,077</b>   |
|                 | <b>Income</b>  |                 |
| (1,607)         | Fees, Charges, & Other Service Income                | (1,375)         |
| 0               | Gains on disposal of Assets                          | (21)            |
| (35)            | Interest & Investment Income                         | (35)            |
| (44,205)        | Levies from Unitary Authorities                      | (45,436)        |
| (2,926)         | Government Grants, Contributions & Donations         | (3,897)         |
| <b>(48,773)</b> | <b>Total Income</b>                                  | <b>(50,764)</b> |
| <b>10,291</b>   | <b>(Surplus) or Deficit on Provision of Services</b> | <b>11,313</b>   |

## **Note 8 - 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 arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

- **General Fund Balance** - The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.
- **Capital Receipts Reserve** – holds the proceeds from the disposal of land and other non-current assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the the year end.



| 2016/17                                    |                     |                    |                      | Adjustments<br>between<br>Accounting Basis<br>and Funding Basis<br>under Regulations | 2017/18                                    |                     |                    |                      |
|--|---------------------|--------------------|----------------------|--|--|---------------------|--------------------|----------------------|
| General<br>Fund &<br>Earmarked<br>Reserves | Capital<br>Receipts | Usable<br>Reserves | Unusable<br>Reserves |  | General<br>Fund &<br>Earmarked<br>Reserves | Capital<br>Receipts | Usable<br>Reserves | Unusable<br>Reserves |
| £000s                                      | £000s               | £000s              | £000s                |  | £000s                                      | £000s               | £000s              | £000s                |
| (2,691)                                    | 0                   | (2,691)            | 2,691                | Depreciation   | (2,702)                                    | 0                   | (2,702)            | 2,702                |
| (225)                                      | 0                   | (225)              | 225                  | Impairment & Non-enhancing   | (30)                                       | 0                   | (30)               | 30                   |
| 0  | 0                   | 0                  | 0                    | Revaluation Loss /Gain   | 0  | 0                   | 0                  | 0                    |
| (27)                                       | 0                   | (27)               | 27                   | Intangible Amortisation  | (55)                                       | 0                   | (55)               | 55                   |
| (1)  | (35)                | (36)               | 36                   | Disposal of non-current assets   | 21   | (21)                | 0                  | 0                    |
| 1  | 0                   | 1                  | (1)                  | Miscellaneous  | 0  | 0                   | 0                  | 0                    |
| 0  | 0                   | 0                  | 0                    | Revenue Expenditure Funded from Capital Under Statute REFCUS                         | (800)                                      | 0                   | (800)              | 800                  |
| 782  | 0                   | 782                | (782)                | Capital Expenditure Funded Earmarked Reserves CERA                                   | 1,320                                      | 0                   | 1,320              | (1,320)              |
| 52   | 0                   | 52                 | (52)                 | Capital Expenditure Funded Donations   | 10   | 0                   | 10                 | (10)                 |
| 0  | 0                   | 0                  | 0                    | Capital Expenditure Funded Grants  | 969  | 0                   | 969                | (969)                |
| 0  | 35                  | 35                 | (35)                 | Capital Expenditure Funded Receipts  | 0  | 21                  | 21                 | (21)                 |
| 0  | 0                   | 0                  | 0                    | Capital Receipts   | 0  | 0                   | 0                  | 0                    |
| 1,499                                      | 0                   | 1,499              | (1,499)              | Financing Capital MRP  | 1,862                                      | 0                   | 1,862              | (1,862)              |
| (610)                                      | 0                   | (610)              | 610                  |  | 595  | 0                   | 595                | (595)                |
| (24,542)                                   | 0                   | (24,542)           | 24,542               | Reversal of retirements benefits in CIES   | (25,921)                                   | 0                   | (25,921)           | 25,921               |
| 14,637                                     | 0                   | 14,637             | (14,637)             | Employer's Pension Contributions & payments to pensioners                            | 15,004                                     | 0                   | 15,004             | (15,004)             |
| (9,905)                                    | 0                   | (9,905)            | 9,905                |  | (10,917)                                   | 0                   | (10,917)           | 10,917               |
| (3)  | 0                   | (3)                | 3                    | Movement in Accumulated Absence accrual  | (31)                                       | 0                   | (31)               | 31                   |
| <b>(10,518)</b>                            | <b>0</b>            | <b>(10,518)</b>    | <b>10,518</b>        | <b>Adjustments between accounting basis &amp; funding basis under regulation</b>     | <b>(10,353)</b>                            | <b>0</b>            | <b>(10,353)</b>    | <b>10,353</b>        |

## Note 9 – Usable Reserves

|   | Balance at 1 April 2016 | Transfers In 2016/17 | Transfers Out 2016/17 | Appropriation to Capital | Inter-Reserve Transfer | Balance at 31 March 2017 | Transfers In 2017/18 | Transfers Out 2017/18 | Appropriation to Capital | Balance at 31 March 2018 |
|---|-------------------------|----------------------|-----------------------|--------------------------|------------------------|--------------------------|----------------------|-----------------------|--------------------------|--------------------------|
|   | £000                    | £000                 | £000                  | £000                     | £000                   | £000                     | £000                 | £000                  | £000                     | £000                     |
| <b>General Fund Balance</b>             | <b>0</b>                | <b>(578)</b>         | <b>0</b>              | <b>0</b>                 | <b>217</b>             | <b>(361)</b>             | <b>(346)</b>         | <b>0</b>              | <b>0</b>                 | <b>(707)</b>             |
| <b>Earmarked Reserves:</b>              |                         |                      |                       |                          |                        |                          |                      |                       |                          |                          |
| Invest to Save Fund                     | (1,248)                 | 0                    | 217                   | 168                      | (301)                  | (1,164)                  | 0                    | 0                     | 973                      | (191)                    |
| Minimum Revenue Provision               | 0                       | (648)                | 0                     | 0                        | 0                      | (648)                    | 0                    | 0                     | 0                        | (648)                    |
| Capital Fund                            | 0                       | 0                    | 0                     | 0                        | (1,000)                | (1,000)                  | 0                    | 0                     | 0                        | (1,000)                  |
| Major Incidents                         | (400)                   | 0                    | 0                     | 0                        | 0                      | (400)                    | 0                    | 0                     | 0                        | (400)                    |
| Fundraising & Miscellaneous Ring-Fenced | (588)                   | 0                    | 0                     | 0                        | 166                    | (422)                    | (19)                 | 5                     | 50                       | (386)                    |
| Levy Equalisation Reserve               | (830)                   | 0                    | 0                     | 0                        | (170)                  | (1,000)                  | 0                    | 0                     | 0                        | (1,000)                  |
| Software & Communication                | (1,664)                 | 0                    | 0                     | 114                      | 50                     | (1,500)                  | 0                    | 0                     | 297                      | (1,203)                  |
| Risk Management                         | (850)                   | 0                    | 0                     | 0                        | 350                    | (500)                    | 0                    | 0                     | 0                        | (500)                    |
| Managing Change - Employees & Pensions  | (1,961)                 | 0                    | 0                     | 0                        | (39)                   | (2,000)                  | 0                    | 0                     | 0                        | (2,000)                  |
| Sustainability and Environment Projects | (42)                    | 0                    | 0                     | 0                        | 42                     | 0                        | 0                    | 0                     | 0                        | 0                        |
| Consultancy & Process Change Projects   | (203)                   | 0                    | 0                     | 0                        | 203                    | 0                        | 0                    | 0                     | 0                        | 0                        |
| Operational Training                    | (130)                   | 0                    | 0                     | 0                        | 130                    | 0                        | 0                    | 0                     | 0                        | 0                        |
| Vehicle, Plant & Equipment Replacement  | (352)                   | 0                    | 0                     | 0                        | 352                    | 0                        | 0                    | 0                     | 0                        | 0                        |
| Managing Change - Buildings & Adaptions | (500)                   | 0                    | 0                     | 500                      | 0                      | 0                        | 0                    | 0                     | 0                        | 0                        |
| <b>Earmarked Reserves</b>               | <b>(8,768)</b>          | <b>(648)</b>         | <b>217</b>            | <b>782</b>               | <b>(217)</b>           | <b>(8,634)</b>           | <b>(19)</b>          | <b>5</b>              | <b>1,320</b>             | <b>(7,328)</b>           |
| <b>Capital Receipts</b>                 | <b>0</b>                | <b>0</b>             | <b>0</b>              | <b>0</b>                 | <b>0</b>               | <b>0</b>                 | <b>(21)</b>          | <b>0</b>              | <b>21</b>                | <b>0</b>                 |
| <b>Total Usable Reserves</b>            | <b>(8,768)</b>          | <b>(1,226)</b>       | <b>217</b>            | <b>782</b>               | <b>0</b>               | <b>(8,995)</b>           | <b>(386)</b>         | <b>5</b>              | <b>1,341</b>             | <b>(8,035)</b>           |

An overview of the purpose of the Usable Reserves held by the Authority is detailed in the following table:

| <b>Name</b>                             | <b>Purpose</b>   |
|---|--|
| General Fund Balance                    | Non-Earmarked Reserve maintained to cushion the impact of emergencies, to offset the impact of unforeseen events.  |
| Levy Equalisation                       | Used to "smooth" the changes in the levy charged each year to the constituent Unitary Authorities.   |
| Invest to Save                          | Maintained to provide resources to allow the Authority to invest in the transformation of its services and to realise future cost reductions/efficiencies.   |
| Capital Fund                            | Maintained to provide additional resources for the capital programme, providing flexibility to the financing of capital investment.  |
| Major Incidents                         | Funding set aside for one-off incidents outside routine service delivery activity. Replenished through base budget in future years to maintain the level required to manage major incidents.   |
| Fundraising & Miscellaneous Ring-fenced | Surpluses generated by various schemes e.g. car salary sacrifice scheme and money raising events to be used for specific purposes.   |
| Software & Communication                | Maintained to provide resources to fund one-off ICT infrastructure investment, and future emergency services network.  |
| Risk Management                         | Maintained to meet the Authority's exposure to claims under its insurance arrangements; to provide flexibility to meet the volatility of the insurance market and to provide resources to take any measures to improve the Authority's risk exposure position. |
| Minimum Revenue Provision               | Welsh Government are currently reviewing MRP guidance and it is deemed prudent to set up an Earmarked Reserve to protect the Authority from the impact of potential changes to guidance.   |
| Employees & Pension                     | Maintained to meet one off costs associated with employees: e.g. pensions ombudsman, employment tribunals, redundancy.   |
| Capital Receipts                        | Holds proceeds from the sale of assets and are available to finance capital expenditure in future years.   |

## Note 10 - Financing and Investment Income and Expenditure

| <b>2016/17</b> |   | <b>2017/18</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 548            | Interest payable and similar charges*                     | 774            |
| 13,809         | Net interest on the net defined benefit liability (asset) | 12,523         |
| (35)           | Interest receivable and similar income                    | (35)           |
| <b>14,322</b>  | <b>Total</b>  | <b>13,262</b>  |

\* 2016/17 Includes interest credit £331k relating to renegotiation of Finance Leases for break clauses.

## Note 11 - Taxation and Non-Specific Grant Income

| <b>2016/17</b>  |                                     | <b>2017/18</b>  |
|-----------------|-------------------------------------|-----------------|
| <b>£000</b>     |                                     | <b>£000</b>     |
| (44,205)        | Levies from constituent authorities | (45,436)        |
| (52)            | Capital grants and contributions    | (979)           |
| <b>(44,257)</b> | <b>Total</b>                        | <b>(46,415)</b> |

## Note 12 - Property, Plant and Equipment

| Movements to 31 March 2018   | Land<br>and<br>Buildings<br>£000 | Vehicles,<br>Plant,<br>Furniture &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Assets Under<br>Construction<br>£000 | Total<br>Property,<br>Plant and<br>Equipment<br>£000 |
|--|----------------------------------|---|----------------------------------|--------------------------------------|--|
| <b>Cost or Valuation</b>   |                                  |   |                                  |                                      |  |
| <b>At 31 March 2017</b>  | <b>52,943</b>                    | <b>22,633</b>   | <b>317</b>                       | <b>0</b>                             | <b>75,893</b>  |
| Additions  | 740                              | 2,593   | 5                                | 1,434                                | 4,772  |
| Impairments  | (30)                             | 0   | 0                                | 0                                    | (30)   |
| Derecognition – disposals  | 0                                | (24)  | 0                                | 0                                    | (24)   |
| Reclassifications and transfer   | 1                                | 0   | 0                                | 0                                    | 1  |
| <b>at 31 March 2018</b>  | <b>53,654</b>                    | <b>25,202</b>   | <b>322</b>                       | <b>1,434</b>                         | <b>80,612</b>  |
| <b>Accumulated Depreciation and<br/>Impairment</b>                                 |                                  |   |                                  |                                      |  |
| <b>at 31 March 2017</b>  | <b>(2,350)</b>                   | <b>(13,771)</b>   | <b>(92)</b>                      | <b>0</b>                             | <b>(16,213)</b>                                      |
| Depreciation written out to the<br>Surplus/Deficit on the Provision of<br>Services | (1,224)                          | (1,470)   | (8)                              | 0                                    | (2,702)  |
| Derecognition – disposals  | 0                                | 24  | 0                                | 0                                    | 24   |
| <b>at 31 March 2018</b>  | <b>(3,574)</b>                   | <b>(15,217)</b>   | <b>(100)</b>                     | <b>0</b>                             | <b>(18,891)</b>                                      |
| <b>Net Book Value</b>  |                                  |   |                                  |                                      |  |
| <b>at 31 March 2017</b>  | <b>50,593</b>                    | <b>8,862</b>  | <b>225</b>                       | <b>0</b>                             | <b>59,680</b>  |
| <b>at 31 March 2018</b>  | <b>50,080</b>                    | <b>9,985</b>  | <b>222</b>                       | <b>1,434</b>                         | <b>61,721</b>  |

