

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



STATEMENT OF ACCOUNTS

2012/2013

**E.A.AITKEN, BSc (Econ) Hons, CPFA.
DIRECTOR OF RESOURCES AND TREASURER**

STATEMENT OF ACCOUNTS

PAGE

| | |
|---|-------|
| Explanatory Foreword & Spending Review | 3-8 |
| Statement of Responsibilities / Certificate of the Treasurer | 9 |
| Annual Governance Statement | 10-23 |
| Sustainability Report | 24-25 |
| Independent Auditors Report | 26-27 |
| Financial Statements | 28-33 |
| Notes to Financial Statements | 34-79 |
| Fire fighters Pension Fund Accounts | 80-82 |

Notes to the Financial Statements

| | |
|---------|--|
| Note 1 | Accounting Policies |
| Note 2 | Prior Year Adjustments |
| Note 3 | Critical Judgements in Applying Accounting Policies |
| Note 4 | Assumptions made about the Future and Other Major Sources of Estimation Uncertainty |
| Note 5 | Accounting Standards Issued But Not Yet Adopted |
| Note 6 | Events after Balance Sheet Date |
| Note 7 | Adjustments between Accounting & Funding Basis |
| Note 8 | Transfer to and from Earmarked Reserves |
| Note 9 | Other Operating Expenditure and Income |
| Note 10 | Financing and Investment Income & Expenditure |
| Note 11 | Taxation and Non Specific Grant Incomes |
| Note 12 | Intangible Assets |
| Note 13 | Plant, Property and Equipment |
| Note 14 | Financial Instruments |
| Note 15 | Fair Value of Assets and Liabilities Carried at Amortised cost |
| Note 16 | Inventories |
| Note 17 | Debtors |
| Note 18 | Cash & Cash Equivalent |
| Note 19 | Creditors |
| Note 20 | Provisions |
| Note 21 | Usable Reserves |
| Note 22 | Unusable Reserves |
| Note 23 | Revaluation Reserve |
| Note 24 | Capital Adjustment Account |
| Note 25 | Pensions Reserves |
| Note 26 | Accumulated Absences Account |
| Note 27 | Cash Flow Statement – Operating Activities |
| Note 28 | Cash Flow Statement – Investing and Financing Activities |
| Note 29 | Amounts Reported for Resource Allocation Decisions |
| Note 30 | Amounts Reported for Resource Allocation |
| Note 31 | Member's Allowances |
| Note 32 | Officers' Remuneration |
| Note 33 | Exit Packages |
| Note 34 | Termination Benefit |
| Note 35 | External Audit Costs |
| Note 36 | Grants |

| | |
|---------|--|
| Note 37 | Related Parties |
| Note 38 | Capital Expenditure & Capital Financing |
| Note 39 | Financing of Capital Spend |
| Note 40 | Capital Commitments |
| Note 41 | Leases |
| Note 42 | Defined Benefit Pension Schemes |
| Note 43 | Contingent Liabilities |
| Note 44 | Nature and Extent of Risks Arising from Financial Instrument |

Explanatory Foreword

Operational guidance for Fire and Rescue Services 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 Services in Wales in relation to prevention, education and engaging with the communities they serve whilst ensuring that their reactive fire fighting capability is not compromised.

Mid and West Wales Fire and Rescue Service 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 Fire Safety checks. The Authority works in partnership with other emergency services, for example, with the Welsh Ambulance Service through the Co responder scheme, and the Welsh Ambulance Service, Dyfed Powys Police and South Wales Police are located at several of our properties. Other schemes include our participation in the Young Fire fighters' Association operated by off duty fire fighters 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 Local Service Boards.

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 the Mid and West Wales Fire and Rescue Authority for the financial year 2012-13.

The statements and their purposes are as follows:-

Movement in Reserves Statement – this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. 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.

Comprehensive Income & 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 the Movement in Reserves Statement.

Statement of Financial Position (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 - 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.

Fire Fighters Pension Fund Account – This shows the financial position of the Fire Fighters pension fund account, indicating whether the Authority owes, or is owed money by the Welsh Government in order to balance the account, together with details of its net assets.

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.

A statement of the responsibilities for this statement of accounts is given on page 9.

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, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses.

The following pages show the financial performance for the year commencing the 1st April 2012 and ending on the 31st March 2013 for the Mid and West Wales Fire & Rescue Authority.

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 any of them.

SUMMARY OF THE FINANCIAL YEAR

The outturn for the year 2012/13

| | Budget £000's | Actual £000's | Variance £000's |
|--------------------------------------|---------------|---------------|-----------------|
| Revenue | | | |
| Expenditure | 44,677 | 45,338 | 661 |
| Income | (1,207) | (2,737) | (1,530) |
| Net Expenditure | 43,470 | 42,601 | (869) |
| Use of Reserves | (380) | (416) | (36) |
| Unitary Authority Contributions | (43,090) | (43,090) | 0 |
| (Surplus) /Deficit | 0 | (905) | (905) |
| Capital (inc b/f slippage) | 3,554 | 2,798 | (756) |

Reconciliation of 'Revenue Surplus' to the 'Surplus on the Provision of Services'

| | |
|------------------------|---------------|
| *Net Expenditure | 42,601 |
| Accounting Adjustments | 68 |
| **Cost of Services | <u>42,669</u> |

*detailed in 'The Outturn for the Year 2012/13 (above)

**detailed in the CIES

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 2012/13, the proportions were as follows:

| | Values £000 | Proportion % |
|--|----------------|-----------------|
| Carmarthenshire County Council | 8,961 | 20.8 |
| Ceredigion County Council | 3,768 | 8.7 |
| Neath and Port Talbot County Borough Council | 6,735 | 15.6 |
| Pembrokeshire County Council | 5,779 | 13.4 |
| Powys County Council | 6,487 | 15.1 |
| City and County of Swansea Council | 11,360 | 26.4 |
| Total | 43,090 | 100.0 |

Revenue Spending

The total net expenditure for the year was £42.6 million, compared with the net expenditure budget of £43.5 million. The under spend of £0.9 million was partly due to finance lease repayments of liability being properly charged to capital when the budget was held in revenue. The remaining under spend was achieved by curtailing expenditure wherever possible to ease anticipated pressures in 2013/14 and maximising income opportunities

Revenue Sources of Funding

| 2011/12 | | 2012/13 |
|---------|---------------------------------|---------|
| £000'0 | | £000's |
| 42,207 | Unitary Authority Contributions | 43,090 |
| 3,559 | Revenue Grants | 2,371 |
| 8 | Interest | 8 |
| 1,013 | Fees and Charges/Reimbursements | 371 |
| 940 | Useable Reserves | 416 |

Capital Expenditure

Total capital expenditure in the year amounted to £2.768million.

| 2011/12 | | 2012/13 |
|--------------|---|--------------|
| £000's | | £000's |
| 5,838 | Property – Refurbishments, adaptations, new buildings | 2,407 |
| 1,773 | Vehicles and Plant | 45 |
| 192 | Operational and I.C.T. Equipment | 271 |
| 0 | Intangible Assets | 46 |
| 7,803 | Total Capital Expenditure | 2,769 |

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 Loans Board (PWLB) with no other external facility in place at present. Loans for £6.0 million were taken out in the year in respect of the capital programme. The total principal outstanding as at 31 March 2013 is £12.636 million.

Pension liability

In 2012/13, ten whole time uniformed staff retired. The net cost of the Fire fighters Pension Scheme to the revenue budget continues to grow, as does the liability in terms of future pension commitments. The actuarially assessed liability as at 31 March 2013 was £408.790 million for Fire fighters pension scheme and £12.349 million 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.

Reserve Accounting

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2012/13. 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 fixed assets used in the provision of services was £3.680m. This is a notional charge for depreciation 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 £0.615m loan and finance lease interest and £1.702m Minimum Revenue Provision.

Impact of the Current Economic Climate

The national economic downturn together with the outcomes of the Comprehensive Spending Review in November 2010, gave an indication of the level of cuts to public services expected in the coming years.

The Authorities Annual Improvement Plan approved in October 2010 outlined various projects to review structures and processes in place throughout the organisation in an effort to make the necessary reductions for future years. The financial implications of these were clearly reflected in the Medium Term Financial Plan. With austerity in mind a clear message was given to budget holders to identify efficiencies and to generate savings where possible, not only for the future but within the financial year.

It is anticipated that after consideration of reserve prudence, the majority of savings generated in 2012/13 can be used for operational improvement at the discretion of the Fire and Rescue Authority.

Additional Information

Additional information about these accounts is available from the Treasurer to the Authority. 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 in the local press.

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 and enabled this year's deadline to be successfully met. I also wish to thank the Chief Fire Officer and Directors for their assistance and co-operation throughout this process.

Dated
Treasurer

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 Treasurer,
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Treasurer’s Responsibilities

The Treasurer is responsible for the preparation of the Authority’s Statement of Accounts, including the Pension Funds 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 Treasurer 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 Treasurer has also:

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

| |
|---|
| <p>CERTIFICATE OF THE TREASURER</p> <p>I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2013 and its income and expenditure for the year then ended.</p> <p>Signature: _____</p> <p>Dated:</p> <p style="text-align: center;">Treasurer</p> |
|---|

ANNUAL GOVERNANCE STATEMENT

| | |
|---|-------|
| Code of Corporate Governance – Policy Statement | 11 |
| Code of Corporate Governance – Statement of Assurance | 12 |
| The Code of Corporate Governance | 13-23 |

Mid and West Wales Fire and Rescue Authority

Code of Corporate Governance

Policy Statement

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 properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Fire & Rescue Authority's affairs and the stewardship of the resources at its disposal. To this end, Mid and West Wales Fire and Rescue Authority has approved and adopted a code of corporate governance, which is consistent with the principles and reflects the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) / SOLACE (Society of Local Authority Chief Executives and Senior Managers) Framework: *Delivering Good Governance in Local Government* together with the associated guidance.

Mid and West Wales Fire and Rescue Authority

Code of Corporate Governance

Statement of Assurance

Mid and West Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded and appropriately accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place appropriate arrangements for the governance of the Fire & Rescue Authority's affairs and the stewardship of the resources at its disposal. To this end, Mid and West Wales Fire and Rescue Authority has approved and adopted a code of corporate governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. A copy of the code can be found on our website www.mawwfire.gov.uk or can be obtained from Mid and West Wales Fire and Rescue Authority, Fire Brigade Headquarters, Lime Grove Avenue, Carmarthen SA31 1SP.

During the year 2012/13 the Authority has reviewed its management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. Specifically it has given the Clerk to the Authority the responsibility for overseeing the implementation and monitoring of the Code, reviewing its operation in practice and reporting annually to the Authority on compliance with the Code and any changes that may be necessary to maintain and ensure its effectiveness.

In addition the Authority's Director of Resources (through the internal audit service) has been given the responsibility to review independently and report to the Authority annually, to provide assurance on the adequacy and effectiveness of the Code and the extent of compliance with it. On the basis of the reports of the Clerk and Director of Resources arising from their reviews of the Authority's Corporate Governance arrangements, we are satisfied that these are adequate and operating effectively.