| <b>Movements to 31 March 2017</b>  | <b>Land and Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture &amp; Equipment<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Assets Under Construction<br/>£000</b> | <b>Total Property, Plant and Equipment<br/>£000</b> |
|--|------------------------------------|--|---------------------------------------|---|---|
| <b>Cost or Valuation</b>   |                                    |  |                                       |   |   |
| <b>At 31 March 2016</b>  | 50,757                             | 27,792   | 317                                   | 1,122                                     | <b>79,988</b>                                       |
| Prior Year Adjustment  | 0                                  | (6,905)  | 0                                     | 0   | (6,905)   |
| <b>at 1 April 2016</b>   | 50,757                             | 20,887   | 317                                   | 1,122                                     | <b>73,083</b>                                       |
| Additions  | 1,289                              | 2,426  | 0                                     | 0   | <b>3,715</b>  |
| Impairments  | (225)                              | 0  | 0                                     | 0   | <b>(225)</b>  |
| Derecognition – disposals  | 0                                  | (680)  | 0                                     | 0   | <b>(680)</b>  |
| Reclassifications and transfer   | 1,122                              | 0  | 0                                     | (1,122)                                   | <b>0</b>  |
| <b>at 31 March 2017</b>  | <b>52,943</b>                      | <b>22,633</b>  | <b>317</b>                            | <b>0</b>                                  | <b>75,893</b>                                       |
| <b>Accumulated Depreciation and Impairment</b>                               |                                    |  |                                       |   |   |
| <b>at 31 March 2016</b>  | (1,169)                            | (19,782)   | (84)                                  | 0   | <b>(21,035)</b>                                     |
| Prior Year Adjustment  | 0                                  | 6,843  | 0                                     | 0   | <b>6,843</b>  |
| <b>at 1 April 2016</b>   | (1,169)                            | (12,939)   | (84)                                  | 0   | <b>(14,192)</b>                                     |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (1,181)                            | (1,502)  | (8)                                   | 0   | <b>(2,691)</b>                                      |
| Derecognition – disposals  | 0                                  | 670  | 0                                     | 0   | <b>670</b>  |
| <b>at 31 March 2017</b>  | <b>(2,350)</b>                     | <b>(13,771)</b>  | <b>(92)</b>                           | <b>0</b>                                  | <b>(16,213)</b>                                     |
| <b>Net Book Value</b>  |                                    |  |                                       |   |   |
| <b>at 31 March 2016</b>  | <b>49,588</b>                      | <b>8,010</b>   | <b>233</b>                            | <b>1,122</b>                              | <b>58,953</b>                                       |
| <b>At 1 April 2016</b>   | <b>49,588</b>                      | <b>7,948</b>   | <b>233</b>                            | <b>1,122</b>                              | <b>58,891</b>                                       |
| <b>at 31 March 2017</b>  | <b>50,593</b>                      | <b>8,862</b>   | <b>225</b>                            | <b>0</b>                                  | <b>59,680</b>                                       |

## Capital Commitments

At 31 March 2018, the Authority had the following major commitment:

- £257k – Multi-function Personal Protective Equipment
- £203k – Operational Vehicles
- £128k – Equipment and Software

## Revaluations

The Authority revalues its Land and Buildings at least once every five years, the last valuation being carried out as at 1 April 2015. The valuation exercise was carried out by a member of the Royal Institution of Chartered Surveyors employed by Carmarthenshire County Council.

## Non-operational Property, Plant and Equipment (Surplus Assets)

The Authority does not have surplus assets.

## Note 13 - Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority is 10 years.

The movement on Intangible Asset balances during the year is as follows:

| <b>2016/17</b> |                                 | <b>2017/18</b> |
|----------------|---------------------------------|----------------|
| <b>£000</b>    |                                 | <b>£000</b>    |
|                | <b>Gross Book Value</b>         |                |
| 304            | Opening Balance at 1 April      | 545            |
| 282            | Additions                       | 469            |
| (41)           | Derecognition                   | 0              |
| <b>545</b>     | <b>Closing Bal at 31 March</b>  | <b>1,014</b>   |
|                | <b>Accumulated Amortisation</b> |                |
| (98)           | At 1 April                      | (113)          |
| (27)           | Amortisation                    | (55)           |
| 12             | Derecognition                   | 0              |
| <b>(113)</b>   | <b>Closing Bal at 31 March</b>  | <b>(168)</b>   |
|                | <b>Net Book Value</b>           |                |
| 206            | Opening Balance at 1 April      | 432            |
| 432            | Closing Balance 31 March        | 846            |

## Note 14 - Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet:

|  | Long-term<br>31 March<br>2017<br>£000 | Long-term<br>31 March<br>2018<br>£000 | Current<br>31 March<br>2017<br>£000 | Current<br>31 March<br>2018<br>£000 |
|--|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| <b>Total Investments</b>                         | <b>0</b>                              | <b>0</b>                              | <b>0</b>                            | <b>2,000</b>                        |
| <b>Total Debtors</b>                             | <b>308</b>                            | <b>205</b>                            | <b>5,685</b>                        | <b>4,926</b>                        |
| <b>Borrowings</b>                                |                                       |                                       |                                     |                                     |
| Financial liabilities at amortised cost          | (16,529)                              | (16,059)                              | (382)                               | (470)                               |
| Accrued Interest                                 | 0                                     | 0                                     | (53)                                | (53)                                |
| <b>Total Borrowings</b>                          | <b>(16,529)</b>                       | <b>(16,059)</b>                       | <b>(435)</b>                        | <b>(523)</b>                        |
| <b>Total Finance Lease liabilities</b>           | <b>(4,819)</b>                        | <b>(4,090)</b>                        | <b>(784)</b>                        | <b>(729)</b>                        |
| <b>Creditors:</b>                                |                                       |                                       |                                     |                                     |
| Financial liabilities carried at contract amount |                                       |                                       | (4,066)                             | (5,956)                             |

### Income, Expense, Gains and Losses

|   | 2016/17  |  | 2017/18   |  |
|---|--|--|---|--|
|   | Financial<br>Liabilities<br>measured at<br>amortised<br>cost<br>£000 | Financial<br>Assets:<br>Loans and<br>receivables<br>£000 | Financial<br>Liabilities<br>measured at<br>amortised cost<br>£000 | Financial<br>Assets:<br>Loans and<br>receivables<br>£000 |
| Interest expense  | 548  | 0  | 774   | 0  |
| <b>Total expense in Surplus or Deficit on the Provision of Services</b> | <b>548</b>   | <b>0</b>   | <b>774</b>  | <b>0</b>   |
| Interest income   | 0  | (35)   | 0   | (35)   |
| <b>Total income in Surplus or Deficit on the Provision of Services</b>  | <b>0</b>   | <b>(35)</b>  | <b>0</b>  | <b>(35)</b>  |
| <b>Net (gain)/loss for the year</b>                                     | <b>548</b>   | <b>(35)</b>  | <b>774</b>  | <b>(35)</b>  |



## Financial Instruments - Fair Value

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long-term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, borrowing from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

|                            | 31 March 2017   |               | 31 March 2018   |               |
|----------------------------|-----------------|---------------|-----------------|---------------|
|                            | Carrying Amount | Fair Value    | Carrying Amount | Fair Value    |
|                            | £000            | £000          | £000            | £000          |
| Long Term Creditors – PWLB | 16,466          | 22,333        | 16,185          | 21,563        |
| Non-PWLB Debt              | 445             | n/a           | 344             | n/a           |
| <b>Total</b>               | <b>16,911</b>   | <b>22,333</b> | <b>16,529</b>   | <b>21,563</b> |

The fair value is greater than the carrying amount because early repayment of PWLB debt will incur an early repayment premium, the fair value takes account of the early repayment premium. Loans are at level 2 in the Fair Value Hierarchy, that is they are valued at prices that are observable either directly or indirectly.

## Note 15 - Debtors

| 31 March 2017 | Short Term Debtors                | 31 March 2018 |
|---------------|-----------------------------------|---------------|
| £000          |                                   | £000          |
| 4,564         | Central Government Bodies         | 3,788         |
| 452           | Other Local Authorities           | 208           |
| 164           | NHS Bodies                        | 286           |
| 452           | Other Entities and Individuals    | 556           |
| 449           | Payments in Advance               | 490           |
| (396)         | Provision for Irrecoverable debts | (402)         |
| <b>5,685</b>  | <b>Total Debtors</b>              | <b>4,926</b>  |

| <b>31 March 2017</b> | <b>Long Term Debtors</b>       | <b>31 March 2018</b> |
|----------------------|--------------------------------|----------------------|
| <b>£000</b>          |                                | <b>£000</b>          |
| 98                   | Other Local Authorities        | 0                    |
| 210                  | Other Entities and Individuals | 205                  |
| <b>308</b>           | <b>Total Debtors</b>           | <b>205</b>           |

## Note 16 - Cash and Cash Equivalents

| <b>31 March 2017</b> |  | <b>31 March 2018</b> |
|----------------------|--|----------------------|
| <b>£000</b>          |  | <b>£000</b>          |
| 4,561                | Cash and Bank balances                 | 3,051                |
| 0                    | Bank Overdraft                         | 0                    |
| <b>4,561</b>         | <b>Total Cash and Cash Equivalents</b> | <b>3,051</b>         |

## Note 17 – Creditors

| <b>31 March 2017</b> |                                | <b>31 March 2018</b> |
|----------------------|--------------------------------|----------------------|
| <b>£000</b>          |                                | <b>£000</b>          |
| (977)                | Central Government Bodies      | (1,175)              |
| (979)                | Other Local Authorities        | (1,919)              |
| (2,105)              | Other Entities and Individuals | (2,852)              |
| (5)                  | Receipts in Advance            | (10)                 |
| <b>(4,066)</b>       | <b>Total Creditors</b>         | <b>(5,956)</b>       |

## Note 18 - Unusable Reserves

| <b>1 April 2017</b> |                              | <b>31 March 2018</b> |
|---------------------|------------------------------|----------------------|
| <b>£000</b>         |                              | <b>£000</b>          |
| (15,685)            | Revaluation Reserve          | (15,292)             |
| (20,328)            | Capital Adjustment Account   | (21,316)             |
| 474,770             | Pension Reserve              | 504,242              |
| 651                 | Accumulated Absences Account | 682                  |
| <b>439,408</b>      | <b>Total</b>                 | <b>468,316</b>       |

## Note 18a - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment 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.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| (16,078)        | <b>Balance 1 April</b>  | (15,685)        |
| 0               | Upward revaluation of assets  | 0               |
| 0               | Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services           | 0               |
| <b>0</b>        | <b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b> | <b>0</b>        |
| 393             | Difference between fair value depreciation and historical cost depreciation   | 393             |
| 0               | Accumulated gains on assets sold or scrapped  | 0               |
| <b>393</b>      | <b>Amount written off to the Capital Adjustment Account</b>   | <b>393</b>      |
| <b>(15,685)</b> | <b>Balance 31 March</b>   | <b>(15,292)</b> |

## Note 18b - Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| <b>2016/17</b>  |  | <b>2017/18</b>  |
|-----------------|--|-----------------|
| <b>£000</b>     |  | <b>£000</b>     |
| <b>(20,608)</b> | <b>Balance 31 March</b>  | <b>(20,328)</b> |
| 62              | <b>Prior Year Adjustments:</b><br>Net Book Value of Assets disposed / scrapped   | 0               |
| <b>(20,546)</b> | <b>Balance 1 April</b>   | <b>(20,328)</b> |
| 2,916           | Charges for depreciation and impairment of non-current assets  | 2,732           |
| 0               | Revenue Expenditure Funded from Capital Under Statute - Joint Public Service Centre  | 800             |
| 27              | Amortisation of intangible assets  | 55              |
| 36              | 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 | 0               |
| 2,979           | Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement                              | 3,587           |
| (393)           | Adjusting Amounts written out of the Revaluation Reserve   | (393)           |
| <b>2,586</b>    | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | <b>3,194</b>    |
| (35)            | Use of Capital Receipts Reserve to finance new capital expenditure   | (21)            |
| (52)            | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | (979)           |
| (1,499)         | Statutory provision for the financing of capital investment charged against the General Fund   | (1,862)         |
| (782)           | Capital Expenditure charged against the General Fund   | (1,320)         |
| <b>(2,368)</b>  | <b>Capital financing applied in year:</b>  | <b>(4,182)</b>  |
| <b>(20,328)</b> | <b>Balance 31 March</b>  | <b>(21,316)</b> |

## Note 18c - Pension 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>2016/17</b> |  | <b>2017/18</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 391,976        | Balance 1 April  | 474,770        |
| 72,890         | Remeasurements of the net defined benefit (liability)/asset  | 18,555         |
| 24,542         | 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 | 25,921         |
| (14,637)       | Employer's pensions contributions and direct payments to pensioners payable in the year  | (15,004)       |
| (1)            | Other movements  | 0              |
| <b>474,770</b> | <b>Balance 31 March</b>  | <b>504,242</b> |

## Note 18d - Accumulated Absences Account

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

| <b>2016/17</b> |   | <b>2017/18</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 648            | <b>Balance 1 April</b>  | 651            |
| 3              | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements | 31             |
| <b>651</b>     | <b>Balance 31 March</b>   | <b>682</b>     |

## Note 19 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

| <b>2016/17</b> |                   | <b>2017/18</b> |
|----------------|-------------------|----------------|
| <b>£000</b>    |                   | <b>£000</b>    |
| (35)           | Interest received | (35)           |
| 565            | Interest paid     | 775            |

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

| <b>2016/17</b>  |  | <b>2017/18</b>  |
|-----------------|--|-----------------|
| <b>£000</b>     |  | <b>£000</b>     |
| (2,691)         | Depreciation   | (2,702)         |
| (225)           | Impairment and downward valuations   | (30)            |
| (27)            | Amortisation   | (55)            |
| 719             | (Increase)/decrease in creditors   | (1,890)         |
| (1,491)         | Increase/(decrease) in debtors   | (759)           |
| 50              | Increase/(decrease) in inventories   | 93              |
| (9,905)         | Movement in pension liability  | (10,917)        |
| (36)            | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 0               |
| 5               | Other non-cash movements charged to the surplus or deficit on provision of services              | 0               |
| <b>(13,601)</b> | <b>Total</b>   | <b>(16,260)</b> |

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

| <b>2016/17</b> |  | <b>2017/18</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 0              | Capital Grant / Contributions / Donations Applied  | 979            |
| 35             | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 21             |
| <b>35</b>      | <b>Total</b>   | <b>1,000</b>   |