The Authority is seeking to continually improve the effectiveness of its arrangements for the governance of the Authority's affairs. We will review continued compliance with the Code as part of our next annual review.

Signed:

Councillor Roy Llewellyn, Chair of the Fire Authority

Signed:

Richard Smith, Chief Fire Officer

THE CODE OF CORPORATE GOVERNANCE

1 Introduction

1.1 The term Corporate Governance refers to *‘the system by which the Fire and Rescue Authority directs and controls its functions and relates to the community it serves’*. It is therefore, the totality of policies, management systems, procedures and structures that together determine and control the way in which the authority manages its businesses, formulates its strategies and objectives, for the greater good of the communities of Mid and West Wales.

1.2 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.

1.3 These principles are reflected in the Authority’s vision, objectives and values which are set out below and which are regularly reviewed to ensure that they continue to reflect the needs of our service and our communities. The need for sustainability is being embedded within the organisation and this will be reflected in the way the individual objectives are managed locally.

Our Vision

1. To be a World Class Organisation.

Our Objectives

1. To save lives and protect communities.
2. To be trusted and respected by our communities.
3. To be seen as more than an emergency service.
4. To manage within budget.
5. To make efficiencies year on year.
6. To match our resources to priorities.
7. To seek out and utilise alternative resources.
8. To manage our people effectively.
9. To fully develop risk reduction planning.
10. To develop effective partnership working.
11. To develop our workforce into effective and empowered people.

Our Values

1. We value innovation.
2. We value people.
3. We value diverse communities.
4. We value service.

Our Message



1.4 In order 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 & Inclusivity

Openness is required to ensure that stakeholders can have confidence in the decision-making and management processes of 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 have the opportunity to 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 at all times 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 are 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.

1.5 Mid and West Wales Fire and Rescue Authority has established a Code of Corporate Governance which is a public statement of the commitment to these principles and sets out clearly the way in which this commitment is being, or will be, met.

1.6 The code is divided into six principles, as identified by CIPFA/SOLACE, each of which covers a particular aspect of responsibilities in terms of corporate governance. These are:

- 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.

1.7 The code takes each of these principles in turn and presents the ways in which the principles of corporate governance should be reflected in each. The measures by which Mid and West Wales Fire and Rescue Authority comply with the requirements are also identified.

The statement of assurance which fronts this document is incorporated within the Authority's Improvement Plan.

| Principle 1: Focusing on the organisation's purpose and on outcomes for citizens and service users | | |
|---|---|--|
| The principles of good governance that we have adopted are:- | What we will do to meet them. | How we will demonstrate compliance |
| <p>To focus on the purpose of the Authority and on outcomes for the community and its citizens, & to create a vision for MAWWFRS:</p> <p>By:-</p> <ul style="list-style-type: none"> • Exercising leadership by clearly communicating the Authority's vision and intended outcomes for service users • Ensuring users receive a high quality service, directly or in partnership with other bodies. • Ensuring that the Authority makes best use of its resources and demonstrates value for money. | <ul style="list-style-type: none"> • Make, and regularly review a clear statement of the Authority's purpose and vision as a basis for service planning. • 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. • Publish a report on the Authority's activities, achievements & performance, including its financial performance and position. • Develop and implement a forward financial plan in line with WAG requirements to ensure adequate resources are available to meet its intended plans and to deliver value for money. • Develop plans to maintain optimum services in the event of disruption to service continuity. • Develop clearly defined arrangements for working in partnership with other organisations to deliver improved services. | <ul style="list-style-type: none"> • Publish a clear statement of the Authority's vision, Mission Statement and values in its Risk Reduction and Improvement Plans. • Publish an Annual Report and Improvement Plan, with quarterly performance updates available via the internet. • Publish an annual Statement of Accounts with quarterly budget monitoring reports to Resources Committee. • Operate a process for recording and responding to complaints and comments and reporting thereon. • Maintenance and regular testing of service continuity plans based on a risk assessment of threats to the Authority. • Publish a partnership strategy. • All partnerships to include an evaluation process and regular performance monitoring. • Publish all external assessments of performance. |

| Principle 2: Performing effectively in clearly defined functions and roles | | |
|--|---|---|
| The principles of good governance that we have adopted are:- | What we will do to meet them. | How we will demonstrate compliance |
| <p>To work to achieve the stated objectives within clearly defined Member and Officer roles and functions:</p> <p>By:-</p> <ul style="list-style-type: none"> • Being clear about the functions and roles of the Authority and its committees and officers. • Ensuring constructive and effective working relationships between Members & Officers & ensuring that responsibilities are undertaken to a high standard. • Ensuring that relationships between the Authority and the public are clear and that each knows what to expect from the other. | <ul style="list-style-type: none"> • Set out a clear statement of the respective roles & responsibilities of Members & officers which clarify the delegations to officers. • Establish a protocol to ensure effective communication between Members & officers. • Clarify the terms & conditions of employment, including the remuneration of members and officers and establish an effective mechanism for managing the process. • Ensure that effective mechanisms for monitoring service performance are established. • Ensure that the legal status and purpose of any partnerships are clear and that the roles and responsibilities of all partners are clear. | <ul style="list-style-type: none"> • Maintain committee terms of reference for all committees. • Maintain a scheme of delegation to the CFO, Clerk and Director of Finance. • Maintain a scheme of standing orders and a Member/Officer protocol to manage member/officer interaction. • Maintain a system of Member briefing as part of the committee cycle. • Ensure all staff have up to date and relevant job descriptions. • Continual reporting of performance to management via real time system with quarterly reports to Members via PRAC • Operation of a partnership risk management process to evaluate all significant partnerships prior to inception. |

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

| Principle 4 : Taking informed, transparent decisions and managing risk | | |
|---|---|---|
| The principles of good governance that we have adopted are:- | What we will do to meet them. | How we will demonstrate compliance |
| <p>Take informed and transparent decisions which are subject to effective evaluation and managed risks: By:-</p> <ul style="list-style-type: none"> • Being rigorous and transparent about how decisions are taken and listening and acting on all constructive comments and concerns. • Ensuring good quality information, advice and support to ensure decisions are delivered effectively and meet the needs of the community. • Ensuring the effective management of the risks facing the Authority, including those which might prevent the realisation of opportunities to improve services. • Operating within the legislative framework in place and using those powers conferred by law for the benefit of the community. | <ul style="list-style-type: none"> • Maintain arrangements for recording the decisions of the Authority and the basis on which those decisions were made. • 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. • 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. • Maintain effective arrangements for the independent internal audit of the Authority. • Maintain an effective Standards Committee. • Ensure that decision makers have sufficient appropriate information to take effective decisions, including professional financial and legal advice. • Ensure that risk management is embedded into the culture of the Authority and that Members and officers take account of risks in decision making. • Work within the legislative framework | <ul style="list-style-type: none"> • Publish Authority minutes and reports on the web site. • Maintain a publication scheme and comply with FOI requests within the stipulated timescales. • Maintain a register of interests of Members and senior managers. • Maintain a “whistle blowing” protocol to enable concerns about behaviour to be reported in confidence. • Reporting of annual internal audit plan and annual report to senior management and the Performance Review and Audit Committee. • External Audit overview of Internal Audit arrangements. • Publish Standards Committee minutes and reports. • Publish and operate a risk management policy & strategy. • Comment/impact of key risks on all key policy reports to Members. • Regularly report on the current status of strategic and business risks to Committee. • Include commentary on all policy reports about the legal status of such proposals. • Report annually on all partnership activity |

| | | |
|--|--|---|
| | <p>available and make full use of its legal powers to benefit the community.</p> <ul style="list-style-type: none"> • When working in partnership, ensure that the same standards of good governance are applied to the partnership's activities. | <p>including risk and governance issues.</p> |
| <p>Principle 5 : Developing the capacity and capability of the governing body to be effective</p> | | |
| <p>The principles of good governance that we have adopted are:-</p> | <p>What we will do to meet them.</p> | <p>How we will demonstrate compliance</p> |
| <p>Develop the capacity and capability of Members and Officers to be effective and to deliver services effectively: By:-</p> <ul style="list-style-type: none"> • Making sure members and Officers have the skills, knowledge, experience and resources to perform well in their roles. • Developing the capacity of people individually and in groups and evaluating their performance. • Encouraging under represented groups to join the Authority to ensure representation from all sections of the community. | <ul style="list-style-type: none"> • 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. • Regularly review the performance of Committees and Senior Officers and implement plans for further development and training where necessary. • 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. • When working with partners, ensure that the same principles are applied to the work of the partnership. | <ul style="list-style-type: none"> • Operate a staff personal, performance and development review scheme incorporating personal development and training requirements. • Implement an annual Member training and induction programme and record attendance. • Operate the national IPDS system for operational staff. • Publish a communication and consultation strategy and report the results of such processes to Members. • Establish public and staff consultation to consider and comment on policy proposals. • Promote the fire service as a career opportunity. • Deliver the corporate equality plan to achieve level three of the equality standard. |

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

The Annual Governance Statement

The annual internal review process under the then new Code commenced in 2008/09 and was carried out initially by the Authority's senior management team, reinforced by input from Internal Audit. The purpose of this was to determine how well the Authority met the demands of the adopted framework and to ascertain what actions were needed to ensure that the Authority could consistently demonstrate high standards of corporate governance.

That initial review concluded that corporate governance within the Authority is well managed and in line with the CIPFA / SOLACE framework with many examples of good governance arrangements in place. e.g. the annual Statement of Accounts, the business planning and performance management framework, the Risk Reduction Action Plan (now superceded), the Constitution, an effective Committee structure, robust scrutiny, on-going and relevant training and relevant policies and procedures in place. The review only highlighted some minor weaknesses where controls were not yet operating in line with the framework.

Since then, follow - up and more detailed internal audits have been undertaken, examining some of the areas of higher risk, as prioritised by the Director of Resources. These have included a Procurement and Partnerships audit, the examination and assessment of the Business Continuity arrangements within the organisation, the examination and assessment of the Business Risk arrangements within the organisation and the annual audit of the Authority's payroll, creditors and debtors systems. These audits have been positive, showing no fundamental weaknesses, and were reported to the Authority's Performance Review and Audit Committee. (now re-titled PASC).

In 2011/12 further internal audits were undertaken to ensure that systems and processes are working effectively and that they are being monitored. Particular emphasis was placed on the Partnership Risk Management processes and governance issues, the publishing and operation of the Code of Conduct for Members and Officers, the maintenance of up to date Financial Procedure rules and protocols, the maintenance of a register of interests for Members and senior managers and the delivery of the Corporate Equality Plan to achieve level 3 of the Equality Standard. The overall conclusion on these reports was that the monitoring and reporting procedures are effective. It is the intention to undertake detailed audits on all aspects of the Code of Corporate Governance annually, on a rolling basis. The Code is continually updated, monitored and reviewed by the Corporate Communications and Members Support Team.

In 2012-13, further external audits were undertaken by the Wales Audit Office during the year on the Local Government Measure Corporate Assessment, the Annual Improvement Report and on Corporate Governance. Again these audits have been positive. The WAO thematic reviews on ICT and Information Management have received significant scrutiny and all the recommendations have now been addressed. The Peer Assessment Team audits were also well received. Any remaining recommendations for improvement from all the above audits are being addressed through detailed action plans. Specific issues will be addressed on the Corporate Governance Statement for next year, as highlighted in the WAO report. These are (1)

to ensure greater involvement of staff across the Authority (2) to place greater emphasis on Community Engagement (3) to ensure adequate comparisons of performance with other Improvement Authorities and (4) to better consider governance arrangements around partnerships and commissioning. Discussions will take place with Internal Audit around some of these issues.

These reports, together with the work of the internal Business Risk Management Group, all ensure that risk is effectively managed in this Authority.

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 all given general assurance regarding the control and proper administration of the Authority's financial affairs. In addition the Wales Audit Office reported during the year that Mid and West Wales Fire and Rescue Authority resources were being used economically, efficiently and effectively.

It is the view therefore of your Officers that the review of the governance arrangements for the financial year 2012/13 has not highlighted any areas of major concern. We believe that the existing arrangements are fit for purpose and are adequate to meet the Authority's corporate aims. The issues highlighted in the Action Plan are being dealt with by the appropriate officers and progress will be monitored via the Policy Board and the Performance Scrutiny and Audit Committee.

SUSTAINABILITY REPORT

The purpose of sustainability reporting is to provide information on economic, environmental, social and governance performance. Reporting on these areas is seen as vital in managing change towards a more sustainable global economy.

Mid and West Wales Fire and Rescue Authority is committed to achieving and promoting sustainable development.

This is the first year that sustainability information has been reported alongside the more conventional financial information. It is anticipated to expand reporting in this area in future years as processes for data capture are developed, in an effort to provide a more rounded picture of the Authority's overall performance.

| Staff Turnover | 2011/12 | 2012/13 |
|------------------------------|---------|---------|
| Retirements | 13 | 18 |
| Resignation Whole Time Staff | 18 | 17 |
| Resignation On Call Staff | 34 | 17 |
| Ill Health | 3 | 1 |
| Dismissed | 2 | 0 |
| End of Temporary Contract | 3 | 4 |
| Retirement/Redundancy | 0 | 0 |
| Voluntary Redundancy | 0 | 0 |

Staff turnover has slowed in 2012/13 compared to 2011/12 due to the fall in On Call Staff resignations.

| Reported Accidents | 2011/12 | 2012/13 |
|---------------------------|---------|---------|
| Total Injuries | 182 | 167 |
| Over Three Day Injuries | 16 | 18 |
| Major Injuries | 1 | 2 |

The Authority is continually striving to ensure that accidents are kept to a minimum, and this is demonstrated in the reduction of incidents from 2011/12 to 2012/13.

| Governance | 2011/12 | 2012/13 |
|------------------------|---------|---------|
| Attendance at Meetings | 73% | 82% |

The Authority has approved and adopted a code of corporate governance, consistent with the principles of the CIPFA/SOLACE framework.

| Women In Management | 2011/12 | 2012/13 |
|-----------------------------------|---------|---------|
| Percentage of Women in Management | 15% | 15% |

The Authority continues to adopt the same principles embodied over a number of years in placing women in management roles.

| Expenditure on Energy | 2011/12 | 2012/13 |
|------------------------------|---------|---------|
| | £'000 | £'000 |
| Electricity | 282 | 181 |
| Gas | 103 | 187 |

Energy costs show a reduction year on year as a result of cost saving measures being adopted to combat the overall rising costs in the market place.

| Our People | 2011/12 | 2012/13 |
|---------------------------------|----------|----------|
| Staff (FTE) at Year End | 1,346 | 1,363 |
| Staff Expenditure | £33,098k | £33,334k |
| Absenteeism (shifts per person) | 10 | 7.9 |
| Staff Turnover | 5.4 | 4.18 |

The small increase in staffing levels is due posts becoming vacant in 2011/12 being filled in 2012/13.

| Number of Complaints from Service Users | 2011/12 | 2012/13 |
|--|---------|---------|
| Complaints Upheld & satisfactory Concluded | 9 | 6 |
| Complaints not Upheld | 14 | 18 |
| Insurance Claims | 0 | 1 |
| Complaints Withdrawn | 2 | 3 |
| Complaints Ongoing | 0 | 0 |
| Not a Complaint | 4 | 3 |
| Police Matters | 0 | 0 |

Mid and West Wales Fire and Rescue Authority view all complaints seriously, investigating each one on it's own merits to come to a satisfactory conclusion. This approach has resulted in fewer complaints for the 2012/13 year.

Independent auditor's report to the Members of Mid and West Wales Fire and Rescue Authority

I have audited the accounting statements and related notes of:

- Mid and West Wales Fire and Rescue Authority; and
- Fire Fighters Pension Fund

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Mid and West Wales Fire and Rescue Authority's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes.

Fire Fighters Pension Fund's 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 2012-13 based on International Financial Reporting Standards (IFRSs).

RESPECTIVE RESPONSIBILITIES OF THE RESPONSIBLE FINANCIAL OFFICER AND THE INDEPENDENT AUDITOR

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9 the responsible financial officer is responsible for the preparation of the statement of accounts, including pension fund accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ACCOUNTING STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Mid and West Wales Fire and Rescue Authority's and Fire Fighters Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

OPINION ON THE ACCOUNTING STATEMENTS OF MID AND WEST WALES FIRE AND RESCUE AUTHORITY

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Mid and West Wales Fire and Rescue Authority as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

OPINION ON THE ACCOUNTING STATEMENTS OF FIRE FIGHTERS PENSION FUND

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Fire Fighters Pension Fund during the year ended 31 March 2013 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

OPINION ON OTHER MATTERS

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

CERTIFICATE OF COMPLETION OF AUDIT

The Audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Anthony Barrett
Appointed Auditor
Wales audit Office,
24 Cathedral Road,
Cardiff,
CF11 9LJ
September 2013

FINANCIAL STATEMENTS

| | |
|--|----|
| Movement in Reserve Statement | 29 |
| Comprehensive Income and Expenditure Statement | 31 |
| Balance Sheet | 32 |
| Cash Flow Statement | 33 |

MOVEMENT IN RESERVES STATEMENT -Restated

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Total usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------|---|----------------------------------|-------------------------------|---------------------------|----------------------------------|
| Balance at 31 March 2011 | 0 | 6,794 | 0 | 6,794 | (292,999) | (286,205) |
| <hr/> | | | | | | |
| Movement in reserves during 2011/12 | | | | | | |
| Surplus or (deficit) on the provision of services | (16,890) | 0 | 0 | (16,890) | 0 | (16,890) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 6,059 | 6,059 |
| Total Comprehensive Income and Expenditure | (16,890) | 0 | 0 | (16,890) | 6,059 | (10,831) |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 15,950 | 0 | 24 | 15,974 | (15,974) | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | (940) | 0 | 24 | (916) | (9,915) | (10,831) |
| Transfers to/from Earmarked Reserves (note 8) | 940 | (940) | 0 | 0 | 0 | 0 |
| Increase/Decrease in 2011/12 | 0 | (940) | 24 | (916) | (9,915) | (10,831) |
| Balance as at 31 March 2012 carried forward | 0 | 5,854 | 24 | 5,878 | (302,914) | (297,036) |

MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Total usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------|---|----------------------------------|-------------------------------|---------------------------|----------------------------------|
| Balance at 31 March 2012 carried forward | 0 | 5,854 | 24 | 5,878 | (302,914) | (297,036) |
| <hr/> | | | | | | |
| Movement in Reserves during 2012/13 | | | | | | |
| Surplus or (deficit) on the provision of services | (16,980) | 0 | 0 | (16,980) | 0 | (16,980) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | (44,114) | (44,114) |
| Total Comprehensive Income and Expenditure | (16,980) | 0 | 0 | (16,980) | (44,114) | (61,094) |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 18,438 | 0 | 24 | 18,462 | (18,462) | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 1,458 | 0 | 24 | 1,482 | (62,576) | (61,094) |
| Transfers to/from Earmarked Reserves (note 8) | (1,458) | 1,458 | 0 | 0 | 0 | 0 |
| Increase/Decrease in 2012/13 | 0 | 1,458 | 24 | 1,482 | (62,576) | (61,094) |
| Balance at 31 March 2013 carried forward | 0 | 7,312 | 48 | 7,360 | (365,490) | (358,130) |

Comprehensive Income and Expenditure Statement (CIES)
for year ending 31st March 2013

| 2011/12 Restated | | | | 2012/13 | | |
|------------------------------|-------------------------|----------------------------|--|------------------------------|-------------------------|----------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 6,524 | (1,248) | 5,276 | Community Safety | 6,617 | (1,039) | 5,578 |
| 37,200 | (1,291) | 35,909 | Fire Fighting & Rescue Operations | 35,631 | (787) | 34,844 |
| 1,736 | (795) | 941 | Fire Service Emergency Planning | 1,605 | (745) | 860 |
| 782 | (23) | 759 | Corporate and democratic core | 774 | (3) | 771 |
| 9 | 0 | 9 | Non distributed costs | 616 | 0 | 616 |
| <hr/> 46,251 | <hr/> (3,357) | <hr/> 42,894 | Cost of Services | <hr/> 45,243 | <hr/> (2,574) | <hr/> 42,669 |
| | | (6) | Other operating expenditure (note 9) | | | 0 |
| | | 19,056 | Financing and investment income and expenditure (note 10) | | | 18,010 |
| | | (45,054) | Taxation and non-specific grant income (note 11) | | | (43,699) |
| | | <hr/> 16,890 | (Surplus) or Deficit on Provision of Services | | | <hr/> 16,980 |
| | | (20,733) | Surplus or deficit on revaluation of Property, Plant and Equipment assets | | | 0 |
| | | 14,674 | Actuarial gains/(losses) on pension assets /(liabilities) (note 42) | | | 44,114 |
| | | <hr/> (6,059) | Other Comprehensive Income and Expenditure | | | <hr/> 44,114 |
| | | <hr/> 10,831 | Total Comprehensive Income and Expenditure | | | <hr/> 61,094 |

Balance Sheet as at 31st March 2013

| 31 March 2012 Restated | | 31 March 2013 | Notes |
|------------------------------|--|------------------|-------|
| £000 | | £000 | |
| 76,005 | Property, Plant & Equipment | 75,473 | 13 |
| 50 | Intangible Assets | 85 | 12 |
| 425 | Assets held for sale | 0 | 13 |
| 117 | Long Term Debtors | 110 | 17 |
| 76,597 | Long Term Assets | 75,668 | |
| 517 | Inventories | 341 | 16 |
| 3,549 | Short Term Debtors | 8,612 | 17 |
| 2,295 | Cash and Cash Equivalents | 794 | 18 |
| 6,361 | Current Assets | 9,747 | |
| (338) | Short Term Borrowing | (326) | 14 |
| (6,799) | Short Term Creditors | (4,202) | 19 |
| (950) | Other Short Term Liabilities | (1,001) | 41 |
| (74) | Provisions | (27) | 20 |
| (8,161) | Current Liabilities | (5,556) | |
| (6,614) | Long Term Borrowing | (12,310) | 14 |
| (5,553) | Other Long Term Liabilities | (4,539) | 41 |
| (359,666) | Liability related to defined benefit pension schemes | (421,140) | 42 |
| (371,833) | Long Term Liabilities | (437,989) | |
| (297,036) | Net Liabilities | (358,130) | |
| 5,878 | Usable Reserves | 7,360 | 21 |
| (302,914) | Unusable Reserves | (365,490) | 22 |
| (297,036) | Total Reserves | (358,130) | |