## Note 20 - Cash Flow from Investing Activities

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| 3,997           | Purchase of property, plant and equipment, investment property and intangible assets               | 5,241           |
| (35)            | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (21)            |
| 0               | Other receipts for investing activities  | (103)           |
| 10              | Other payments for investing activities  | 0               |
| <b>3,972</b>    | <b>Net cash flows from investing activities</b>  | <b>5,117</b>    |

## Note 21 - Cash Flow from Financing Activities

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| (140)           | Cash receipts of short-term and long-term borrowing                                   | 0               |
| (236)           | Other receipts from financing activities  | (826)           |
| 1,181           | Cash payments for the reduction of outstanding liabilities relating to finance leases | 784             |
| 4,279           | Repayments of short-term and long-term borrowing                                      | 382             |
| <b>5,084</b>    | <b>Net cash flows from financing activities</b>                                       | <b>340</b>      |

## Note 22 - Members' Allowances

The Authority paid the following amounts to elected members during the year:

| 2016/17<br>£000 |                                  | 2017/18<br>£000 |
|-----------------|----------------------------------|-----------------|
| 54              | Salaries                         | 52              |
| 10              | Expenses                         | 9               |
| <b>64</b>       | <b>Total Members' Allowances</b> | <b>61</b>       |

## Note 23 - Officers' Remuneration

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

|  | Note Ref | Salary, Fees and Allowances | Other Payments | Expenses Allowances | Benefit in Kind * | Compensation for Loss of Office | Pension Contribution | Total          |
|--|----------|-----------------------------|----------------|---------------------|-------------------|---------------------------------|----------------------|----------------|
|  |          | £                           | £              | £                   | £                 | £                               | £                    | £              |
| <b>Chief Fire Officer</b>                                |          | 2017/18                     | 144,663        | 0                   | 0                 | 6,655                           | 0                    | <b>151,318</b> |
|  |          | 2016/17                     | 129,646        | 0                   | 140               | 6,967                           | 10,749               | <b>147,502</b> |
| <b>Deputy Chief Fire Officer</b>                         | 2        | 2017/18                     | 137,292        | 0                   | 0                 | 1,290                           | 35,010               | <b>173,592</b> |
|  |          | 2016/17                     | 118,001        | 2,107               | 0                 | 5,137                           | 30,091               | <b>155,336</b> |
| <b>Temporary Deputy Chief Fire Officer</b>               | 3        | 2017/18                     | 77,471         | 0                   | 163               | 5,697                           | 0                    | <b>83,331</b>  |
|  |          | 2016/17                     | 0              | 0                   | 0                 | 0                               | 0                    | <b>0</b>       |
| <b>Assistant Chief Fire Officer</b>                      |          | 2017/18                     | 26,274         | 0                   | 64                | 3,151                           | 0                    | <b>29,489</b>  |
|  |          | 2016/17                     | 103,976        | 1,196               | 252               | 7,137                           | 26,514               | <b>139,075</b> |
| <b>Temporary Assistant Chief Fire Officer</b>            | 4        | 2017/18                     | 66,966         | 0                   | 163               | 5,890                           | 17,076               | <b>90,095</b>  |
|  |          | 2016/17                     | 0              | 0                   | 0                 | 0                               | 0                    | <b>0</b>       |
| <b>Assistant Chief Officer (Director of Resources) 1</b> | 1 & 5    | 2017/18                     | 0              | 0                   | 0                 | 0                               | 0                    | <b>0</b>       |
|  |          | 2016/17                     | 74,865         | 0                   | 2,449             | 9,000                           | 23,417               | <b>121,215</b> |
| <b>Assistant Chief Officer (Director of Resources) 2</b> | 1 & 6    | 2017/18                     | 95,827         | 0                   | 1,275             | 9,898                           | 13,511               | <b>120,511</b> |
|  |          | 2016/17                     | 23,428         | 0                   | 350               | 1,573                           | 3,795                | <b>29,146</b>  |
| <b>Clerk</b>   |          | 2017/18                     | 35,644         | 0                   | 663               | 0                               | 5,026                | <b>41,333</b>  |
|  |          | 2016/17                     | 22,281         | 0                   | 514               | 0                               | 3,610                | <b>26,405</b>  |

\* Benefit in Kind - relates to an allowance for a vehicle on the Service's leased car scheme.



## Notes

1. Unlike the other Senior Officers, the Assistant Chief Officer (Director of Resources) 1 and Assistant Chief Officer (Director of Resources) 2 are required to purchase car fuel for business mileage and then claim back expenses. Also, tax on benefit in kind is calculated on a different basis to other Senior Officers, which results in much higher expenses and benefits in kind figures.
2. From 2<sup>nd</sup> May 2017 Deputy Chief Fire Officer was seconded out to Avon Fire and Rescue as Chief Fire Officer on an annualised salary of £146,303 which was recovered from Avon Fire & Rescue Service.
3. From 9<sup>th</sup> August 2017 Assistant Chief Fire Officer was appointed to Temporary Deputy Chief Fire Officer on an annualised salary of £120,080.
4. From 9<sup>th</sup> August 2017 Temporary Assistant Chief Fire Officer was appointed, following the temporary promotion of Assistant Chief Fire Officer to Temporary Deputy Chief Fire Officer, on an annualised salary of £103,797.
5. Assistant Chief Officer (Director of Resources) 1 left the post on 31<sup>st</sup> December 2016 on an annualised salary of £94,210. The post holder was the Authority's S151 Officer. Since the 1<sup>st</sup> January 2017 the S151 Officer role has been provided as follows:
  - i. From 1<sup>st</sup> January 2017 to 30<sup>th</sup> November 2017 a S151 Officer was appointed through an agency company, Penna PLC. The costs incurred for the 3 months of 2016/17 were £38,025 and for the 8 months of 2017/18 were £104,456.
  - ii. From 1<sup>st</sup> December 2017 to 14<sup>th</sup> January 2018 the Authority' Head of Finance was allocated the role of Interim S151 Officer.
  - iii. From 15<sup>th</sup> January 2018 a S151 Officer was appointed under a Service Level Agreement (SLA) with Carmarthenshire County Council. The SLA costs for 2017/18 were £8,750.
6. Assistant Chief Officer (Director of Resources) 2 was temporarily appointed following the departure of Assistant Chief Officer (Director of Resources) 1, on an annualised salary of £94,647. This post was substantiated on 12<sup>th</sup> February 2018 on an annualised salary of £95,593.

## Officers Remuneration

The Authority's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

|                    | Number of Employees |           |
|--------------------|---------------------|-----------|
|                    | 2016/17             | 2017/18   |
| £60,001 to £65,000 | 1                   | 6         |
| £65,001 to £70,000 | 1                   | 3         |
| £70,001 to £75,000 | 2                   | 1         |
| £75,001 to £80,000 | 2                   | 2         |
| <b>Total</b>       | <b>6</b>            | <b>12</b> |

In 2017/18 the ratio of the highest paid to the median full time equivalent salary of £29,930 is 4.82:1 (in 2016/17 the median full time equivalent salary was £29,640 and the ratio was 4.77:1).

## Exit Packages

| Exit package cost band<br>(including special payments) | Number of compulsory redundancies |          | Number of other departures agreed |          | Total number of exit packages by cost band |          | Total cost of exit packages in each band (£) |               |
|--|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|---------------|
|  | 2016/17                           | 2017/18  | 2016/17                           | 2017/18  | 2016/17                                    | 2017/18  | 2016/17                                      | 2017/18       |
| £0-£20,000   | 0                                 | 2        | 1                                 | 0        | 1  | 2        | 17,070                                       | 1,523         |
| £20,001 - £40,000                                      | 0                                 | 0        | 0                                 | 1        | 0  | 1        | 0  | 30,193        |
| £40,001 - £60,000                                      | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0             |
| £60,001 - £80,000                                      | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0             |
| £80,001 - £100,000                                     | 0                                 | 0        | 1                                 | 0        | 1  | 0        | 85,253                                       | 0             |
| £100,001 - £150,000                                    | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0             |
| £150,001 to £200,000                                   | 0                                 | 0        | 1                                 | 0        | 1  | 0        | 167,753                                      | 0             |
| <b>Total cost included in CIES</b>                     | <b>0</b>                          | <b>2</b> | <b>3</b>                          | <b>1</b> | <b>3</b>                                   | <b>3</b> | <b>270,076</b>                               | <b>31,716</b> |

## Note 24 - External Audit Costs

The following fees are payable in relation to the audit of the Statement of Accounts, statutory inspections and other non-audit services provided by the Authority's external auditors:

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
|                 | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year for: |                 |
| 59              | Financial Audit Work  | 59              |
| 16              | Performance Audit Work  | 15              |
| <b>75</b>       | <b>Total</b>  | <b>74</b>       |

Following a quality review, of the work completed on the audit of the Authority's 2014/15 accounts the Authority received a refund of £34,500 from the external auditors. The refund has been accounted for in the 2017/18 financial statements. The refund is not reflected in this note, which sets out the actual audit fees for the financial years disclosed.

## Note 25 - Grant Income

### Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| (52)            | Capital Grants, Contributions and Donations | (979)           |
| <b>(52)</b>     | <b>Total</b>                                | <b>(979)</b>    |

## Credited to Services

| Restated **<br>2016/17<br>£000 |                                 | 2017/18<br>£000 |
|--------------------------------|---------------------------------|-----------------|
|                                | Welsh Government:               |                 |
| (109)                          | Arson Reduction                 | (102)           |
| (308)                          | Home Safety Equipment           | (337)           |
| (130)                          | Other Community Safety          | (123)           |
| (749)                          | New Dimensions and USAR Funding | (734)           |
| (592)                          | Fire Link                       | (592)           |
| (110)                          | Joint emergency Services Group  | (110)           |
| (54)                           | Other *                         | 0               |
| <b>(2,052)</b>                 | <b>Total</b>                    | <b>(1,998)</b>  |

\* Other Grants (external funding) comprise funding for small, non-recurring projects.

\*\* The table has been amended to only include the grants for Mid and West Wales Fire and Rescue Authority. The Grants note for 2016/17 included grant income for the other Welsh Fire Services - Home Safety Equipment funding was £870k and of this, only £308k was for Mid and West Wales Fire and Rescue Authority. Arson Reduction funding was £369k and only £109k was for Mid and West Wales Fire and Rescue Authority. The Service was acting as an Agent on behalf of the Welsh Government so there is no requirement to include the amounts for the other Fire Services in the statement above.

In 2017/18 Mid and West Wales Fire and Rescue Authority co-ordinated the Home Safety Equipment grant of £972k and Arson Reduction grant of £387k on behalf of Welsh Government who therefore allocated £1,359k (£1,239 in 2016/17) to the three Fire Services in Wales. The Authority acts as an agent on behalf of Welsh Government in administering these two grant schemes for all of the Fire Services in Wales. The approved grants are paid to Mid and West Wales Fire and Rescue Authority, who are then responsible for distributing the grants to the other two Welsh Fire Services. The grant values paid out to the other two Welsh Fire Services for the two schemes are as follows:

| 2016/17<br>£000 | Grants Administered on behalf of other<br>Fire and Rescue Services | 2017/18<br>£000 |
|-----------------|--|-----------------|
|                 | Welsh Government:  |                 |
| (260)           | Arson Reduction  | (285)           |
| (562)           | Home Safety Equipment  | (635)           |
| <b>(822)</b>    | <b>Total</b>   | <b>(920)</b>    |

The Authority has received the following grants and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not satisfied. The balances at the year-end are as follows:

## Current Liabilities Capital Receipts in Advance

| 2016/17<br>£000 |                    | 2017/18<br>£000 |
|-----------------|--------------------|-----------------|
| (236)           | Water Rescue Grant | 0               |
| 0               | Fire Crime Grant   | (30)            |
| (10)            | Donations          | (64)            |
| <b>(246)</b>    | <b>Total</b>       | <b>(94)</b>     |

## Note 26 - Related Parties

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

### Welsh Government

Welsh Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates and provides some funding in the form of grants. The grants received from government departments are set out in note 25.

### Members

Members of the Fire and Rescue Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in note 22.

### Officers

No Officer declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

### Other Public Bodies

The Authority receives the majority of its revenue funding by charging a levy, based on population, to the six Unitary County Authorities in its area. Details of the amounts received by way of levy are shown within the narrative of the Statement of Accounts.

In January 2018 the Authority appointed a Section 151 Officer under a Service Level Agreement with Carmarthenshire County Council to provide the Section 151 Officer services. The Section 151 Officer responsibility have been taken on by the current Director of Resources from Carmarthenshire County Council.

The Authority is the Administering Authority for the Firefighters' Pension Fund. Details of the Firefighters' Pension Fund are shown in note 30 and the Firefighters' Pension accounts are on pages 66 to 69.

### Entities Influenced by the Authority

Rescue 365 is a Community Interest Company Limited by Guarantee set up to provide prevention, protection and response services to the community in Mid and West Wales. Surpluses generated from the company's activities will be applied to provide prevention,

protection and response services to our communities. These prevention, protection and response services aim to complement the statutory and non-statutory prevention, protection and response services by Mid & West Wales Fire & Rescue Authority. The company directors have the ability to apply some or all of the surpluses in furtherance of Rescue 365's objectives and community purpose. As the community purpose is aligned with that of the Authority, the directors may pass some or all of the surpluses to the Authority.

A decision on how to use any surpluses would be a matter for the board of Rescue 365, who would need to act in the best interests of Rescue 365 with a view to furthering its community purpose. The Rescue 365 board included:

- a Councillor and member of the Authority;
- the Authority's Deputy Chief Fire Officer;
- the Authority's Assistant Chief Fire Officer; and
- the Authority's Area Manager,

all of whom are likely to consider making grants of surpluses to the Authority or to Authority identified projects as being an effective way of furthering Rescue 365's community purpose and the intention at the outset was that surpluses would be applied to support services provided by the Authority.

In total the Authority has advanced £260k to Rescue 365 of which £162k is outstanding as at 31 March 2018 (£209k as at 31 March 2017).

In addition to the loan the Authority seconded staff and rented accommodation to Rescue 365 which was charged and the balance due at 31 March 2018 was £272k.

The total debtor in the Statement of Accounts for Rescue 365 is therefore £434k, a reduction of £27k. A review of the Accounts for Rescue 365 identified losses in the early years of trading, as a result of this the recoverability of the debt has been reviewed and the bad debt provision has been adjusted to £353k at 31<sup>st</sup> March 2018 (£356k at 31<sup>st</sup> March 2017). The reduction of £3k has been processed in year to the net cost of services.