Cash Flow Statement as at 31st March 2013

| 2011/12 Restated £000 | | 2012/13 £000 |
|-----------------------------|---|-----------------|
| 16,890 | Net (surplus) or deficit on the provision of services | 16,980 |
| (19,820) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (57,641) |
| (6,059) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 44,114 |
| <hr/> | | |
| (8,989) | Net cash (in)/flow from Operating Activities | 3,453 |
| 6,309 | Investing Activities (note 28) | 2,769 |
| 1,402 | Financing Activities (note 28) | (4,721) |
| <hr/> | | |
| (1,278) | Net (increase) or decrease in cash and cash equivalents | 1,501 |
| (1,017) | Cash and cash equivalents at the beginning of the reporting period | (2,295) |
| <hr/> | | |
| (2,295) | Cash and cash equivalents at the end of the reporting period | (794) |
| <hr/> | | |

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2005, these Regulations require the Annual Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

The ratio of Current Liabilities to Current Assets is high and this would indicate that the Authority may have a problem with liquidity in that it will not have sufficient resources available to meet its short term obligations. However, the Authority has ready access to borrowing from the Public Works Loan Board and other sources and there is no significant risk that it will be unable to raise finance to meet its commitments.

INCOME AND EXPENDITURE

Revenue

In the revenue accounts, income and expenditure are accounted for, net of VAT, in the year in which they arise, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and consumption they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of

debtors is written down and a charge made to revenue for the income that might not be collected.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

CHARGES TO REVENUE FOR NON CURRENT ASSETS

Depreciation is provided for vehicles on a straight-line basis, with acquisitions being first depreciated in the year after purchase. Vehicles funded by finance lease are depreciated for a full year in the year acquired. Buildings have been depreciated on a straight-line basis over the estimated useful life of the assets, as supplied by Carmarthenshire County Council.

Depreciation is charged to the service departments within the consolidated income and expenditure account. This is reversed out in the General Fund Balance so that there is no impact on the contributions made by the constituent authorities.

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. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution from General Fund Balances (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

EMPLOYEE BENEFITS

Benefits payable during employment

Salaries and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements.

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. There has been no such benefits paid during the year.

POST EMPLOYMENT BENEFITS

Pensions

The Authority participates in two different pension schemes, which meet the needs of different groups of employee. The schemes are as follows:

1. Firefighter Pension Scheme (FPS)

The Fire Fighters pension scheme is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pension payments as they fall due. Employee and employer contributions are based on a percentage of pensionable pay set nationally by the Welsh Government and this is subject to triennial revaluation by Government Actuary's Department (GAD).

The pension fund is treated as a separate income and expenditure statement in the Statement of Accounts and is ring fenced to ensure accounting clarity, please see notes 25, 42 and the 'Fire fighters Pension Fund Account' on page 80 for more detail. It is through the pension fund that the Authority discharges its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the scheme.

The estimated long term liability to the Fire & Rescue Authority to meet these costs is disclosed by a note to the accounts as required by IAS 19.

2. Support and Control Room Staff

This is a funded scheme with pensions paid from the underlying investment funds managed through the Dyfed Pension Fund by Carmarthenshire County Council which is part of the Local Government Pension Scheme (LGPS). Actuaries determine the employer's contribution rate. Further costs, which arise in respect of certain pensions paid to retired employees, are paid on an unfunded basis. Please see note 42 for more detail.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified.

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

EXCEPTIONAL ITEMS

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

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

FINANCIAL INSTRUMENTS

A Financial Instrument is defined as 'any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another'. Financial liabilities (loans) and financial assets (investments) are initially measured at fair value and carried at their amortised cost. The annual interest paid and received in the Income and Expenditure account is based on the carrying amount of the loan or investment multiplied by the effective rate of interest for the instrument. For all of the loans and investments the Authority has, the amounts presented in the Balance Sheet are the principal outstanding plus any accrued interest for the year.

INVESTMENTS

Investments are shown in the Balance Sheet at their cost to the Authority and are itemised in a separate note.

FOREIGN CURRENCY TRANSLATION

The majority of transactions of the Authority are in sterling. Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as income at the date the Authority satisfies the conditions of the entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has either been incurred or there exists reasonable expectation. Revenue grants are matched in service revenue accounts with service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the income and expenditure account after Net Operating Expenditure.

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) method.

LEASES

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Authority, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

Operating Leases

Where assets are available for use under operating leasing arrangements, the rentals payable are charged to the appropriate service account on a straight-line basis irrespective of the payment arrangements. Since the Authority does not own these assets, they do not appear in the Balance Sheet. The liability to pay future rental charges is similarly excluded, but a separate note is annexed to the Balance Sheet.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

PROPERTY PLANT AND EQUIPMENT

Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;

- the cost of the individual asset is at least £5,000;
- the items form a group of assets which collectively have a cost of at least £5,000, where the assets are functionally interdependent, they broadly have simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; and
- the items form part of the initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

Useful Economic Life of Assets

The assets will be held by the service over their useful economic life and will be in the following ranges:

| | |
|-----------------------------|-------------|
| Buildings | 15-80 years |
| Infrastructure | 5-40 years |
| Vehicles, Plant & Equipment | 3-15 years |
| Intangible Assets | 3-15 years |

Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value.

Land and property assets are valued every 5 years. The 5 yearly and any interim revaluations are carried out by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuations are carried out on the basis of a Modern Equivalent Asset as required by HM Treasury. Reviews are conducted using the most appropriate information available at the date of the review. A revaluation was carried out as at 31 March 2011.

Assets in the course of construction are valued at current cost. They are subsequently valued as part of the five yearly valuations.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses.

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Freehold land is considered to have an infinite life and is not depreciated.

The economic useful life of fleet assets and equipment varies but falls within a 3-15 year range on which the annual depreciation charge is based. All depreciation is calculated on a "straight line" basis.

Property, plant and equipment reclassified as 'Held for Sale', ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

Component Accounting

A component of property, plant and equipment is an item that has a cost that is significant in relation to the total cost of the asset. Component should be depreciated individually over their useful lives. However, on transition to the Code, component accounting has only been applied when a component is replaced or part enhanced, and the old component has been derecognised.

Revaluation and impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income.

Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

DISPOSAL FIXED ASSETS

Receipts from the disposal of fixed assets create income known as Capital Receipts. These are held in reserves and in the Capital Adjustment Account pending their application to fund new capital expenditure or to redeem loan debt.

PROVISIONS

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate revenue account when the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not

be required, the provision is reversed and credited back to the relevant revenue account.

CONTINGENT LIABILITIES

IAS 37 defines contingent liabilities as either:

- a possible obligation that arises from past events and 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 that arises from past events but is not recognised because
 - a) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
 - b) the amount of the obligation cannot be measured with sufficient reliability.

Where a contingent liability exists it would not be recognised within the accounts as an item of expenditure, but would be disclosed in a note to the balance sheet which would describe the nature of the contingent liability and where practicable an estimate of its financial effect and an indication of the uncertainties related to the amount of any outflow.

RESERVES

The Authority maintains reserves to meet future expenditure. These are disclosed within the balance sheet and their purposes are explained in the notes to the balance sheet.

VALUE ADDED TAX

The authority is reimbursed for VAT incurred and the revenue accounts have therefore been prepared exclusive of this tax.

INTANGIBLE ASSETS

Internally generated intangible assets are capitalised where the recognition criteria are met. The criteria are as follows: it must be possible to separate the asset from the entity, the entity must control the asset, there must be future economic benefit from the asset, it must be probable that the economic benefits will flow to the entity, and the cost of the asset can be measured reliably. The intangible asset will be initially measured at cost, all revaluations are charged initially to the revaluation reserve, and there is no maximum useful life for the asset.

2. PRIOR YEAR ADJUSTMENTS

When calculating the charge to the accounts for pensions under International Accounting Standards require different treatment of elements of costs to be reversed out of the accounts for funded schemes and non-funded schemes. For a funded scheme the cost of employers contributions is included in the calculation but benefits paid excluded as they are paid from the fund. For non-funded schemes, employers' contributions are excluded but benefits paid included as these are the actual costs. In the 2011/12 accounts the employers contribution was used in error when calculating

the Fire-fighter pension scheme (a non-funded scheme). This resulted in the cost of service in 2011/12 being overstated by £6,005k.

Adjusting for this change has resulted in the following amendments to the 2011/12 Financial Statements:

| | Previously Reported | Adjustment | Restated |
|---|---------------------|------------|-----------|
| | £000 | £000 | £000 |
| Balance Sheet as 31 March 2012 | | | |
| Net Pension Fund Liability | (365,671) | 6,005 | (359,666) |
| Unusable Reserves | 308,919 | (6,005) | 302,914 |
| | | | |
| 2011/12 Comprehensive Income and Expenditure Statement | | | |
| Net Expenditure on: | | | |
| Community Safety | 6,093 | (817) | 5,276 |
| Fire Fighting and Rescue Operations | 40,939 | (5,030) | 35,909 |
| Fire Service Emergency Planning | 1,070 | (129) | 941 |
| Corporate and Democratic Core | 788 | (29) | 759 |
| Non distributed costs | 9 | 0 | 9 |
| | | | |
| Cost of Services | 48,899 | (6,005) | 42,894 |
| | | | |

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 34-41, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements in the statement of accounts are:-

- There is a high degree of uncertainty about future levels of funding for local Government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of the need to reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-----------------------------|--|--|
| Property, Plant & Equipment | 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 assets is reduced depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £15k every year that useful lives had to be reduced. |
| 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. | Relatively small changes in the assumptions made can have a significant impact on the pension net liability. The pension net liability shown in the balance sheet will only become payable over the retirement period of current and retired employees, so adjustments to the liability can be spread over a number of years through changes in employee and employer contributions. Increases in employer contributions have a direct impact on the budget. |

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The International Accounting Standards Body (IASB) has issued an amended IAS 19 – Post Employment Benefits, which will come into force for financial periods beginning on or after 1 January 2013. The principal changes are:-

- The expected return on assets is calculated at the discount rate, instead of an expected return rate; and
- The interest on the service cost is included in the service cost itself.

For this Authority, as will be the case for most organisations, this will result in a higher Consolidated Income and Expenditure charge going forward.

This disclosure will be fully incorporated into the 2013/14 Statement of Accounts. However, IAS 8 requires the disclosure of the expected impact of the future change going forward. This disclosure has been included in note 42.

6. EVENTS AFTER BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer on 23 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATION

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

Adjustments between accounting basis and funding basis under regulations

| 2011/12 Restated | | | | | 2012/13 | | | |
|------------------------------|-----------------------------------|------------------------------|--|---|------------------------------|----------------------------------|------------------------------|--|
| General Fund Balance £000 | Capital Receipts Reserves £000 | Total Usable Reserve £000 | Movements in Unusable Reserves £000 | | General Fund Balance £000 | Capital Receipts Reserve £000 | Total Usable Reserve £000 | Movements in Unusable Reserves £000 |
| | | | | ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT: | | | | |
| | | | | Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| | | | | Charges for depreciation and impairment of non-current assets | 3,680 | | 3,680 | (3,680) |
| 4,033 | | 4,033 | (4,033) | Amortisation of intangible assets | 11 | | 11 | (11) |
| 16 | | 16 | (16) | Capital grants and contributions applied | (609) | 24 | (585) | 585 |
| (2,853) | | (2,853) | 2,853 | Direct revenue funding | (315) | | (315) | 315 |
| (1,473) | | (1,473) | 1,473 | | | | | |
| | | | | Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| | | | | Statutory provision for the financing of Capital Investment | (1,702) | | (1,702) | 1,702 |
| (2,072) | | (2,072) | 2,072 | | | | | |
| | | | | ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE: | | | | |
| | | | | Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | 24 | 24 | (24) |
| | 24 | 24 | (24) | | | | | |
| | | | | ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE: | | | | |
| | | | | Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 28,956 | | 28,956 | (28,956) |
| 28,526 | | 28,526 | (28,526) | Employer's pension contributions and direct payments to pensioners payable in the year | (11,596) | | (11,596) | 11,596 |
| (10,236) | | (10,236) | 10,236 | | | | | |
| | | | | ADJUSTMENT PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT: | | | | |
| | | | | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 13 | | 13 | (13) |
| 9 | | 9 | (9) | | | | | |
| 15,950 | 24 | 15,974 | (15,974) | TOTAL ADJUSTMENTS: | 18,438 | 24 | 18,462 | (18,462) |

8. TRANSFERS TO AND FROM EARMARKED RESERVES (more detail in note 20)

| Balance at 1 April 2011 £000 | Transfers out 2011/12 £000 | Transfers in 2011/12 £000 | Balance at 31 March 2012 £000 | | Transfers Out 2012/13 £000 | Transfers In 2012/13 £000 | Balance at 31 March 2013 £000 |
|------------------------------------|-------------------------------------|------------------------------------|--|---|-------------------------------------|------------------------------------|--|
| 0 | 0 | 0 | 0 | Car Salary Sacrifice Reserve | 0 | 1 | 1 |
| 285 | 0 | 458 | 743 | Vehicle, Plant and Equipment Replacement | 128 | 5 | 620 |
| 200 | 0 | 0 | 200 | Invest To Save Fund | 0 | 0 | 200 |
| 41 | 1 | 1 | 41 | Sustainability and Environment Projects | 0 | 0 | 41 |
| 150 | 11 | 11 | 150 | Risk Management Reserve | 0 | 1,216 | 1,366 |
| 95 | 15 | 0 | 80 | Consultancy and Process Change Projects | 30 | 0 | 50 |
| 565 | 391 | 0 | 174 | Operational Training | 33 | 74 | 215 |
| 450 | 50 | 210 | 610 | Software Modernisation and Development | 45 | 207 | 772 |
| 1,310 | 31 | 284 | 1,563 | Managing Change - Employees and Pensions | 490 | 498 | 1,571 |
| 810 | 547 | 647 | 910 | Managing Change – Buildings and Adaptions | 715 | 1,003 | 1,198 |
| 500 | 25 | 0 | 475 | Major Incidents Reserve | 0 | 143 | 618 |
| 2,388 | 1,480 | 0 | 908 | Levy Equalisation Reserve | 380 | 12 | 540 |
| 0 | 0 | 0 | 0 | Airwave Reserve | 0 | 120 | 120 |
| 6,794 | 2,551 | 1,611 | 5,854 | Total | 1,821 | 3,279 | 7,312 |

9. OTHER OPERATING EXPENDITURE AND INCOME

| 2011/12 £000 | | 2012/13 £000 |
|-----------------|---|-----------------|
| | (6) (Profit)/Loss on sale of Non-current assets | 0 |

10. FINANCING AND INVESTMENT INCOME & EXPENDITURE

| 2011/12 £000 | | 2012/13 £000 |
|-----------------|--|-----------------|
| 313 | Interest paid on Finance Leases | 249 |
| 340 | Interest paid on Loans | 365 |
| 18,250 | Fire-fighters Pension Interest Cost | 17,170 |
| 1,642 | LGPS Pension Interest Cost | 1,633 |
| (1,481) | LGPS Expected return on pension assets | (1,399) |
| (8) | Interest received from investment | (8) |
| 19,056 | | 18,010 |

11. TAXATION AND NON SPECIFIC GRANT INCOMES

| 2011/12 £000 | | 2012/13 £000 |
|-----------------|--|-----------------|
| (2,847) | Capital Contributions and Donations received | (609) |
| (42,207) | Levies from Constituent Authorities | (43,090) |
| (45,054) | | (43,699) |

12. INTANGIBLE ASSETS

| Purchased Software Licences 2011/12 £'000 | | Purchased Software Licences 2012/13 £'000 |
|---|---------------------------------|---|
| | Gross Book Value | |
| 88 | Opening balance at 1 April | 88 |
| 0 | Revaluations | 0 |
| 88 | | 88 |
| 0 | Additions during year | 46 |
| 0 | Disposals during year | 0 |
| 88 | Closing balance at 31 March | 134 |
| | Accumulated Amortisation | |
| (22) | At 1 April | (38) |
| (16) | Amortisation during year | (11) |
| 0 | Disposals during year | 0 |
| (38) | Closing balance at 31 March | (49) |
| | Net Book Value | |
| 66 | Opening balance at 1 April | 50 |
| 50 | Closing balance at 31 March | 85 |

13. PLANT, PROPERTY AND EQUIPMENT

The movement in fixed asset valuation is shown below;

| <u>Fixed Assets</u> <u>2012/13</u> | Land & Building s £000's | Infrastr ucture £000's | Vehicles & Equipment £000's | Assets Held for Sale £000's | Surplus Assets £000's | Non Operati onal £000's | TOTAL £000's |
|---|---|---|--|--|--|--|-------------------------------|
| <u>Gross Book Value</u> | | | | | | | |
| At 1 April 2012 | 60,720 | 305 | 28,302 | 425 | 0 | 5,097 | 94,849 |
| Additions | 810 | 0 | 316 | 0 | 0 | 1,597 | 2,723 |
| Disposals | 0 | 0 | (28) | 0 | 0 | 0 | (28) |
| Assets reclassified | 6,694 | 0 | 0 | (425) | 425 | (6,694) | 0 |
| At 31 March 2013 | 68,224 | 305 | 28,590 | 0 | 425 | 0 | 97,544 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| At 1 April 2012 | (1,255) | (52) | (17,112) | 0 | 0 | 0 | (18,419) |
| Depreciation for year | (1,173) | (8) | (2,499) | 0 | 0 | 0 | (3,680) |
| Disposals | 0 | 0 | 28 | 0 | 0 | 0 | 28 |
| At 31 March 2013 | (2,428) | (60) | (19,583) | 0 | 0 | 0 | (22,071) |
| <u>Net Book Values</u> | | | | | | | |
| At 1 April 2012 | 59,465 | 253 | 11,190 | 425 | 0 | 5,097 | 76,430 |
| At 31 March 2013 | 65,796 | 245 | 9,007 | 0 | 425 | 0 | 75,473 |

| <u>Fixed Assets</u> <u>2011/12</u> | Land & Buildings £000's | Infrastru cture £000's | Vehicles & Equipment £000's | Assets Held for Sale £000's | Non Operational £000's | TOTAL £000's |
|---|--|---|--|--|---|-------------------------------|
| <u>Gross Book Value</u> | | | | | | |
| At 1 April 2011 | 41,522 | 275 | 28,696 | 0 | 1,005 | 71,498 |
| Revaluations | 19,952 | 0 | 0 | 0 | 0 | 19,952 |
| | 61,474 | 275 | 28,696 | 0 | 1,005 | 91,450 |
| Additions | 1,746 | 30 | 1,935 | 0 | 4,092 | 7,803 |
| Impairments | (2,075) | 0 | 0 | 0 | 0 | (2,075) |
| Disposals | 0 | 0 | (2,329) | 0 | 0 | (2,329) |
| Assets reclassified | (425) | 0 | 0 | 425 | 0 | 0 |
| At 31 March 2012 | 60,720 | 305 | 28,302 | 425 | 5,097 | 94,849 |
| <u>Accumulated Depreciation</u> | | | | | | |
| At 1 April 2011 | (2,554) | (45) | (16,973) | 0 | 0 | (19,572) |
| Revaluation | 2,554 | 0 | 0 | 0 | 0 | 2,554 |
| Depreciation for year | (1,255) | (7) | (2,468) | 0 | 0 | (3,730) |
| Disposals | 0 | 0 | 2,329 | 0 | 0 | 2,329 |
| At 31 March 2012 | (1,255) | (52) | (17,112) | 0 | 0 | (18,419) |
| <u>Net Book Values</u> | | | | | | |
| At 1 April 2011 | 38,968 | 230 | 11,723 | 0 | 1,005 | 51,926 |
| At 31 March 2012 | 59,465 | 253 | 11,190 | 425 | 5,097 | 76,430 |

14. FINANCIAL INSTRUMENTS

(1) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

| | Long-Term | | Current | |
|--|------------------|------------------|------------------|------------------|
| | 31 March 2012 | 31 March 2013 | 31 March 2012 | 31 March 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Borrowing | | | | |
| Financial liabilities (principal amount) | 6,614 | 12,310 | 320 | 304 |
| Accrued Interest | 0 | 0 | 18 | 22 |
| | | | | |
| Total borrowings | 6,614 | 12,310 | 338 | 326 |
| | | | | |
| Finance lease liabilities | 5,553 | 4,539 | 950 | 1,001 |
| Creditors | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 6,558 | 4,882 |
| | | | | |
| Investments | | | | |
| Loans and receivables (principal amount) | 0 | 0 | 0 | 0 |
| Accrued interest | 0 | 0 | 0 | 0 |
| Loans and receivables at amortised cost (1) | 0 | 0 | 0 | 0 |
| Total investments | 0 | 0 | 0 | 0 |
| | | | | |
| Total debtors | 117 | 110 | 3,456 | 9,292 |

Note 1 – Under accounting requirements the carrying value of the financial instrument value shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Whilst there is no need to produce more detailed information, additional information will however be needed in the following, albeit unlikely circumstances:

- ✓ Any unusual movements;
- ✓ Reclassification of instruments;
- ✓ De-recognition of instruments;
- ✓ Collateral;
- ✓ Allowance for credit losses; and
- ✓ Defaults and breaches.