The Authority is working with Rescue 365 to determine the long-term viability of the company and is considering restructuring options and operating models.

| <b>Summary of Transactions between<br/>Rescue 365 &amp; MAWWFRS</b> | <b>Loan<br/>Account<br/>£000</b> | <b>Recharge<br/>of Costs<br/>£000</b> | <b>Total<br/>£000</b> |
|---|----------------------------------|---------------------------------------|-----------------------|
| <b>Balance at 1st April 2017</b>                                    | <b>209</b>                       | <b>252</b>                            | <b>461</b>            |
| Interest Accrued  | 0                                | 0                                     | 0                     |
| Invoices Raised   | 0                                | 69                                    | 69                    |
| Principal Repayment   | (47)                             | 0                                     | (47)                  |
| Invoices Paid   | 0                                | (49)                                  | (49)                  |
| <b>Balance as at 31st March 2018</b>                                | <b>162</b>                       | <b>272</b>                            | <b>434</b>            |
| Bad Debt Provision charged in 2016/17                               | (104)                            | (252)                                 | (356)                 |
| Bad Debt Provision calculation 2017/18                              | (81)                             | (272)                                 | (353)                 |
| Bad Debt Provision movement in 2017/18                              | 23                               | (20)                                  | 3                     |

## Joint Operations

In April 2014 Mid and West Wales Fire and Rescue Service (MAWWFRS) entered into a Memorandum of Understanding with South Wales Police and South Wales Fire and Rescue Service (SWFRS) to work together to establish a Joint Public Service Centre (JPSC). In October 2017 the JPSC went "live". MAWWFRS and SWFRS have joint control of the operation and the agreed approach from both FRSs is set out in a Service Level Agreement (SLA). The SLA outlines a set of agreed high-level principles in relation to the day-to-day management of the team. It is the expectation of both Chief Fire Officers of the FRSs that the FRSs will work in collaboration to achieve the aims and objectives set out within the SLA.

The SLA provided that as from the point of the team becoming operational the staff budget for the team would be shared on a 50% basis between the two FRSs.

In accordance with accounting policy 17, the main financial statements of the Authority have been consolidated with the relevant entries. The Authority's share of the Joint Arrangement Income and Expenditure Account and Balance Sheet are shown in the table below:

| <b>Joint Public Service Centre<br/>from October 2017</b> | <b>2017/18</b>                                |                                   |
|--|---|-----------------------------------|
|  | <b>Joint<br/>Operation<br/>Total<br/>£000</b> | <b>MAWWFRS<br/>Share<br/>£000</b> |
| <b>Revenue</b>   |   |                                   |
| Staff Expenditure  | 1,683   | 841                               |
| <b>Intangible Asset</b>                                  |   |                                   |
| Command & Control System                                 |   |                                   |
| Gross Book Value   | 680   | 340                               |
| Accumulated Amortisation                                 | (34)  | (17)                              |
| Net Book Value   | 646   | 323                               |

## Note 27 - Capital Expenditure and Capital Financing

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

| 2016/17<br>£000 |   | 2017/18<br>£000 |
|-----------------|---|-----------------|
| <b>22,467</b>   | <b>Opening Capital Financing Requirement</b>        | <b>24,096</b>   |
|                 | Capital Investment:                                 |                 |
| 3,715           | Property Plant and Equipment                        | 5,572           |
| 282             | Intangible Assets                                   | 469             |
| <b>3,997</b>    | <b>Total Capital Spending</b>                       | <b>6,041</b>    |
|                 | Sources of Finance:                                 |                 |
| (35)            | Capital receipts                                    | (21)            |
| (52)            | Government Grants and other contributions/donations | (979)           |
|                 | Sums set aside from revenue:                        |                 |
| (782)           | Direct Revenue Contributions                        | (1,320)         |
|                 | Minimum revenue provision:                          |                 |
| (248)           | Option 1 – expenditure pre 31 March 2009            | (238)           |
| (711)           | Option 3 – expenditure post 1 April 2009            | (840)           |
| 648             | Asset Life adjustment                               | 0               |
| (1,188)         | Finance Leases                                      | (784)           |
| <b>(2,368)</b>  | <b>Total Sources of Finance</b>                     | <b>(4,182)</b>  |
| <b>24,096</b>   | <b>Closing Capital Financing Requirement</b>        | <b>25,955</b>   |

### Explanation of movements in year

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
| 1,629           | Increase in underlying need to borrow (unsupported by government financial assistance) | 1,859           |
| <b>1,629</b>    | <b>Increase / (decrease) in Capital Financing Requirement</b>                          | <b>1,859</b>    |

## Note 28 – Leases

### Authority as Lessee - Finance Leases

The Authority has acquired a number of vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| <b>31 March<br/>2017<br/>£000</b> |   | <b>31 March<br/>2018<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| 0                                 | Other Land and Buildings                        | 0                                 |
| 5,207                             | Vehicles, Plant, Furniture, Equipment and Other | 4,399                             |
| <b>5,207</b>                      | <b>Total</b>                                    | <b>4,399</b>                      |

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| <b>31 March<br/>2017<br/>£000</b> | <b>Finance lease liabilities (net present value of<br/>minimum lease payments):</b> | <b>31 March<br/>2018<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| 784                               | - Current   | 729                               |
| 4,819                             | - Non-current   | 4,090                             |
| 967                               | Finance costs payable in future years   | 773                               |
| <b>6,570</b>                      | <b>Minimum lease payments</b>   | <b>5,592</b>                      |

The minimum lease payments will be payable over the following periods:

| <b>Minimum Lease Payments</b>      |                                    |  | <b>Finance Lease Liabilities</b>   |                                    |
|------------------------------------|------------------------------------|--|------------------------------------|------------------------------------|
| <b>31 March<br/>2017<br/>£'000</b> | <b>31 March<br/>2018<br/>£'000</b> |  | <b>31 March<br/>2017<br/>£'000</b> | <b>31 March<br/>2018<br/>£'000</b> |
| 978                                | 889                                | Not later than one year                              | 784                                | 729                                |
| 2,795                              | 2,405                              | Later than one year and not<br>later than five years | 2,300                              | 1,995                              |
| 2,797                              | 2,298                              | Later than five years                                | 2,519                              | 2,095                              |
| <b>6,570</b>                       | <b>5,592</b>                       | <b>Total</b>   | <b>5,603</b>                       | <b>4,819</b>                       |



### Authority as Lessee - Operating Leases

The Authority has acquired a number of light vehicles by entering into operating leases, with typical lives of 5 to 7 years.

The future minimum lease payments due under non-cancellable operating leases in future years are:

| <b>31 March<br/>2017<br/>£000</b> |   | <b>31 March<br/>2018<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| 550                               | Not later than one year                           | 541                               |
| 1,073                             | Later than one year and not later than five years | 532                               |
| 0                                 | Later than five years                             | 0                                 |
| <b>1,623</b>                      | <b>Total</b>                                      | <b>1,073</b>                      |

### Note 29 - Termination Benefits

The Authority terminated the contract of three employees through voluntary retirement / redundancy in 2017/18 incurring liabilities of £32k (£270k in 2016/17), see note 23 for the number of exit packages and total cost per band. This included a Control employee and a Cook who took redundancy, and a Headquarters employee who took voluntary redundancy.

## **Note 30 - Defined Benefit Pension Scheme**

### **Participation in Pension Schemes**

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

The Local Government Pension Scheme (LGPS) pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Dyfed Pension Fund, Carmarthenshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the pensions committee of Carmarthenshire County Council. The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the amounts required by statute as described in the accounting policies note. 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 levy 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.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Firefighters Pension Scheme (FPS) is an unfunded defined benefit scheme meaning that no investments are held to fund the liabilities. Contributions, at a rate set by the Welsh Government, made by the employer and employees are held in a pension fund account, benefits paid are charged to the account with any balance on the account being received from, or paid to, the Welsh Government.

| 2016/17   |                            | General Fund Transactions   |  | 2017/18        |                            |
|---|----------------------------|---|--|----------------|----------------------------|
| LGPS  | Firefighter Pension Scheme | Comprehensive Income and Expenditure Statement - Cost of Services                   |  | LGPS           | Firefighter Pension Scheme |
| £000  | £000                       |   |  | £000           | £000                       |
|   |                            | Service cost comprising:  |  |                |                            |
| 1,214   | 8,400                      | Current service cost  |  | 1,893          | 11,080                     |
| 0   | 310                        | Past service cost   |  | 0              | 290                        |
| 0   | 470                        | Transfers In  |  | 0              | 100                        |
| 305   | 0                          | (Gain) / loss from curtailments   |  | 0              | 0                          |
| 0   | 0                          | (Gain) / loss from settlements  |  | 0              | 0                          |
| 34  | 0                          | Administration expenses   |  | 35             | 0                          |
|   |                            | Financing and Investment Income and Expenditure:                                    |  |                |                            |
| 319   | 13,490                     | Net interest expense  |  | 323            | 12,200                     |
| <b>1,872</b>  | <b>22,670</b>              | <b>Total charged to (Surplus) and Deficit on Provision of Services</b>              |  | <b>2,251</b>   | <b>23,670</b>              |
| <b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b> |                            |   |  |                |                            |
|   |                            | Re-measurement of the net defined benefit liability comprising:                     |  |                |                            |
| (7,803)   | 0                          | Return on plan assets (excluding the amount included in the net interest expense)   |  | (462)          | 0                          |
| (634)   | (3,120)                    | Actuarial gains and losses – experience   |  | 0              | 21,140                     |
| (491)   | (9,840)                    | Actuarial gains and losses arising on changes in demographic assumptions            |  | 0              | (13,500)                   |
| 11,667  | 83,110                     | Actuarial gains and losses arising on changes in financial assumptions              |  | (2,603)        | 13,980                     |
| 0   | 0                          | Other movements in the liability / (asset)  |  | 0              | 0                          |
| <b>2,739</b>  | <b>70,150</b>              | <b>Total charged to Other Comprehensive Income and Expenditure Statement</b>        |  | <b>(3,065)</b> | <b>21,620</b>              |
| <b>4,611</b>  | <b>92,820</b>              | <b>Total charged to the Comprehensive Income and Expenditure Statement</b>          |  | <b>(814)</b>   | <b>45,290</b>              |
| <b>Movement in Reserves Statement</b>   |                            |   |  |                |                            |
| (1,872)   | (22,670)                   | Reversal of net charges made to the Surplus or Deficit on the Provision of Services |  | (2,251)        | (23,670)                   |
| <b>Actual amount charged against the general fund balance for pensions in the year:</b>             |                            |   |  |                |                            |
| 1,147   |                            | Employers' contributions payable to scheme  |  | 1,014          |                            |
|   | 13,490                     | Retirement Benefits payable to pensioners   |  |                | 13,990                     |

| 2016/17         |                            |  | 2017/18         |                            |
|-----------------|----------------------------|--|-----------------|----------------------------|
| LGPS            | Firefighter Pension Scheme | Pensions Assets and Liabilities Recognised in the Balance Sheet            | LGPS            | Firefighter Pension Scheme |
| £000            | £000                       |  | £000            | £000                       |
| (57,974)        | (461,880)                  | Present value of the defined obligation                                    | (57,586)        | (493,180)                  |
| 45,084          | 0                          | Fair value of plan assets  | 46,524          | 0                          |
| <b>(12,890)</b> | <b>(461,880)</b>           | <b>Net (liability) / asset arising from the defined benefit obligation</b> | <b>(11,062)</b> | <b>(493,180)</b>           |

| 2016/17       |                            |  | 2017/18       |                            |
|---------------|----------------------------|--|---------------|----------------------------|
| LGPS          | Firefighter Pension Scheme | Movement in the Value of Scheme Assets   | LGPS          | Firefighter Pension Scheme |
| £000          | £000                       |  | £000          | £000                       |
| 35,638        | 0                          | Opening fair value of scheme assets  | 45,084        | 0                          |
| 1,290         | 0                          | Interest income  | 1,170         | 0                          |
|               |                            | Remeasurement gain / (loss):   |               |                            |
| 7,803         | 0                          | - The return on plan assets, excluding the amount included in the net interest expense | 462           | 0                          |
| 1,147         | 13,490                     | Contributions from employer  | 1,014         | 13,990                     |
| 372           | 0                          | Contributions from employees into the scheme   | 389           | 0                          |
| (1,132)       | (13,490)                   | Benefits / transfers paid  | (1,560)       | (13,990)                   |
| (34)          | 0                          | Administration expenses  | (35)          | 0                          |
| <b>45,084</b> | <b>0</b>                   | <b>Closing value of scheme assets</b>  | <b>46,524</b> | <b>0</b>                   |

| 2016/17         |                                  | Movements in the Fair Value of<br>Scheme Liabilities                    | 2017/18         |                                  |
|-----------------|----------------------------------|---|-----------------|----------------------------------|
| LGPS            | Firefighter<br>Pension<br>Scheme |   | LGPS            | Firefighter<br>Pension<br>Scheme |
| £000            | £000                             |   | £000            | £000                             |
| (45,064)        | (382,550)                        | Opening balance at 1 April  | (57,974)        | (461,880)                        |
| (1,214)         | (8,400)                          | Current service cost  | (1,893)         | (11,080)                         |
| 0               | (470)                            | Transfers In  | 0               | (100)                            |
| (1,609)         | (13,490)                         | Interest cost   | (1,493)         | (12,200)                         |
| (372)           | 0                                | Contributions from scheme participants                                  | (389)           | 0                                |
|                 |                                  | <i>Remeasurement gains and losses:</i>                                  |                 |                                  |
| 634             | 3,120                            | - Actuarial gains / (losses) - experience                               | 0               | (21,140)                         |
| 491             | 9,840                            | - Actuarial gains / (losses) from changes<br>in demographic assumptions | 0               | 13,500                           |
| (11,667)        | (83,110)                         | - Actuarial gains / (losses) from changes<br>in financial assumptions   | 2,603           | (13,980)                         |
| 0               | 0                                | - Other   | 0               | 0                                |
| 0               | (310)                            | Past service cost   | 0               | (290)                            |
| (305)           | 0                                | Gains / (losses) on curtailments  | 0               | 0                                |
| 0               | 0                                | Other Movement  | 0               | 0                                |
| 1,132           | 13,490                           | Benefits / transfers paid   | 1,560           | 13,990                           |
| <b>(57,974)</b> | <b>(461,880)</b>                 | <b>Balance as at 31 March</b>   | <b>(57,586)</b> | <b>(493,180)</b>                 |