These are explained in more detail below

(2) Financial instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| Financial Instruments Gains and Losses | | | | |
|---|---|---|---|---|
| | 2011/12 | | 2012/13 | |
| | Financial Liabilities Liabilities measured at amortised cost £000s | Financial Assets Loans and receivables £000s | Financial Liabilities Liabilities measured at amortised cost £000s | Financial Assets Loans and receivables £000s |
| Interest expense | (653) | 0 | (615) | 0 |
| Total expense in Surplus or Deficit on the Provision of Services | (653) | 0 | (615) | 0 |
| Interest income | 0 | 0 | 0 | 8 |
| Total income in Surplus or Deficit on the Provision of Services | 0 | 0 | 0 | 0 |
| Net gain/(loss) for the year | (653) | 0 | (615) | 8 |

| | Approved minimum limits | Approved maximum limits | Actual 31 March 2012 £000s | Actual 31 March 2013 £000s |
|------------------------|-------------------------|-------------------------|-------------------------------|-------------------------------|
| Less than 1 year | 0% | 20% | 320 | 326 |
| Between 1 and 2 years | 0% | 20% | 304 | 284 |
| Between 2 and 5 years | 0% | 50% | 845 | 841 |
| Between 5 and 10 years | 0% | 75% | 1,192 | 1,065 |
| More than 10 years | 25% | 90% | 4,273 | 10,120 |
| Total | | | 6,934 | 12,636 |

15. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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 PWLB and other loans payable, borrowing from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- ✓ For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- ✓ 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:

| £000s | 31 March 2012 | | 31 March 2013 | |
|-------------------|-----------------|--------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| PWLB debt | 6,934 | 8,374 | 12,614 | 15,055 |
| Non-PWLB debt | 0 | 0 | 0 | 0 |
| Total debt | 6,934 | 8,374 | 12,614 | 15,055 |

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

16. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2012 and 31 March 2013 is shown below.

| | General, Personal Protective Equipment & Uniforms | | Vehicle Maintenance spares | | Petrol & Diesel | | Other | | Total | |
|---|---|-----------------|----------------------------------|-----------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2011/12 £000 | 2012/13 £000 | 2011/12 £000 | 2012/13 £000 | 2011/12 £000 | 2012/13 £000 | 2011/12 £000 | 2012/13 £000 | 2011/12 £000 | 2012/13 £000 |
| Balance outstanding at start of year | 367 | 360 | 58 | 65 | 41 | 38 | 13 | 54 | 479 | 517 |
| Purchases | 390 | 196 | 13 | 0 | 141 | 162 | 46 | 7 | 590 | 365 |
| Recognised as an expense in the year | (397) | (325) | (6) | 0 | (144) | (168) | (5) | (48) | (552) | (541) |
| Transfer of Stock between stores | 0 | 54 | 0 | (54) | 0 | 0 | 0 | 0 | 0 | 0 |
| Written off balances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance outstanding at year-end | 360 | 285 | 65 | 11 | 38 | 32 | 54 | 13 | 517 | 341 |

17. DEBTORS

| At 31.3.12 | | At 31.3.13 | |
|--------------|---------------------------------------|--------------|--|
| £000 | | £000 | |
| 1,031 | Central Government Bodies | 4,166 | |
| 7 | Other Local Authorities | 243 | |
| 213 | NHS Bodies | 266 | |
| 343 | Public Corporations and Trading Funds | 0 | |
| 231 | Other Entities and Individuals | 1,560 | |
| 1,732 | Payments in Advance | 2,385 | |
| (8) | Provision for irrecoverable debts | (8) | |
| 3,549 | Total | 8,612 | |

| At 31.3.12 | | At 31.3.13 | |
|------------|--------------------------|------------|--|
| £000 | | £000 | |
| 117 | Long Term Debtors | 110 | |

18. CASH AND CASH EQUIVALENTS

| At 31.3.12 | | At 31.3.13 | |
|--------------|----------------------------|------------|--|
| £000 | | £000 | |
| 3 | Cash held by the Authority | 3 | |
| 2,292 | Bank Current Accounts | 791 | |
| 2,295 | | 794 | |

This represents the cashbook balance at 31st March 2013 which includes cheques drawn by the Authority, which have not been presented to the Authority's bank for payment by the 31st March 2013.

19. CREDITORS

| At 31.3.12 | | At 31.3.13 | |
|--------------|---------------------------------------|--------------|--|
| £000 | | £000 | |
| 2,842 | Central Government Bodies | 591 | |
| 268 | Other Local Authorities | 205 | |
| 3 | Public Corporations and Trading Funds | 0 | |
| 2,792 | Other Entities and Individuals | 2,534 | |
| 27 | Capital Donations Unapplied | 28 | |
| 867 | Receipts in Advance | 844 | |
| 6,799 | Total | 4,202 | |

20. PROVISIONS

| | Software Development £000 | Water £000 | Total £000 |
|---|---|----------------------|----------------------|
| Balance as at 1st April 2011 | 28 | 94 | 122 |
| Additional Provision made in 2011/12 | 0 | 18 | 18 |
| Provisions applied during 2011/12 | (28) | (38) | (66) |
| Balance as at 31st March 2012 | 0 | 74 | 74 |
| Additional Provision made in 2012/13 | 0 | 0 | 0 |
| Provisions applied during 2012/13 | 0 | (47) | (47) |
| Balance as at 31st March 2013 | 0 | 27 | 27 |

Software Development

This provision was set up for a specific project which is now completed.

Water

The Fire and Rescue Authority has entered into a service level agreement with the Welsh Water Authority for carrying out maintenance work on fire hydrants. Under the agreement the Fire and Rescue Authority places orders for work to an approved value and the Water Authority carry out that work when appropriate. There are occasions when the ordered work cannot be carried out for a number of years but the order is still valid. In such cases the value of the outstanding work is taken to provisions, when the work is carried out the cost of the work will be charged to the provision.

21. USABLE RESERVES

Capital Receipts

These are capital receipts which are available for financing capital expenditure but which had not been applied for that purpose at 31 March 2013.

Earmarked Reserves

The Authority holds the following earmarked reserves;

- A Vehicle, Plant and Equipment reserve established as a result of a Service review in order to assist in the modernisation of the fleet in order to increase efficiencies and reduce future revenue costs.
- An Invest to Save Fund set up to provide a pool of funds that departments can borrow from to 'kick start' an invest to save scheme. Departments have to repay the sums borrowed out of future savings in order to maintain the pool of available funding.
- A Sustainability and the Environment Projects reserve. The Authority is committed embedding sustainability concepts into the way the Service

develops. This small reserve is to help improve sustainability throughout the Service.

- The Risk Management Reserve provides a pool of funds to meet potential changes in the way that risks are insured against and to fund projects that will reduce the Services' insurance costs.
- The Consultancy and Process Change Projects reserve is to enable the Service to take advice from Consultants on increasingly complex regulations and economic conditions, particularly around procurement, tax and treasury management.
- An Operational Training reserve set up to provide security that there are sufficient funds to ensure that the operational Firefighters are trained to the highest standards.
- A Software Modernisation and Development set up after a full Service review identified that efficiency could be improved by developing and modernising some of the Service's computer software, particularly for internal communication, asset management and central support.
- The two Managing Change reserves, one for employees and pensions, and one for buildings and adaptations, were set up to help fund adaptations to buildings to meet current needs and to meet changes in employment regulations, particularly around part-time workers and equal pay.
- The Major Incidents reserve is a pool of funds to help meet the costs of dealing with any major incidents where the costs cannot be dealt with through the normal Fire Fighting and Rescue Operations budget.
- The Car Salary Sacrifice Scheme reserve holds any small surpluses generated by the scheme to meet any unforeseen costs.
- The Levy Equalisation reserve is used to reduce the levy charged each year to each of the constituent Unitary Authorities. An agreed portion of this reserve is released each year and set against the budget to reduce the level of levy required in that year.
- Airwave is a communications project partly funded by the Welsh Government. The funding is released at a constant yearly rate when the funded elements of the costs vary. This reserve sets aside under spend to set against future over spends.

22. UNUSABLE RESERVES

| 31 March 2012 Restated | | 31 March 2013 | |
|------------------------|--|----------------|--|
| £000 | | £000 | |
| (28,167) | Revaluation Reserve (note 23) | (27,870) | |
| (29,205) | Capital Adjustment Account (note 24) | (28,412) | |
| 359,667 | Pensions Reserve (note 25) | 421,139 | |
| 619 | Accumulated Absences Account (note 26) | 632 | |
| 302,914 | Total Unusable Reserves | 365,489 | |

23. REVALUATION RESERVE

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

- Re-valued 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.

| 2011/12 | | 2012/13 |
|-----------------|---|-----------------|
| £000 | | £000 |
| (8,003) | Balance at 1 April | (28,167) |
| (20,733) | Revaluation of assets adjustment | 0 |
| 569 | Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment | 297 |
| <hr/> | | <hr/> |
| (28,167) | Balance at 31 March | (27,870) |

24. CAPITAL ADJUSTMENT ACCOUNT

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

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

The 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.

Capital Adjustment Account

| 2011/12 | | 2012/13 | |
|-----------------|---|--------------|-----------------|
| £000 | | £000 | £000 |
| (26,310) | Balance as at 1 April | | (29,205) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 4,032 | ▪ Charges for depreciation and impairment of non-current assets | 3,681 | |
| 16 | ▪ Amortisation of intangible assets | 11 | |
| <u>4,048</u> | | <u>3,692</u> | |
| (569) | Adjusting amounts written out of the Revaluation Reserve | (297) | |
| <u>3,479</u> | Net written out amount of the cost of non-current assets consumed in the year | | <u>3,395</u> |
| | Capital financing applied in the year | | |
| (547) | ▪ Use of Earmarked Reserves to finance new capital expenditure | (270) | |
| (2,829) | ▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (585) | |
| (2,072) | ▪ Statutory provision for the financing of capital investment charged against the General Fund | (1,702) | |
| (926) | Capital expenditure charged against the General Fund | (45) | |
| <u>(6,374)</u> | | <u></u> | <u>(2,602)</u> |
| (29,205) | Balance as at 31 March | | (28,412) |

25. PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require any benefits earned to be financed as the Authority makes employer contributions to

pension funds or, eventually pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a 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.

| 2011/12 Restated | | 2012/13 |
|------------------|--|----------------|
| £000 | | £000 |
| 326,702 | Balance at 1 April | 359,667 |
| 14,674 | Actuarial gains or losses on pensions & liabilities | 44,114 |
| 28,526 | 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 | 28,954 |
| (10,235) | Employer's pensions contributions and direct payments to pensioners payable in the year | (11,596) |
| 359,667 | Balance at 31 March | 421,139 |

26. 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, eg 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.