**LGPS - Pension Scheme - Assets comprised of:**

| Restated*                        |               |               | 2017/18                                   |               |               |               |
|----------------------------------|---------------|---------------|---|---------------|---------------|---------------|
| 2016/17                          |               |               | Fair value of scheme assets               |               |               |               |
| Quoted                           | Unquoted      | Total         | Quoted                                    | Unquoted      | Total         |               |
| £000                             | £000          | £000          | £000                                      | £000          | £000          | £000          |
| <b>Cash and cash equivalents</b> |               |               |   |               |               |               |
| 0                                | 0             | 0             | Cash instruments                          | 0             | 0             | 0             |
| 271                              | 0             | 271           | Cash accounts                             | 140           | 0             | 140           |
| 0                                | 90            | 90            | Net current assets                        | 0             | 140           | 140           |
| <b>271</b>                       | <b>90</b>     | <b>361</b>    | <b>Subtotal Cash and cash equivalents</b> | <b>140</b>    | <b>140</b>    | <b>280</b>    |
| <b>Equities</b>                  |               |               |   |               |               |               |
| 11,091                           | 0             | 11,091        | UK Quoted                                 | 9,444         | 0             | 9,444         |
| 0                                | 9,828         | 9,828         | Overseas Pooled-unquoted                  | 0             | 10,468        | 10,468        |
| 4,328                            | 0             | 4,328         | US  | 4,652         | 0             | 4,652         |
| 225                              | 0             | 225           | Canada                                    | 233           | 0             | 233           |
| 1,488                            | 0             | 1,488         | Japan                                     | 1,582         | 0             | 1,582         |
| 0                                | 1,353         | 1,353         | Pacific                                   | 0             | 1,210         | 1,210         |
| 0                                | 3,426         | 3,426         | Emerging markets                          | 0             | 3,675         | 3,675         |
| 45                               | 0             | 45            | Pooled Overseas-quoted                    | 0             | 0             | 0             |
| 0                                | 0             | 0             | European ex UK                            | 1,582         | 0             | 1,582         |
| <b>17,177</b>                    | <b>14,607</b> | <b>31,784</b> | <b>Subtotal Equities</b>                  | <b>17,493</b> | <b>15,353</b> | <b>32,846</b> |
| <b>Bonds</b>                     |               |               |   |               |               |               |
| 4,373                            | 0             | 4,373         | UK Government indexed                     | 4,559         | 0             | 4,559         |
| 0                                | 4,373         | 4,373         | UK Corporate                              | 0             | 4,466         | 4,466         |
| <b>4,373</b>                     | <b>4,373</b>  | <b>8,746</b>  | <b>Subtotal Bonds</b>                     | <b>4,559</b>  | <b>4,466</b>  | <b>9,025</b>  |
| <b>Property</b>                  |               |               |   |               |               |               |
| 0                                | 0             | 0             | UK  | 0             | 0             | 0             |
| 0                                | 0             | 0             | Overseas – quoted                         | 0             | 0             | 0             |
| 0                                | 0             | 0             | Overseas                                  | 0             | 0             | 0             |
| 0                                | 4,193         | 4,193         | Property Funds                            | 0             | 4,373         | 4,373         |
| <b>0</b>                         | <b>4,193</b>  | <b>4,193</b>  | <b>Subtotal Property</b>                  | <b>0</b>      | <b>4,373</b>  | <b>4,373</b>  |
| <b>21,821</b>                    | <b>23,263</b> | <b>45,084</b> | <b>Total Assets</b>                       | <b>22,192</b> | <b>24,332</b> | <b>46,524</b> |

\* Narratives have been amended for the 2016/17 comparators as per the revised report received from Mercer.

## 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 Local Government Pension Scheme has been estimated by Mercer's an independent firm of actuaries and the Firefighters Pension Scheme has been valued by the Government Actuary's Department (GAD). Estimates for the Dyfed Pension Fund (the LGPS) are based on the latest full valuation of the scheme as at 1 April 2018.

### The significant assumptions used by the actuary have been:

| 2016/17 | LGPS  | 2017/18 |
|---------|---|---------|
|         | Mortality assumptions                                 |         |
|         | <i>Longevity at retirement for current pensioners</i> |         |
| 22.8    | Men   | 22.9    |
| 25.5    | Women   | 25.6    |
|         | <i>Longevity at retirement for future pensioners</i>  |         |
| 25.0    | Men   | 25.1    |
| 27.8    | Women   | 27.9    |
|         | <i>Other assumptions</i>                              |         |
| 2.3%    | Rate of inflation                                     | 2.1%    |
| 3.8%    | Rate of increase in salaries                          | 3.6%    |
| 2.3%    | Rate of increase in pensions                          | 2.2%    |
| 2.6%    | Rate for discounting scheme liabilities               | 2.7%    |

| 2016/17 | Firefighter Pension Scheme                            | 2017/18 |
|---------|---|---------|
|         | Mortality assumptions                                 |         |
|         | <i>Longevity at retirement for current pensioners</i> |         |
| 22.4    | Men   | 21.9    |
| 22.4    | Women   | 21.9    |
|         | <i>Longevity at retirement for future pensioners</i>  |         |
| 24.7    | Men   | 23.9    |
| 24.7    | Women   | 23.9    |
|         | <i>Other assumptions</i>                              |         |
| 2.4%    | Rate of inflation                                     | 2.3%    |
| 4.4%    | Rate of increase in salaries                          | 4.3%    |
| 2.4%    | Rate of increase in pensions                          | 2.3%    |
| 2.7%    | Rate for discounting scheme liabilities               | 2.6%    |

The estimated weighted duration of the defined benefit obligation is 18 years for the Firefighter Scheme and 20 years for the Local Government Pension Scheme.

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

#### Impact of assumptions on the obligation – LGPS

|  | As<br>Reported<br>£000 | Discount<br>Rate<br>0.1%<br>Increase<br>£000 | Inflation<br>0.1%<br>Increase<br>£000 | Pay Growth<br>0.1%<br>Increase<br>£000 | Life<br>Expectancy<br>1 Year<br>Increase<br>£000 |
|--|------------------------|--|---------------------------------------|--|--|
| Liabilities                                  | (57,586)               | (56,436)                                     | (58,758)                              | (57,836)                               | (58,698)   |
| Assets                                       | 46,524                 | 46,524                                       | 46,524                                | 46,524                                 | 46,524   |
| (Deficit) / Surplus                          | (11,062)               | (9,912)                                      | (12,234)                              | (11,312)                               | (12,174)   |
| Projected Service<br>Cost for Next Year      | 1,745                  | 1,690  | 1,803                                 | 1,745                                  | 1,783  |
| Projected Net Interest<br>Cost for Next Year | 286                    | 264  | 318                                   | 293                                    | 317  |

#### Impact of assumptions on the obligation - Firefighter Pension Scheme

|      | As<br>Reported<br>£000 | Discount<br>Rate on<br>Liabilities<br>0.5%<br>Decrease<br>£000 | Increase in<br>Salaries<br>0.5%<br>Increase<br>£000 | Life<br>Expectancy<br>1-year<br>Increase<br>£000 | Increase in<br>Pensions<br>0.5%<br>Increase<br>£000 | Retiring<br>Earlier than<br>Expected<br>1 Year<br>Earlier<br>£000 |
|------|------------------------|--|---|--|---|---|
| FFPS | (493,180)              | (448,180)  | (499,180)   | (506,180)  | (528,180)   | (493,180)   |

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

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 the levy 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 transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The table above shows the amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans.



## **Note 31 - Nature & 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 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 measures as interest rates and stock market movement.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles to overall risk management, as well as written guidance covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, the value of credit exposure to the Authority's customers is low and considered not to pose a risk.

This risk is minimised through the Annual Investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The amounts invested are restricted to prudent and affordable amounts as set out in the approved strategy.

The current strategy is to invest internally as far as possible, thus reducing the need to borrow and reducing the cash surplus available for investment and the period those surpluses are available.

The Authority's maximum exposure to credit risk is in relation to its investments with its bank. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

### **Liquidity Risk**

The Authority monitors its cash balance to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the UK Debt Management Office. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that loans mature within the approved limits shown in the table below through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

|                        | Approved<br>minimum<br>limits | Approved<br>maximum<br>limits | Actual<br>31 March<br>2017<br>£000 | %<br>31 March<br>2017 | Actual<br>31 March<br>2018<br>£000 | %<br>31 March<br>2018 |
|------------------------|-------------------------------|-------------------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Less than 1 year       | 0%                            | 20%                           | 382                                | 2%                    | 470                                | 3%                    |
| Between 1 and 2 years  | 0%                            | 20%                           | 470                                | 3%                    | 1,321                              | 8%                    |
| Between 2 and 5 years  | 0%                            | 50%                           | 1,786                              | 10%                   | 618                                | 4%                    |
| Between 5 and 10 years | 0%                            | 75%                           | 2,808                              | 17%                   | 2,655                              | 16%                   |
| More than 10 years     | 25%                           | 90%                           | 11,465                             | 68%                   | 11,465                             | 69%                   |
| Total                  |                               |                               | 16,911                             | 100%                  | 16,529                             | 100%                  |

## Market Risk

### *Interest Rate Risk*

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Service will rise
- Investments at fixed rates – the fair value of the assets will fall.

Because of the Authority's borrowing and surplus cash levels, with the limited period surpluses are held, borrowing and investment opportunities are limited. Borrowing is mainly at fixed interest rates and investments are at variable interest rates.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest receivable on variable rate investments will be posted to the surplus or Deficit on the Provision of Services and affect the General Fund Balance.

### *Price Risk*

The Authority does not invest in equity shares and has no exposure to price risk.

### *Foreign Exchange Risk*

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## **Note 32 - Contingent Liability**

In October 2018 the Pensions Ombudsman determination was received in respect of 2 complaints lodged in 2016. The complaints were in relation to the treatment of allowances operating within the Service, and whether or not such allowances should be pensionable. Whilst the complaints relate to 2 employees, the impact covered all employees working and receiving those allowances.

The Pensions Ombudsman determined that 2 out of 4 allowances were pensionable and 2 were not. Since the Determination, the Service has lodged an Appeal to the High Court against the Ombudsman's Determination and included an application to stay the Ombudsman's directions. The Trade Union has also lodged an Appeal. Until the Appeals are concluded it is not possible to reliably measure any potential obligation or even to know whether an outflow of resources will be required.

## FIREFIGHTERS PENSION FUND ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

| 2016/17<br>£000 |  | 2017/18<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Contributions Receivable:</b>                                     |                 |
|                 | Employer:  |                 |
| (3,290)         | - Normal   | (3,241)         |
| (469)           | - Early retirements (ill health)                                     | (484)           |
| (2,582)         | - Members  | (2,519)         |
| (6,341)         |  | (6,244)         |
| (467)           | Individual Transfers in from other schemes                           | (109)           |
| <b>(6,808)</b>  |  | <b>(6,353)</b>  |
|                 | <b>Benefits Payable:</b>   |                 |
| 10,774          | - Pension  | 10,752          |
| 2,422           | - Commutations and lump-sum retirement benefits                      | 3,203           |
| 314             | - Other *  | 0               |
| 0               | - Lump sum death   | 31              |
| 13,510          |  | 13,986          |
|                 | <b>Payments to and on account of leavers:</b>                        |                 |
| 0               | - Individual transfers out to other schemes                          | 0               |
| <b>13,510</b>   |  | <b>13,986</b>   |
| 6,702           | Deficit for year before grants receivables from the Welsh Government | 7,633           |
| (314)           | 18-20 Pension Contribution Holiday Grant *                           | 0               |
| (6,388)         | Top up grant Receivable from the Welsh Government                    | (7,633)         |
| <b>0</b>        | <b>Net amount payable/receivable for the year</b>                    | <b>0</b>        |

### NET ASSETS STATEMENT AS AT 31<sup>ST</sup> MARCH 2018

| 2016/17<br>£000 |                                    | 2017/18<br>£000 |
|-----------------|------------------------------------|-----------------|
|                 | <b><u>Current Assets:</u></b>      |                 |
| 114             | Amount owed by General Fund        | 0               |
| 2,448           | Amount owed by Welsh Government    | 911             |
| <b>2,562</b>    | <b>Total Current Assets</b>        | <b>911</b>      |
|                 | <b><u>Current Liabilities:</u></b> |                 |
| (2,448)         | Amount owed to General Fund        | (911)           |
| 0               | Amount owed to Welsh Government    | 0               |
| (114)           | Short Term Creditor                | 0               |
| <b>(2,562)</b>  | <b>Total Current Liabilities</b>   | <b>(911)</b>    |

\* In relation to the 2016/17 figures - On 31 December 2016 the Pensions 'contribution holiday' provision came into force. Under the previous terms of the 1992 scheme, firefighters who were members of that scheme were obliged to pay pension contributions until they reached the age of 50. However, their pensions could only reflect a maximum of 30 years' service. Those who joined the Fire Service between the ages of 18 and 20 and accrued 30 years pensionable service still had to continue paying contributions until they reached 50, even though they could not accrue any further pension benefits in return.

The 'Firefighters Pensions (Wales) Scheme (Amendment and Transitional Provisions) Order 2016' has amended the 1992 scheme by implementing an employee Pension 'contribution holiday' for scheme members who accrued the maximum 30 years' pensionable service prior to age 50. This applies from the point of accruing maximum pensionable service in the scheme until the member's 50th birthday. No employee contributions were to be made during this period and any such contributions already made after 1 December 2006 must be refunded with interest. The cost of doing so has been met by Welsh Government and is included in 'Other Payments' in the Benefits Payable by the fund above. Funding from Welsh Government in relation to this 'contribution holiday' provision was received in year, separate to the Pension 'top up' grant.

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

The Fund was established 1 April 2007 and covers the 1992, 2006, 2015 and the Modified Firefighters' Pension Schemes and is administered by the Authority. The 2015 scheme introduced new contribution rates for both employers and employees and reduced pension benefits. Members of the 1992 and 2006 schemes who do not meet the prescribed criteria, will transition into the 2015 scheme under a tapering arrangement. On 1 April 2016, the retained Modified Pension Scheme was introduced in addition to the original 1992, 2006 and 2015 schemes. The scheme allowed individuals who were employed as on-call members of staff between the years 2000 - 2006 the opportunity to buy back service. If the individuals were still employees, then they could enter into the retained Modified Pension Scheme which benefits from the same contribution rates as the 1992 scheme.

Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government (WG) and subject to triennial revaluations by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by Top Up Grants from the Welsh Government (WG).

Transfers in to the scheme are a transfer of pension benefits from another pension scheme for new or existing employees and transfers out are transfer benefits for employees who have left the Authority and joined another pension scheme.

The Authority is responsible for paying the employer's contributions in to the fund and these are the costs that are identified in the accounts for the Authority.

At the beginning of the financial year an assessment is made of the amount of Top Up Grant required from Welsh Government and 80% of the estimate is paid in addition to the surplus/deficit (asset/liability) which is payable/ receivable from the previous year, this is paid in July of each year. As such, any asset/liability on the Pension Fund is matched by a corresponding value on the Authority balance sheet. The 2017/18 estimate included an assessment of the number of firefighters due to retire within the year based on age and years' service, from this an estimate can then be made of the commutation payments that would fall due and the additional pension payments.

The accounting policies adopted for the production of the Pensions Fund Account are in line with recommended practice and follow those that apply to the Authority's primary statements.

### **Additional Note to the Firefighters' Pension Fund Account**

The Firefighters' Pension (Wales) Scheme (Amendment) Order 2014 came into force on 31 December 2014 with an effective date of 1 July 2013. The Order included an amendment to the pension regulations which introduced new powers for the Authority to make certain temporary allowances and emoluments pensionable under an Additional Pension Benefit (APB) arrangement. During November 2017 it became apparent that Welsh Fire and Rescue Services had not implemented the Order and temporary allowances had been treated in accordance with previous regulations. On 11 December 2017 the Authority approved a report to implement the requirements of the Order, consultation is ongoing with the appropriate representative bodies on the proposed implementation date and retrospective application of the policy where appropriate. As a consequence of the delays in implementing the Order a small number of retirees have received pension settlements which are not in accordance with the relevant regulations. Whilst the Authority is satisfied that the amounts are not material, work is currently in progress to address any residual issues around the legality and funding of these payments and to agree any remedial actions necessary.

### **Contribution Rates**

Under the Firefighters' Pension Regulations, the employer's contribution rate for the 2015 scheme was 14.3% of pensionable pay with employee's rates as per the pensionable pay banding detailed below:

| <b>Pensionable Pay Band</b>                        | <b>2017/18<br/>Contribution Rate<br/>%</b> |
|--|--|
| Up to and including £27,543                        | 10.5                                       |
| More than £27,543 and up to and including £51,005  | 12.7                                       |
| More than £51,005 and up to and including £142,500 | 13.5                                       |
| More than £142,500                                 | 14.5                                       |

For the 2006 scheme the employer's contribution was 16.8% of pensionable pay with employee's rates as per the pensionable pay banding detailed below:

| <b>Pensionable Pay Band</b>                         | <b>2017/18<br/>Contribution Rate<br/>%</b> |
|---|--|
| Up to and including £15,454                         | 8.5  |
| More than £15,454 and up to and including £21,636   | 9.4  |
| More than £21,636 and up to and including £30,909   | 10.4                                       |
| More than £30,909 and up to and including £41,212   | 10.9                                       |
| More than £41,212 and up to and including £51,515   | 11.2                                       |
| More than £51,515 and up to and including £61,818   | 11.3                                       |
| More than £61,818 and up to and including £103,030  | 11.7                                       |
| More than £103,030 and up to and including £123,636 | 12.1                                       |
| More than £123,636                                  | 12.5                                       |

For the 1992 and Modified schemes the employer's contribution rate was 25.5% of pensionable pay with employee's rates as per the pensionable pay bandings detailed below:

| <b>Pensionable Pay Band</b>                         | <b>2017/18<br/>Contribution Rate<br/>%</b> |
|---|--|
| Up to and including £15,454                         | 11.0                                       |
| More than £15,454 and up to and including £21,636   | 12.2                                       |
| More than £21,636 and up to and including £30,909   | 14.2                                       |
| More than £30,909 and up to and including £41,212   | 14.7                                       |
| More than £41,212 and up to and including £51,515   | 15.2                                       |
| More than £51,515 and up to and including £61,818   | 15.5                                       |
| More than £61,818 and up to and including £103,030  | 16.0                                       |
| More than £103,030 and up to and including £123,636 | 16.5                                       |
| More than £123,636                                  | 17.0                                       |

The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period end as this is the responsibility of the Authority. Details of the long-term pension obligations can be found in Note 30 to the core financial statements (£493.180m at 31 March 2018 and £461.880m at 31 March 2017).

## **Glossary of Terms used in the Statement of Accounts**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCOUNTING POLICIES**

These specify policies and procedures used by the Authority to prepare its Financial Statements, including methods, measurement systems and procedures for presenting disclosures.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

### **ASSET**

An item having value to the Authority in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a fire station, or intangible, e.g. computer software licences.

### **AUDIT OF ACCOUNTS**

An independent examination of the Authority's financial affairs.

### **BALANCE SHEET**

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

### **BORROWING**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

### **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.



### **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **CAPITAL PROGRAMME**

The capital schemes the Authority intends to carry out over a specific period of time.

### **CAPITAL RECEIPT**

The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

### **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

### **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

### **CREDITOR**

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

### **CURRENT SERVICE COST (PENSIONS)**

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

### **DEBTOR**

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

### **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**EQUITY**

The Authority's value of total assets less total liabilities.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

**GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

**IMPAIRMENT**

A reduction in the value of a non-current asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

**INFRASTRUCTURE ASSETS**

Non-current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are hydrants.

**INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

**INTEREST COST (PENSIONS)**

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

### **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

### **LIABILITY**

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

### **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

### **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

### **NET BOOK VALUE**

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

### **OPERATING LEASE**

A lease where the ownership of the non-current asset remains with the lessor.

### **OPERATIONAL ASSETS**

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

### **PAST SERVICE COST (PENSIONS)**

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

### **PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

**RELATED PARTIES**

There is a detailed definition of related parties in IAS 24. For the Authority's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

**RELATED PARTY TRANSACTIONS**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Capital Adjustment account cannot be used to meet current expenditure.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Authority will derive benefits from the use of a non-current asset.

**MID AND WEST WALES FIRE AND RESCUE AUTHORITY**

**ANNUAL GOVERNANCE STATEMENT**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

This Annual Governance Statement (AGS) has been prepared in accordance with guidance produced by Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), the '*Delivering Good Governance in Local Government Framework*'. This Annual Governance Statement explains how the Authority has complied with the framework and its six core principles of good governance to ensure that resources are directed in accordance with agreed policy and priorities.

**Scope of Responsibility**

Mid and West Wales 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 appropriately accounted for, and used economically, efficiently and effectively and to secure continuous improvement in this regard.

In discharging this accountability, Members and Senior Officers are responsible for putting in place appropriate arrangements for the governance of the Fire and Rescue Authority's affairs and the stewardship of the resources at its disposal.

Operating within a framework laid down by the UK National and Welsh Government legislation the Fire Authority discharges its functions by means of partnership working with the Fire Authority and its Members and Fire Officers operating under the guidance of the Chief Fire Officer.

Strategic and political leadership is given by and discharged through Fire Authority and its various committees, panels and working groups which enable members to decide issues affecting the running of the Fire Authority in accordance with the principles of openness and democratic accountability.

The day to day management and delivery of the Fire Service's functions is carried out by Fire Service Officers under the overall control and guidance of the Chief Fire Officer who discharges these functions in accordance with the policy framework and the determinations of the Fire Authority and its committees. In so doing, the Chief Fire Officer is assisted by the Executive Board of Directors and the Executive Leadership Team.

This Statement demonstrates how the Authority has complied with the various elements of the Governance Framework.

**The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled, and by which it accounts to and engages with its communities. It enables the Authority to monitor the achievement of its corporate objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks related to the achievement of the Authority's policies, aims and objectives, evaluate the likelihood and impact should risks be realised, and efficiently, effectively and economically manage such risks.

This Statement gives assurances on compliance with Mid and West Wales Fire Authority's governance framework for the year ending 31 March 2018 and up to the date of approval of the Statement of Accounts.

## **Well-being Statement**

We are committed to the Wellbeing of Future Generations (Wales) Act 2015 and embrace our duties and role as a statutory partner on our six Public Service Boards. Our Corporate Plan 2019-2024 outlines our five-year Strategic Aims and our Improvement and Well-being Objectives for 2019/2020. The plan has been developed in accordance with the requirements of the Act and ensures we consider the long-term impact of our decisions on our communities. Throughout the plan, we highlight how our Improvement and Wellbeing Objectives contribute to the Act's seven Well-being Goals.

In delivering our Objectives, we will also ensure that we consider and incorporate, where appropriate, the sustainable development principle and its five ways of working. As a statutory partner on each of our six Public Service Boards, we have played a key role in the formation of the Well-being Plans, which represent the communities of Mid and West Wales. Representatives from the Service also Chair a number of delivery and implementation groups across each of the six Public Service Boards, ensuring that the objectives we have all identified as priority partnership areas are successfully delivered.

The significance of the objectives contained within each of the six Public Service Board's Wellbeing Plans, is reflected in our own Service Improvement and Wellbeing Objectives, which ensure that working with our partners to deliver better outcomes for our communities remains a priority. Not only have we considered the Well-being of Future Generations (Wales) Act 2015 in the formation of this plan, we have also embedded a number of new ways of working within the day to day running of the organisations. The 'golden thread' of the Service is greatly influenced by the Well-being of Future Generations (Wales) Act 2015. From our individual development plans, departmental strategies, through to our Corporate Plan 2019-2024, the ethos of the Wellbeing of Future Generations (Wales) Act 2015 is at the forefront of our minds.

Whether its forming new partnerships; adopting a horizon scanning approach as part of our future planning processes; or embedding the Well-being of Future Generations (Wales) Act 2015 project framework within the delivery of our own corporate projects, you can be assured that the needs of the present will be met, without compromising our future generations.

## Governance Framework

The Constitution and the key roles of those responsible for developing and maintaining the Governance Framework:

|   |  |
|---|--|
| <b>Constitution</b>                             | The purpose of the Constitution is to set out in clear language how the Fire Authority works and how it makes decisions.   |
| <b>Fire Authority</b>                           | <p>Approves the Corporate Plan.</p> <p>Approves the Constitution (including Standing Orders and Financial Regulations).</p> <p>Approves key policies and budgetary framework.</p> <p>The main decision-making body of the Authority.</p> <p>Comprises twenty-five Members (including the Chair)</p>  |
| <b>Performance Audit and Scrutiny Committee</b> | <p>Provides independent assurance to the Fire Authority on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.</p> <p>Promotes high standards of member conduct.</p>  |
| <b>Resource Management Committee</b>            | <p>Makes recommendations to the Fire Authority on the approval of the Annual Statement of Accounts and Annual Governance Statement.</p> <p>Scrutinises performance.</p>  |
| <b>Executive Board</b>                          | <p>Implements the policy and budgetary framework set by the Fire Authority and provides advice to the Fire Authority on the development of future policy and budgetary issues.</p> <p>Oversees the implementation of policy and service delivery.</p>  |
| <b>Section 151 Officer</b>                      | <p>Ensuring lawful and financially prudent decision making.</p> <p>Administration of financial affairs.</p> <p>Accountability for developing and maintaining the Fire Authority's governance, risk and control framework.</p> <p>Contribute to the effective corporate management and governance of the Fire Authority.</p>  |
| <b>Monitoring Officer</b>                       | <p>To report on contraventions or likely contraventions of any enactment or rule of law.</p> <p>To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation.</p> <p>To establish and maintain registers of member interests and gifts and hospitality.</p> <p>To advise Members on the interpretation of the Code of Conduct for Members and Co-opted Members.</p> |

|                       |   |
|-----------------------|---|
|                       | Contribute to the effective corporate management and governance of the Fire Authority.  |
| <b>Internal Audit</b> | Provides independent assurance and annual opinion on the adequacy and effectiveness of the Fire Authority's governance, risk management and control framework.<br>Delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity.<br>Makes recommendations for improvements in the management of risk. |
| <b>Managers</b>       | Responsible for developing, maintaining and implementing the Fire Authority's governance, risk and control framework.<br>Contribute to the effective corporate management and governance of the Fire Authority.   |

### **Key Elements of Mid and West Wales Fire and Rescue Authority's Governance Framework**

The Authority's Constitution is updated throughout the year and sets out how the Authority operates. The key elements of the governance arrangements at the Authority during 2017/18 are summarised in the table overleaf.

Having adopted a Code of Corporate Governance the Authority demonstrates over the following pages how it is complying with six core principles which underpin the Code:

- Focusing on the organisation's purpose and on outcomes for citizens and service users.
- Performing effectively in clearly defined functions and roles.
- Promoting values for the whole organisation and demonstrating good governance through behaviour.
- Taking informed, transparent decisions and managing risk.
- Developing the capacity and capability of the governing body to be effective.
- Engaging stakeholders and making accountability real.

For each of these, the Authority has identified the actions necessary to meet such principles and the processes / documentation that are required to demonstrate compliance. This means the Authority can review the effectiveness of its governance arrangements.

To undertake this responsibility Mid and West Wales Fire and Rescue Authority is committed to upholding the three fundamental principles of Corporate Governance, as set out in the guidelines published by CIPFA/SOLACE.

### **Openness and Inclusivity**

Openness is required to ensure that stakeholders can have confidence in the decision making and management processes of the Mid and West Wales Fire and Rescue Authority, and in



the approach of the individuals within it. An inclusive approach will also ensure that all stakeholders and potential stakeholders can engage effectively with the decision-making processes and actions of the Mid and West Wales Fire and Rescue Authority.

### **Integrity**

This comprises both straightforward dealing and completeness. The Mid and West Wales Fire and Rescue Authority will always act with honesty, selflessness and objectivity, maintaining high standards of propriety and probity in the stewardship of public funds and management of its affairs. An effective control framework encompassing decision making procedures, service delivery, quality of financial and performance reporting is imperative in conjunction with personal standards and professionalism of both staff employed within the service and Members of the Mid and West Wales Fire and Rescue Authority.