| 2011/12 | | 2012/13 |
|------------|--|------------|
| £000 | | £000 |
| 610 | Balance at 1 April | 619 |
| (610) | Settlement or cancellation of accrual made at the end of the preceding year | (619) |
| 619 | Amounts accrued at the end of the current year | 632 |
| 9 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements. | 13 |
| 619 | Balance at 31 March | 632 |

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

| 2011/12 | Includes | 2012/13 |
|----------------|--|----------------|
| £000 | | £000 |
| (8) | Interest received | (8) |
| 340 | Interest Paid - loans | 365 |
| 313 | Interest Paid – finance leases | 249 |
| 645 | Net Cash Flow from operating Activity | 606 |

28. CASH FLOW STATEMENT – INVESTING AND FINANCING ACTIVITIES

| 2011/12 | | 2012/13 |
|----------------|--|----------------|
| £000 | | £000 |
| (6,330) | Purchase of property, plant and equipment, investment property and intangible assets | (2,769) |
| 21 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 0 |
| (6,309) | Net cash (in)/outflow from investing activities | (2,769) |

| 2011/12 | | 2012/13 |
|----------------|---|----------------|
| £000 | | £000 |
| 0 | Cash receipts of short and long-term borrowing | 6,000 |
| 1,327 | Other receipts from financing activities | 0 |
| (899) | Cash payments for the reduction of the outstanding liabilities relating to finance leases | (962) |
| (1,830) | Repayments of short and long-term borrowing | (317) |
| (1,402) | Net cash (in)/outflow from financing activities | 4,721 |

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is the specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Fire Authority on the basis of budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- The Fire Authority budget reporting is based on a subjective analysis of expenditure and income e.g. Employee costs, Premises, Transport etc rather than on the objective basis that is reported in the accounts e.g. Community Safety, Fire Fighting and Rescue Operations, Fire Service Emergency Planning.

30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION

(Reconciliation of current management accounts to Comprehensive Income and Expenditure Statement)

NET REVENUE EXPENDITURE

| 2011/12 | | 2012/13 | |
|---------------------------|------------------------------------|---------------------------|--|
| Total Expenditure £000 | | Total Expenditure £000 | |
| | Operational | | |
| 20,408 | Employees – Full time | 19,536 | |
| 5,245 | Employees - Retained | 5,980 | |
| 610 | Employees – Other costs | 386 | |
| 1,630 | Premises | 1,700 | |
| 1,741 | Transport | 1,764 | |
| 318 | Insurance | 314 | |
| 3,437 | Supplies and Services | 3,118 | |
| 698 | Leasing | 1,389 | |
| 34,087 | Gross Operational Costs | 34,187 | |
| (1,022) | Grants | 0 | |
| (595) | Contribution to employee costs | (743) | |
| (814) | Other income | (406) | |
| (2,431) | Income | (1,149) | |
| 31,656 | Net Operational Costs | 33,038 | |
| 1,508 | Control Room | 1,526 | |
| 4,408 | Admin and Technical Services | 4,469 | |
| 299 | Manual | 270 | |
| 210 | Central Support | 206 | |
| 527 | Pension | 373 | |
| 6,952 | Total Non-Operational Costs | 6,844 | |
| 4,539 | Capital Financing | 2,257 | |
| 43,147 | Total Authority Expenditure | 42,139 | |
| (42,207) | Levy's | (43,090) | |
| (940) | To/from Earmarked Reserves | 951 | |
| (43,147) | Total Funding | (42,139) | |

In 2012/13 to make budget monitoring reports clearer and for budget monitoring purposes only. Grants received were netted off against the relevant expenditure lines and finance lease costs were recorded as leasing and not capital financing

**RECONCILIATION BETWEEN BUDGET MONITORING REPORT AND
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

| 2011/12 Rstated £000 | | 2012/13 £000 | £000 |
|---|---|-----------------|---------------|
| 43,147 | Total Expenditure on Budget Monitoring | | 42,139 |
| (42,207) | Less: Contributions from Constituent | | (43,090) |
| 940 | Included in Comprehensive Income and Expenditure Statement | | (951) |
| Items not included in Budget Monitoring report | | | |
| 3,607 | Depreciation and impairment of assets | 3,680 | |
| 16 | Amortisation of Intangible | 11 | |
| 0 | Loss on disposals of assets | 0 | |
| 9 | Accumulated absences adjustment | 13 | |
| 0 | Further transfers to/from reserves after budget monitoring | (507) | |
| 3,632 | | | 3,197 |
| Items not included in Comprehensive Income and Expenditure Statement | | | |
| (2,072) | Minimum Revenue Provision | (1,702) | |
| (1,473) | Direct Revenue Provision and use of reserves | (315) | |
| 18,716 | Transfer to Pension Reserve | 17,360 | |
| 0 | Capital Grants | 0 | |
| (2,853) | Capital Donations and receipts | (609) | |
| 12,318 | | | 14,734 |
| 16,890 | Surplus on Provision of Services | | 16,980 |

31. MEMBERS ALLOWANCES

During 2012/2013, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable:

| 2011/12 | | 2012/13 |
|----------------|-------------------------------------|----------------|
| £9,603 | Chair | £10,085 |
| £7,380 | Deputy Chair | £5,095 |
| £1,129 | Member | £1,350 |
| | | |
| £46,730 | Total of Members' Allowances | £41,057 |
| £14,931 | Total of Members' Expenses | £10,650 |

32. OFFICERS REMUNERATION

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

| | N o t e | | Salary | Perfor- mance Related Pay | Expenses | Benefits in Kind (lease car) | Total Excluding Pension | Pension | Total Including Pension |
|---|----------------------------|-------------|---------------|--|-----------------|---|--|----------------|--|
| Title | | Year | £ | £ | £ | £ | £ | £ | £ |
| Chief Fire Officer | | 2011/12 | 129,837 | 1,922 | 251 | 2,907 | 134,917 | 0 | 134,917 |
| | | 2012/13 | 131,187 | 3,895 | 177 | 1,873 | 137,132 | 0 | 137,132 |
| Deputy Chief Fire Officer | | 2011/12 | 103,870 | 2,898 | 26 | 711 | 107,505 | 22,742 | 130,247 |
| | | 2012/13 | 105,220 | 3,116 | 18 | 583 | 108,937 | 22,788 | 131,725 |
| Assistant Chief Fire Officer 1 | 4 | 2011/12 | 84,405 | 0 | 0 | 0 | 84,405 | 18,756 | 103,161 |
| | | 2012/13 | 14,147 | 0 | 0 | 16,702 | 30,849 | 3,013 | 33,862 |
| Assistant Chief Fire Officer 2 | | 2011/12 | 97,378 | 0 | 62 | 1,405 | 98,845 | 20,742 | 119,587 |
| | | 2012/13 | 98,728 | 2,921 | 149 | 1,500 | 103,298 | 21,364 | 124,662 |
| Assistant Chief Fire Officer 3 | 1 | 2011/12 | 85,155 | 2,525 | 485 | 7,996 | 96,161 | 13,993 | 110,154 |
| | | 2012/13 | 86,590 | 2,548 | 156 | 8,388 | 97,682 | 13,996 | 111,678 |
| Temporary Assistant Chief Fire Officer 1 | 2 | 2011/12 | 73,295 | 2,199 | 0 | 1,167 | 76,661 | 15,612 | 92,273 |
| | | 2012/13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Temporary Assistant Chief Fire Officer 2 | 3 | 2011/12 | 24,083 | 0 | 0 | 276 | 24,359 | 5,130 | 29,489 |
| | | 2012/13 | 98,725 | 0 | 26 | 455 | 99,206 | 20,742 | 119,948 |
| Clerk | | 2011/12 | 21,022 | 0 | 895 | 0 | 21,917 | 3,364 | 25,281 |
| | | 2012/13 | 19,642 | 0 | 615 | 0 | 20,257 | 3,174 | 23,431 |

Notes

- 1 Unlike the other Senior Officer Assistant Chief Fire Officer 3 is required to purchase car fuel for business mileage and then claim back expenses. Also, the tax on benefits in kind is calculated on a different basis to other Senior Officer. This results in a much higher expenses and benefits in kind figure.
- 2 Temporary Assistant Chief Fire Officer 1 left the post on 1st January 2012 at an annualised salary of £97,378
- 3 Temporary Assistant Chief Fire Officer 2 started in post on 2nd January 2012 at an annualised salary of £97,378
- 4 Assistant Chief Fire Officer 1 is on long term absence.

The Authority's other employees receiving more than £60,000 remuneration for the year were paid in the following amounts:

| Bracket | Number 2011/12 | Number 2012/13 |
|--------------------|---------------------------|---------------------------|
| £60,000 to £64,999 | 1 | 2 |
| £65,000 to £69,999 | 1 | 2 |
| £70,000 to £74,999 | 1 | 0 |
| £75,000 to £79,999 | 1 | 1 |
| £80,000 to £84,999 | 0 | 1 |

- Remuneration included all sums paid to or receivable by an employee, expense allowances chargeable to tax and the money value of benefits. The above data does not include employer's pension contributions.

The ratio of the highest paid salary to the median salary of £28,481 is 4.74:1

33. EXIT PACKAGES

There were no exit packages payable by the Authority during 2012-13.

34. TERMINATION BENEFITS

There were no termination benefits payable by the Authority during 2012-13.

35. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and other non-audit services provided by the Authority's external auditors.

| 2011/2012 | | 2012/2013 |
|------------------|---|------------------|
| £000 | | £000 |
| 55 | Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor | 54 |
| 1 | Fees payable in respect of other services provided by the appointed auditor | 1 |

The fees for other services relate to a review of Information Security and the participation in the National Fraud Initiative 2012-13

36. GRANTS

Gains relating to grants and donated assets are recognised in the CIES. Income is credited at the point when the authority has met all stipulations, conditions and restrictions agreed with the entity providing the gain.

Grants received;

| 2011-12 | | 2012-2013 |
|--------------|---------------------------------|--------------|
| £'000 | | £'000 |
| 1,183 | Community Risk Reduction | 955 |
| 843 | New Dimensions and USAR Funding | 811 |
| 732 | Major Disaster Recovery Fund | 5 |
| 593 | Fire Link | 592 |
| 170 | DEFRA | 0 |
| 8 | Operational Assurance | 8 |
| 30 | Other | 0 |
| <hr/> | | <hr/> |
| 3,559 | | 2,371 |
| <hr/> | | <hr/> |

37. 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 allow readers to assess the extent to which the Authority might have been constrained in its ability to bargain freely with the Related Party.