### **Accountability**

Mid and West Wales Fire and Rescue Authority have established processes whereby Members and Staff employed are responsible for their decisions and actions, including stewardship of public funds and all aspects of performance, and are therefore submitted to appropriate external scrutiny. This is achieved by all parties having a clear understanding of those responsibilities and having clearly defined roles within a robust structure.

| <b>Principle 1:<br/>Focusing on the organisation's purpose and on outcomes for citizens and service users</b>   |  |   |
|---|--|---|
| <b>The principles of good governance that we have adopted are:</b>  | <b>What we will do to meet them:</b>   | <b>How we demonstrated compliance:</b>  |
| <p><b>To focus on the purpose of the Authority and on outcomes for the community and its citizens, and to create a vision for MAWWFRS:</b></p> <p>By:</p> <ul style="list-style-type: none"> <li>• Exercising leadership by clearly communicating the Authority's vision and intended outcomes for service users.</li> <li>• Ensuring users receive a high-quality service, directly or in partnership with other bodies.</li> <li>• Ensuring that the Authority makes best use of its resources and demonstrates value for money.</li> </ul> | <ul style="list-style-type: none"> <li>• Make, and regularly review a clear statement of the Authority's purpose and vision as a basis for service planning.</li> <li>• Publish on an annual basis, a plan of intended activities and outcomes to improve services and the means by which performance against these objectives is to be measured.</li> <li>• Publish a report on the Authority's activities, achievements and performance, including its financial performance and position.</li> <li>• Develop and implement a forward financial plan in line with Welsh Government requirements to ensure adequate resources are available to meet its intended plans and to deliver value for money.</li> <li>• Develop plans to maintain optimum services in the event of disruption to service continuity.</li> <li>• Develop clearly defined arrangements for working in partnership with other organisations to deliver improved services.</li> </ul> | <ul style="list-style-type: none"> <li>• Published a clear statement of the Authority's Vision, Mission, Values and Priorities in our Corporate Plan.</li> <li>• Published an Annual Report and Improvement Plan, with quarterly performance updates available via the internet.</li> <li>• We did not publish the annual Statement of Accounts for 2016-17 due to a delay with finalising the 2015-16 Statement of Accounts. This is covered in more detail within the Governance Statement section.</li> <li>• We published quarterly budget monitoring reports to Resource Management Committee.</li> <li>• Operated a process for recording and responding to complaints and comments and reporting thereon.</li> <li>• Maintained and regularly tested service continuity plans based on a risk assessment of threats to the Authority including exercises such as Red Kite</li> <li>• Published a partnership strategy.</li> <li>• Evaluated partnerships process and regularly performance monitored.</li> <li>• Published all external assessments of performance.</li> </ul> |

**Principle 2:  
Performing effectively in clearly defined functions and roles**

| <b>The principles of good governance that we have adopted are:</b>   | <b>What we will do to meet them:</b>  | <b>How we demonstrated compliance:</b>  |
|--|---|---|
| <p><b>To work to achieve the stated objectives within clearly defined Member and Officer roles and functions:</b><br/>By:</p> <ul style="list-style-type: none"> <li>• Being clear about the functions and roles of the Authority and its committees and officers.</li> <li>• Ensuring constructive and effective working relationships between Members and Officers and ensuring that responsibilities are undertaken to a high standard.</li> <li>• Ensuring that relationships between the Authority and the public are clear and that each knows what to expect from the other.</li> </ul> | <ul style="list-style-type: none"> <li>• Set out a clear statement of the respective roles and responsibilities of Members and officers which clarify the delegations to officers.</li> <li>• Establish a protocol to ensure effective communication between Members and officers.</li> <li>• Clarify the terms and conditions of employment, including the remuneration of members and officers and establish an effective mechanism for managing the process.</li> <li>• Ensure that effective mechanisms for monitoring service performance are established.</li> <li>• Ensure that the legal status and purpose of any partnerships are clear and that the roles and responsibilities of all partners are clear.</li> </ul> | <ul style="list-style-type: none"> <li>• Maintained committee terms of reference for all committees.</li> <li>• Maintained a scheme of delegation to the Chief Fire Officer and Clerk.</li> <li>• Maintained a scheme of standing orders and a Member/Officer protocol to manage member/officer interaction.</li> <li>• Maintained a system of Member briefing as part of the committee cycle.</li> <li>• Ensured all staff have up to date and relevant job descriptions.</li> <li>• Reported performance to management via real time system with quarterly reports to Members via the Performance Audit and Scrutiny Committee.</li> <li>• Operated a partnership risk management process to evaluate all significant partnerships prior to inception.</li> </ul> |

| <b>Principle 3:<br/>Promoting values for the whole organisation and demonstrating good governance through behaviour</b>   |   |   |
|---|---|---|
| <b>The principles of good governance that we have adopted are:</b>  | <b>What we will do to meet them:</b>  | <b>How we demonstrated compliance:</b>  |
| <p><b>Promote and demonstrate the values of the Authority through our behaviour:</b><br/>By:</p> <ul style="list-style-type: none"> <li>• Ensuring that Members and officers behave in ways which exemplify the Authority's values.</li> <li>• Ensuring that these values are put into practice and are effective.</li> </ul> | <ul style="list-style-type: none"> <li>• Establish and articulate the Authority's values to the public, its staff and stakeholders.</li> <li>• Demonstrate the application of these values in decision making and general behaviour.</li> <li>• Adopt codes of conduct defining the standards and behaviour expected when working for or with the Authority.</li> <li>• Maintain arrangements to ensure Members and senior managers are not influenced by personal interests, bias or prejudice when making decisions.</li> <li>• Maintain arrangements for reporting, investigating and dealing with occasions where standards fall below those expected.</li> <li>• When working with partners, agree those values by which all parties to the partnership will operate.</li> </ul> | <ul style="list-style-type: none"> <li>• Published our vision, mission, values and priorities in key publications including the Corporate Plan.</li> <li>• Published and operated codes of conduct for Members and Officers.</li> <li>• Annually required Members and Senior Officers to complete declarations of interest and related party transaction returns.</li> <li>• Maintained a standards committee to oversee Member standards and hear any complaints.</li> <li>• Maintained a disciplinary process to deal with any breaches of the code of conduct for Officers.</li> <li>• Maintained Authority and Financial Procedure Rules and protocols up to date.</li> <li>• Maintained and published a "whistle blowing" protocol to enable concerns about behaviour to be reported in confidence.</li> <li>• Maintained an Anti-Fraud and Corruption Procedure.</li> <li>• Maintained a complaints and comments procedure and reported results at least annually.</li> <li>• Established working arrangements within significant partnerships which reflect these values.</li> </ul> |

| <b>Principle 4:<br/>Taking informed, transparent decisions and managing risk</b>   |  |  |
|--|--|--|
| <b>The principles of good governance that we have adopted are:</b>   | <b>What we will do to meet them:</b>   | <b>How we demonstrated compliance:</b>   |
| <p><b>Take informed and transparent decisions which are subject to effective evaluation and managed risks:</b><br/>By:</p> <ul style="list-style-type: none"> <li>• Being rigorous and transparent about how decisions are taken and listening and acting on all constructive comments and concerns.</li> <li>• Ensuring good quality information, advice and support to ensure decisions are delivered effectively and meet the needs of the community.</li> <li>• Ensuring the effective management of the risks facing the Authority, including those which might prevent the realisation of opportunities to improve services.</li> <li>• Operating within the legislative framework in place and using those powers conferred by law for the benefit of the community.</li> </ul> | <ul style="list-style-type: none"> <li>• Maintain arrangements for recording the decisions of the Authority and the basis on which those decisions were made.</li> <li>• Maintain arrangements for identifying and recording conflicts of interest by Members and Senior Officers and ensure that these do not affect the decision-making process.</li> <li>• Maintain arrangements whereby Members, staff, contractors, stakeholders and the public can raise concerns about the behaviour of anyone connected with the work of the Authority.</li> <li>• Maintain effective arrangements for the independent internal audit of the Authority.</li> <li>• Maintain an effective Standards Committee.</li> <li>• Ensure that decision makers have sufficient appropriate information to take effective decisions, including professional financial and legal advice.</li> <li>• Ensure that risk management is embedded into the culture of the Authority and that Members and officers take account of risks in decision making.</li> <li>• Work within the legislative framework available and make full use of its legal powers to benefit the community.</li> <li>• When working in partnership, ensure that the same standards of good governance are applied to the partnership's activities.</li> </ul> | <ul style="list-style-type: none"> <li>• Published Authority minutes and reports on the web site.</li> <li>• Maintained a publication scheme and complied with FOI requests within the stipulated timescales.</li> <li>• Maintained a register of interests of Members and senior managers.</li> <li>• Maintained a "whistle blowing" protocol to enable concerns about behaviour to be reported in confidence.</li> <li>• Reported on annual internal audit plan and annual report to senior management and the Performance Audit and Scrutiny Committee.</li> <li>• External Audit overview of Internal Audit arrangements.</li> <li>• Published Standards Committee minutes and reports.</li> <li>• Published and operated a risk management policy and strategy.</li> <li>• Comment/impact of key risks on all key policy reports to Members.</li> <li>• Regularly reported on the status of strategic and business risks to Committee.</li> <li>• Included commentary on all policy reports about the legal status of such proposals.</li> <li>• Reported annually on all partnership activity including risk and governance issues.</li> </ul> |

| <b>Principle 5:<br/>Developing the capacity and capability of the governing body to be effective</b>  |  |   |
|---|--|---|
| <b>The principles of good governance that we have adopted are:</b>  | <b>What we will do to meet them:</b>   | <b>How we demonstrated compliance:</b>  |
| <p><b>Develop the capacity and capability of Members and Officers to be effective and to deliver services effectively:</b><br/>By:</p> <ul style="list-style-type: none"> <li>• Making sure members and Officers have the skills, knowledge, experience and resources to perform well in their roles.</li> <li>• Developing the capacity of people individually and in groups and evaluating their performance.</li> <li>• Encouraging under-represented groups to join the Authority to ensure representation from all sections of the community.</li> </ul> | <ul style="list-style-type: none"> <li>• Assess the skills required by Members and Officers, including the statutory Officers, and continually develop these to enable individual roles to be undertaken effectively and efficiently.</li> <li>• Regularly review the performance of Committees and Senior Officers and implement plans for further development and training where necessary.</li> <li>• Maintain arrangements to encourage all sections of the community to work for and with the Authority and contribute to the development of its policies and activities.</li> <li>• When working with partners, ensure that the same principles are applied to the work of the partnership.</li> </ul> | <ul style="list-style-type: none"> <li>• Operated a staff individual development review scheme incorporating personal development and training requirements.</li> <li>• Implemented an annual Member training and induction programme and record attendance.</li> <li>• Operated the national IPDS system for operational staff.</li> <li>• Published a communication and consultation strategy and reported the results of such processes to Members.</li> <li>• Established public and staff consultation to consider and comment on policy proposals.</li> <li>• Promoted the Fire Service as a career opportunity.</li> <li>• Produced an Annual Equality Report marking performance against set objectives.</li> </ul> |

**Principle 6:  
Engaging stakeholders and making accountability real**

| The principles of good governance that we have adopted are:  | What we will do to meet them:   | How we demonstrated compliance:   |
|--|---|---|
| <p><b>Engage with the community we serve to ensure robust local public accountability:</b><br/>By:</p> <ul style="list-style-type: none"> <li>Engaging local people and stakeholders, including partners.</li> <li>Taking an active and planned approach to consultation with the public and stakeholder groups to ensure effective and appropriate service delivery.</li> <li>Taking an active and planned approach to meet responsibilities to staff.</li> </ul> | <ul style="list-style-type: none"> <li>Set out clearly the Authority’s key accountabilities and the means by which these will be reported.</li> <li>Maintain arrangements for communicating and consulting with all sections of public and key stakeholders about the Authority’s policies and services.</li> <li>Maintain processes to consult with staff and their representatives.</li> <li>Ensure that feedback from the consultation process is incorporated into the development of future performance plans.</li> <li>Publish an annual performance plan with quarterly performance updates setting out plans and performance, including financial performance.</li> <li>Ensure that all Authority meetings and reports are accessible to the public except where legislation requires confidentiality to be preserved.</li> <li>When working with partners ensure that the same principles are applied to the work of the partnership.</li> </ul> | <ul style="list-style-type: none"> <li>Published and delivered the corporate communications plan.</li> <li>Met regularly with union representatives to consult on both key policy and service delivery changes.</li> <li>Identified in Authority reports where the results of consultation have influenced policy decisions.</li> <li>Copies of annual reports and the Corporate Plan made available on the web site and libraries.</li> <li>All Authority meetings were open to the public, and all reports and minutes are available via the internet. Other documents to be made available under FOI provisions.</li> <li>Included clear accountability and communication provisions within all partnership agreements.</li> </ul> |

## Review of Effectiveness

The effectiveness of the Governance Framework draws on evidence and assurance from:

- Fire Authority
- Executive Board
- Executive Leadership Team
- Scheme of Delegation to Officers
- Performance, Audit and Scrutiny Committee (PASC)
- Internal Audit
- External Audit

The principal ways of reviewing and assessing the effectiveness of the Authority's governance arrangements are set out in the following paragraphs:

### Internal Audit

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards, the Audit Manager is required to provide an opinion on the overall adequacy and effectiveness of the Authority's risk management, control, counter fraud and governance processes.

The Audit Manager has provided a general opinion following the internal audit processes and is satisfied that the operational systems at Mid and West Wales Fire Authority were acceptable and there were no fundamental areas of concern identified by the review.

The Authority's risk management, control, counter fraud and governance processes, in operation during the year to 31 March 2018, were found to be generally in accord with proper practice and are fundamentally sound, although there are opportunities to improve the arrangements to enhance the Authority's governance framework. These recommendations from Internal Audit are being addressed via internal departmental action plans as applicable. Full details of the assurance provided by the Audit Manager along with plans to address the recommendations is detailed within the Internal Audit Annual Report for 2017/18 reported to PASC 5<sup>th</sup> November 2018.

[http://w3.mawwfire.gov.uk/SiteCollectionDocuments/Fire\\_Authority\\_Committees/PASC/2018/05.11.18/AgendaItem7.pdf](http://w3.mawwfire.gov.uk/SiteCollectionDocuments/Fire_Authority_Committees/PASC/2018/05.11.18/AgendaItem7.pdf)

It is considered that the Authority has effective arrangements in place for the provision of the Internal Audit Service, however in line with the opportunities to improve, a revised 3-year audit programme has been agreed that will allow for enhanced robustness going forward.

Detailed internal audits have been undertaken, examining some of the areas of higher risk, as prioritised by the Director of Resources. The enhanced internal audit programme introduced during 2017/18 has included a Data Protection audit, a report on Internet Security, the examination of the Agresso software system, Treasury Management, Banking, Travel and Subsistence, Procurement, VAT and both National Resilience and Arson Reduction Grants. The audit programme also includes an audit of the Authority's payroll, creditors and debtor's systems and main accounting. These audits have been positive, showing no fundamental weaknesses, and have been reported to the Authority's PASC.



The Authority is fully compliant with the seven principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit in local government.

### External Audit

WAO's audit of the 2015/16 accounts was a qualified opinion due to a lack of sufficient appropriate evidence to support some of the classifications in the financial statements and there remained a risk that some matters remained unresolved for 2016/17.

In December 2018 WAO gave an unqualified opinion on the 2016/17 accounts. It is the opinion of the Auditor General that the financial statements:

- give a true and fair view of the financial position of Mid and West Wales Fire and Rescue Authority as at 31st March 2017 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017.

At that time there was one outstanding issue relating to pension. The issue did not have a material impact on the financial statements, however, the audit could not be closed and a certificate issued due to this outstanding query. The pension issue has now been satisfactorily concluded and the audit issues resolved. The 2016/17 accounts were certified by Anthony J Barrett, for and on behalf of the Auditor General for Wales, on 5<sup>th</sup> February 2019.

WAO highlighted significant improvements in the preparation of the 2016/17 financial statements and as consequence lower risks for the 2017/18 audit.

In August 2018 WAO published the Annual improvement Report 2017/18 setting out the Auditor General's determination that Mid and West Wales Fire and Rescue Authority met its statutory requirements in relation to continuous improvement during 2017-18.

[http://w3.mawwfire.gov.uk/SiteCollectionDocuments/Fire\\_Authority\\_Committees/PASC/2018/05.11.18/AgendaItem12.pdf](http://w3.mawwfire.gov.uk/SiteCollectionDocuments/Fire_Authority_Committees/PASC/2018/05.11.18/AgendaItem12.pdf)

Examination by external and internal audit of the management information, financial procedure rules and financial instructions, contract standing orders, administrative arrangements (including segregation of duties) and management supervision have in the main given general assurance regarding the control and proper administration of the Authority's financial affairs.

### Strategic and Service Director Assurances

The Authority has responsibility for conducting an annual review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the Senior Managers responsible for the development and maintenance of the governance environment, Corporate Communications and Business Development Team and by comments made by the External Auditors and other review agencies.

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on several governance arrangements relating to the organisation including financial control, reporting, approach to decision making, compliance with relevant codes and the influence of the Chief Finance Officer within the organisation. These have been considered within the context of this Statement and it has been established that the Authority's arrangements conform to the CIPFA requirements.

Following the retirement of the Treasurer / Section 151 Officer for the Authority during 2017 the Fire Authority approved the temporary appointment of an Interim Head of Finance and Section 151 Officer to the Mid and West Wales Fire and Rescue Authority. In the following months Mid and West Wales Fire and Rescue Service made significant changes to the Finance Department, including new permanent appointments in the roles of Head of Finance and Accounting Services Manager.

During 2018 the Authority then moved towards a more stable solution around the provision of the Section 151 responsibilities via a Service Level Agreement that the Service has in place with Carmarthenshire County Council. In appointing a Section 151 Officer via the Service Level Agreement the Authority ensures a resilient approach to statutory responsibilities for MAWWFRA and allows for alignment with the existing practices within Carmarthenshire County Council as well as a continuation of services via an internally appointed Deputy S151 Officer should the Section 151 Officer be unavailable for any reason.

The Authority has in place, via Internal Audit, a comprehensive assurance assessment process to ensure that the electronic data is secure and configured to current best practice to protect the organisation. The results of these assurances provide a positive opinion, but there are opportunities for improving the internal control environment to further mitigate risks.

The enhanced Internal Audit programme referred to in earlier paragraphs obtained assurances from the Executive Directors around the arrangements for managing their recognised core risk areas. This reflects the Executive Directors responsibilities for both the management of risk and the effectiveness of controls. These discussions were also informed by the regular assurance reports presented to the PASC by the Section 151 Officer and Monitoring Officer.

In the 2016/17 AGS we highlighted how issues regarding submissions of VAT claims had been addressed. These historical issues regarding VAT administration have now been resolved and there is no impact on the 2017/18 financial statements. The Authority continues to engage VAT consultants to ensure VAT compliance.

Also, in 2016/17 AGS we noted that the Authority's Vehicle Tax advisors had identified that certain items were incorrectly included/excluded from P11D benefit calculations. The issue has been satisfactorily concluded and there is no further impact on the financial statements. The Authority continues to engage with the Tax Advisors to ensure future compliance.

There are several pension issues currently ongoing which the Authority is addressing.

- Additional Pension Benefits – Temporary Promotions

The Firefighters' Pension (Wales) Scheme (Amendment) Order 2014 came into force on 31 December 2014 with an effective date of 1 July 2013. The Order included an amendment to the pension regulations which introduced new powers for the Authority to make certain temporary allowances and emoluments pensionable under an Additional Pension Benefit (APB) arrangement. During November 2017 it became apparent that Welsh Fire and Rescue Services had not implemented the Order and temporary allowances had been treated in accordance with previous regulations. On 11 December 2017 the Authority approved a report to implement the requirements of the Order, consultation is ongoing with the appropriate representative bodies on the proposed implementation date and retrospective application of the policy where appropriate. As a consequence of the delays in implementing the Order a small number of retirees have received pension settlements which are not in accordance with the relevant regulations. Whilst the Authority is satisfied that the amounts are not material, work is currently in

progress to address any residual issues around the legality and funding of these payments and to agree any remedial actions necessary.

- Transitional Protection

In December 2018 the Court of Appeal handed down the judgment in the Firefighters transitional appeals case. The case relates only to the transitional protection arrangements in the 2015 Firefighters' pension scheme, and whether these are discriminatory. It does not address the introduction of that scheme itself by the primary legislation of the Public Service Pensions Act 2013. The judgment remits it to the employment tribunal to consider remedy, so it is likely to be many months before the impact on pensions is understood.

- Pension Ombudsman

A Pension Ombudsman determination relating to certain allowances and their treatment as pensionable pay or otherwise was received by the Fire Authority in October 2018. The impact of the decision remains subject to potential Appeal to the High Court.

Going forward the Wales Audit Office performance audit programme for 2018 included local projects and national studies on aspects such as the examination of the extent to which the Authority has acted in accordance with the sustainable development principle when taking steps to meet one of the wellbeing objectives of the Well Being of Future Generations Act 2015.

A WAO project will also be scheduled to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Authority putting in place proper arrangements to secure value for money in the use of resources.

A review of the PASC - Audit function to evaluate whether the Authority's Finance, Audit and Performance Management Committee is effectively discharging its audit function against the requirements laid down in relevant legislation, guidance and its own constitution.

Funded by the Welsh Government, WAO will review the implementation of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015. The review will focus on the effectiveness of arrangements to improve support for people affected by such abuse and violence.

## 2017/18 Action Plan

| Governance   | Action   | Responsible Officer                         |
|--|--|---|
| Internal Audit Plan  | The Internal Audit Plan delivered by Carmarthenshire County Council Internal Audit Section allows for 95 days to cover computer audits and systems audits plus 2 days for attendance at Audit committee and meetings. The Internal Audit Plan 2018 to 2021 is considered robust and fit for purpose allowing for a rolling programme of audit over a 3-year period.  | Corporate Head of Resources                 |
| Completion of financial statements                                       | <p>Evaluation of the closure process for 2017/18 will be used to identify areas for improvement in 2018/19.</p> <p>Key areas:</p> <ul style="list-style-type: none"> <li>• Planning</li> <li>• Procedures</li> <li>• Whole Team approach</li> <li>• Knowledge &amp; understanding</li> <li>• Wider organisation engagement</li> <li>• WAO requirements</li> <li>• Quality Control</li> <li>• Quality Assurance</li> <li>• Evaluation</li> </ul>  | Head of Finance                             |
| Quality-control exercises  | <p>As part of the planning process, the procedures will be reviewed and updated to include clear timetables to ensure the early closure deadline of 31<sup>st</sup> May is achievable.</p> <p>Responsibilities for Statement of Account (SoA) core statements &amp; disclosure notes will be delegated to team members. Thereby spreading knowledge and improving understanding This action will create resilience within the team.</p> <p>Management Review of non-current assets to reduce risk of the omission. To build on the extensive work undertaken, the Authority will transition from the spreadsheet Fixed Asset Register (FAR) to Cipfa Asset Management System (AMS). The AMS will be introduced for the 2018/19 Statement of Accounts.</p> <p>Draft SoA will be circulated to the Chief Fire Officer, S151 Officer, Director or Resources and the Corporate Head of Resources to review. Their observations and comments will be addressed and where necessary the SoA amended.</p> | Corporate Head of Resources                 |
| Review of the evaluation of fire safety arrangements (following 2015-16) | This work has continued from last year and the Authority continues to enhance its range of evaluation processes to monitor prevention interventions to shape future strategy and deliver relevant and effective engagement. At a National level, the National Issues Committee (NIC) an all Wales Home Safety Group has a Delivery Plan for 2016-2019 that includes an action "To research future methods of evaluation of service delivery: outcomes and to progress the identification of success criteria in home safety delivery."   | Corporate Head of Prevention and Protection |

|   |   |  |
|---|---|--|
| <p>Pension issues currently ongoing which the Authority is addressing</p> | <ul style="list-style-type: none"> <li>• <b>Additional Pension Benefits – Temporary Promotions</b><br/>On 11 December 2017 the Authority approved a report to implement the requirements of The Firefighters’ Pension (Wales) Scheme (Amendment) Order, consultation is ongoing with the appropriate representative bodies on the proposed implementation date and retrospective application of the policy where appropriate. As a consequence of the delays in implementing the Order a small number of retirees have received pension settlements which are not in accordance with the relevant regulations. Work is currently in progress to address any residual issues around the legality and funding of these payments and to agree any remedial actions necessary.</li> <li>• <b>Transitional Protection</b><br/>In December 2018 the Court of Appeal handed down the judgment in the Firefighters transitional appeals case. The case relates only to the transitional protection arrangements in the 2015 Firefighters’ pension scheme, and whether these are discriminatory. The judgment remits it to the employment tribunal to consider remedy, so it is likely to be many months before the impact on pensions is understood.</li> <li>• <b>Pension Ombudsman</b><br/>A Pension Ombudsman determination relating to certain allowances and their treatment as pensionable pay or otherwise. The impact of the decision remains subject to potential Appeal to the High Court.</li> </ul> | <p>Head of Human Resources</p>                               |
| <p>Chief Fire and Rescue Adviser (CFRA) Thematic Review</p>               | <p>The Service is working with the CFRA and the other Fire and Rescue Services in Wales to:</p> <ol style="list-style-type: none"> <li>i. Assess the extent to which Thematic Reviews are providing assurance and stimulating demonstrable improvement in the Welsh fire and rescue sector; and</li> <li>ii. Explore opportunities for ensuring that the Thematic Review process is well integrated with, and complementary to, other independent processes that are intended to assess and, where necessary, improve performance within the sector.</li> </ol>   | <p>Deputy Chief Fire Officer</p>                             |
| <p>Peer Assessment Outcomes</p>   | <p>The Peer Assessment report identified some areas for development and an action plan is in place to deliver on these requirements within the Operational Support and Improvement Directorate.</p> <p>Personnel require information dissemination regarding the Operational Learning System and training in its purpose and use. This will ensure all operational personnel are not only aware of what OLS is but what its intended use is including where it is located and how it should be accessed.</p> <ul style="list-style-type: none"> <li>• To review all guidance documents to ensure currency and compliance.</li> <li>• Recommendation that all firefighters in charge are assessed on two pump incidents.</li> </ul>  | <p>Corporate Head of Operational Support and Improvement</p> |

|  |  |  |
|--|--|--|
|  | <ul style="list-style-type: none"><li>• Consideration to be made for all firefighters in charge to complete Skills For Justice level 1 qualification. Currently within MWWFRS there is no Skills for Justice initial qualification in Incident command Level 3 (QCF level 6). Recommend introducing this qualification as part of the promotional process for Group Manager.</li><li>• Version control of training documentation e.g. course content etc Work is currently ongoing in this area.</li></ul> |  |
|--|--|--|

## **The Governance Statement**

The Authority considers that its governance arrangements for 2017/18 continue to be regarded as fit for purpose. The Authority's Code of Corporate Governance sets out in detail the Authority's Governance Framework, which is consistent with the Delivering Good Governance in Local Government 2016. A copy of the Authority's Code of Corporate Governance for 2017/18 is available on the Authority's website. The Authority has assessed and can confirm that the arrangements detailed within the Code are in place.

It is the view therefore of the Clerk and the Section 151 Officer, the review of the governance arrangements for the financial year 2017/18 has in the main been satisfactory. We believe that the above checks have demonstrated that the Corporate Governance in this organisation is effective, existing arrangements are fit for purpose, and the Authority is well placed to meet its corporate aims, to achieve its intended outcomes for citizens and service users. The organisation operates in an economical, effective, efficient and ethical manner.

Mid and West Wales Fire and Rescue Authority recognises its responsibility as a public service organisation to both provide a vision for the community it serves and to lead by example in its decision making and other processes and actions, with Members and Officers acting in accordance with high standards of conduct.

## **Certification**

We have been advised on the implications of the review of the effectiveness of the governance framework by Senior Management and the Performance Audit & Scrutiny Committee. Actions identified to further develop the Authority's Governance arrangements to ensure continuous improvement of the Authority's systems are in place.

We pledge our commitment that over the coming year we will take steps to further enhance our governance arrangements. We are satisfied that we will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: .....

Councillor R Rees-Evans, Chair of the Fire Authority

Signed: .....

C Davies, Chief Fire Officer