RELATED PARTY TRANSACTIONS

The Mid and West Wales Fire & Rescue Authority has a number of links with the constituent authorities:

- Each member of the Fire & Rescue Authority is also a member of one the constituent authorities

During the year transactions with related parties arose as shown below.

| | Receipts | Payments |
|--------------------------------|-----------------|-----------------|
| | £'000s | £'000s |
| Carmarthenshire County Council | 8,978 | 702 |
| Cyngor Sir Ceredigion | 3,784 | 22 |
| Neath Port Talbot CBC | 6,739 | 142 |
| Pembrokeshire County Council | 5,785 | 98 |
| Powys County Council | 6,488 | 179 |
| City & County of Swansea | 11,363 | 156 |
| Welsh Government | 2,843 | 0 |
| Dyfed Pension Fund | 0 | 1,141 |
| South Wales Fire Service | 384 | 65 |
| North Wales Fire Service | 25 | 24 |
| Dyfed Powys Police | 532 | 122 |
| South Wales Police | 63 | 61 |
| North Wales Police | 13 | 0 |
| Gwent Police | 13 | 7 |
| Other Fire Authorities | 4 | 2 |
| HMCS | 1 | 0 |
| NHS/Ambulance | 231 | 0 |
| | 47,246 | 2,721 |

Members and senior officers of the Fire and Rescue Authority were asked to declare any third party transactions during the year. The only relationship where a payment has been made was:

| Related Party Organisation | Nature of relationship | Number of transactions | Payments in year £ |
|-----------------------------------|-------------------------------|-------------------------------|---------------------------|
| Firebrake | Trustee | 2 | 45,670 |

This note has been compiled in accordance with the current interpretation and understanding of IAS 24 and its applicability to the public sector.

38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

| 2011/12 | | 2012/13 |
|---------|---|---------|
| £000 | | £000 |
| 10,795 | <i>Opening Capital Financing Requirement</i> | 12,753 |
| | <i>Capital Investment</i> | |
| 7,803 | Property, Plant & Equipment | 2,723 |
| 0 | Intangible assets | 46 |
| 0 | CFR required for leases reclassified as Finance leases | 9,312 |
| | <i>Sources of finance</i> | |
| 0 | Capital receipts | 0 |
| (2,847) | Government grants and other contributions | (585) |
| (926) | Direct revenue contributions | (315) |
| (2,072) | MRP/loans fund principal | (1,702) |
| 12,753 | <i>Closing Capital Financing Requirement</i> | 22,232 |
| | <i>Explanation of movements in year</i> | |
| 631 | Increase in underlying need to borrowing | 167 |
| 0 | CFR required for leases reclassified as Finance leases | 9,312 |
| 1,327 | Assets acquired under the finance leases | 0 |
| 1,958 | <i>Increase/(decrease) in Capital Financing Requirement</i> | 9,479 |

Capital expenditure is incurred on schemes, which have a life beyond one year, and is largely financed by loans or revenue contributions.

Outstanding retention monies have been accrued.

Capital expenditure during the year was as follows:

| Scheme | £000 |
|--------------------|--------------|
| Vehicles | 45 |
| Land and Buildings | 2,406 |
| Equipment | 272 |
| Software licences | 46 |
| | 2,769 |

39. FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

| | 2011/2012 £000 | 2012/2013 £000 |
|------------------------------|-------------------|-------------------|
| External loans/ Cash holding | 2,135 | 1,868 |
| Reserves | 547 | 271 |
| Grants and Contributions | 2,847 | 585 |
| Capital Receipts | 21 | 0 |
| Direct Revenue Financing | 926 | 45 |
| Lease | 1,327 | 0 |
| Total | 7,803 | 2,769 |

40. CAPITAL COMMITMENTS

The Authority is committed to capital expenditure in future periods arising from contracts entered into at the balance sheet date. The estimate of capital expenditure committed at 31st March 2013 and to be made in 2013/14 is £1,040k. This expenditure relates to Llanelli Development Project which were contained within the capital programme for 2012/13 and have been carried forward as slippage items to 2013/14.

41. LEASES

Authority as a Lessee

Finance Leases

The Authority has acquired a number of operational 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.

| | 31 March 2012 £000 | 31 March 2013 £000 |
|--|-----------------------|-----------------------|
| Other Land and Buildings | 0 | 0 |
| Vehicles, Plant, Furniture and Equipment | 5,707 | 4,781 |
| | 5,707 | 4,781 |

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles 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.

| | 31 March 2012 | 31 March 2013 |
|--|---------------|---------------|
| | £000 | £000 |
| Finance lease liabilities (net present value of minimum lease payments): | 6,502 | 5,540 |
| Finance costs payable in future years | 1,008 | 758 |
| Minimum lease payments | 7,510 | 6,298 |

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

| | Minimum Lease Payment | | Finance Lease Liabilities | |
|---|--------------------------|--------------------------|---------------------------|--------------------------|
| | 31 March 2012 £000 | 31 March 2013 £000 | 31 March 2012 £000 | 31 March 2013 £000 |
| Not later than one year | 1,213 | 1,212 | 950 | 1,001 |
| Later than one year and not later than five years | 4,002 | 3,487 | 3,396 | 3,012 |
| Later than five years | 2,295 | 1,599 | 2,156 | 1,527 |
| | 7,510 | 6,298 | 6,502 | 5,540 |

Operating Leases

Un-discharged obligations under operating leases amounted to £259,952 as at 31st March 2013.

The authority is committed to operating lease payments during the next financial year of £93,006.

| | At 31 March 2012 | At 31 March 2013 |
|--------------------------------|------------------|------------------|
| | £000 | £000 |
| Operating leases which expire: | | |
| Within 1 year | 0 | 35 |
| 2 - 5 years | 133 | 200 |
| Over 5 years | 0 | 25 |

42. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The authority participates in two post-employment schemes:

- The Fire Fighters Pension Scheme (FPS) – this 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 (see page 79).
- The Local Government Pension Scheme (LGPS, the Authority participates in the Dyfed Pension Fund administered by Carmarthenshire County Council – this is a funded defined benefit scheme, meaning that the Authority and employees pay contribution into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make to our Constituent Authorities 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:

| 2011/12 | | | 2012/13 | |
|----------|---------|---|----------|---------|
| FPS | LGPS | | FPS | LGPS |
| Restated | | | | |
| £000 | £000 | | £000 | £000 |
| | | Movements on Pension Reserve | | |
| | | Comprehensive Income and Expenditure Statement (C.I.E.S) | | |
| | | Cost of Service | | |
| 9,190 | 866 | Current Service Cost | 9,980 | 936 |
| 0 | 6 | Past Service Cost | 480 | 136 |
| 50 | 0 | Transfers In | 20 | 0 |
| 0 | 3 | Settlements and Curtailments | 0 | 0 |
| | | Net Operating Expenditure | | |
| 18,250 | 1,642 | Interest Cost | 17,170 | 1,633 |
| 0 | (1,481) | Expected Return on Pension Assets | 0 | (1,399) |
| 27,490 | 1,036 | Total Post-employment benefit charged to the Surplus or Deficit on the provision of services | 27,650 | 1,306 |
| 12,360 | 2,314 | Actuarial gains and losses | 41,130 | 2,983 |
| 39,850 | 3,350 | Total Post-employment benefit charged to the C.I.E.S | 68,780 | 4,289 |
| (27,490) | (1,036) | Movement on Reserve Statement | (27,650) | (1,306) |
| | | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | | |
| | | Actual Amount Charged against the General Fund Balance for pensions in the year | | |
| | 866 | Employer Contributions | | 1,026 |
| 9,370 | | Retirement benefits paid to fire fighters | 10,570 | |

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):
The movement in the net pension deficit for the year can be analysed as follows based on the present value of the scheme liabilities.

| 2011/12 £'000 FPS Restated | 2011/12 £'000 LGPS | Liabilities | 2012/13 £'000 FPS | 2012/13 £'000 LGPS |
|---|-----------------------------------|--|----------------------------------|-----------------------------------|
| 320,100 | 29,424 | Opening balance as at 1 April | 350,580 | 33,217 |
| 9,190 | 866 | Current Service cost | 9,980 | 936 |
| 50 | 0 | Transfers In | 20 | 0 |
| 18,250 | 1,642 | Interest | 17,170 | 1,633 |
| 0 | 329 | Contributions by scheme members | 0 | 328 |
| 12,360 | 1,294 | Actuarial Gains and Losses | 41,130 | 4,921 |
| (9,370) | (347) | Benefits Paid | (10,570) | (1,018) |
| 0 | 6 | Past Service Cost | 480 | 136 |
| 0 | 3 | Curtailments | 0 | 0 |
| 0 | 0 | Settlements | 0 | 0 |
| 350,580 | 33,217 | Net Pension Liabilities at Year End | 408,790 | 40,153 |

Reconciliation of fair value of the scheme assets:

| 2011/12 £000 | LGPS Assets | 2012/13 £000 |
|-------------------------|---------------------------------------|-------------------------|
| 22,822 | Opening balance 1 April | 24,131 |
| 1,481 | Expected rate of return | 1,399 |
| (1,020) | Actuarial Gains and /Losses | 1,938 |
| 866 | Employers contributions | 1,026 |
| 329 | Contributions by scheme participants | 328 |
| (347) | Benefits paid | (1,018) |
| 24,131 | Net Pension Assets at Year End | 27,804 |

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

The actual return on scheme assets in the year was £3,337k (2011/12: £461k)

Scheme History

| | | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|---|--|----------------|----------------|----------------|----------------|----------------|
| | | As restated | | As restated | As restated | |
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Present value of liabilities</u> | | | | | | |
| Firefighters Pension Schemes | | 230,780 | 350,700 | 320,100 | 350,580 | 408,790 |
| Local Government Pension Scheme | | 20,024 | 30,968 | 29,424 | 33,217 | 40,153 |
| <u>Total Liabilities</u> | | 250,804 | 381,668 | 349,524 | 383,797 | 448,943 |
| <u>Fair Value of assets in the Local Government Pension Scheme</u> | | | | | | |
| | | (13,522) | (19,447) | (22,822) | (24,131) | (27,804) |
| <u>(Surplus)/deficit in the Schemes</u> | | | | | | |
| Firefighters Pension Schemes | | 230,780 | 350,700 | 320,100 | 350,580 | 408,790 |
| Local Government Pension Scheme | | 6,502 | 11,521 | 6,602 | 9,086 | 12,349 |
| - Total deficit | | 237,282 | 362,221 | 326,702 | 359,666 | 421,139 |

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £421,139k has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £358,129k. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on both schemes will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Fire Fighters Pension Scheme by the Authority in the year to 31 March 2014 is £3,486k. Expected contributions to the Local Government Pension Scheme in the year to 31 March 2014 are £875k.

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 Fire fighters' Scheme has been valued by the Government Actuary's Department and the LGPS Pension Fund liabilities have been valued by Mercers, an independent firm of actuaries. Estimates for the Dyfed Pension Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuaries have been:

| | Firefighters' Scheme | | LGPS Fund | |
|--|-----------------------------|----------------|------------------|----------------|
| | 2011/12 | 2012/13 | 2011/12 | 2012/13 |
| Long-term expected rate of return on assets in the scheme: | | | | |
| Equity investments | - | - | 7.0% | 7.0% |
| Government Bonds | - | - | 3.1% | 2.8% |
| Other Bonds | - | - | 4.1% | 3.9% |
| Property | - | - | 6.0% | 5.7% |
| Cash / Liquidity | - | - | 0.5% | 0.5% |
| Other | - | - | 7.0% | 7.0% |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners (in years): | | | | |
| a. Men | 23.4 | 23.5 | 22.0 | 22.4 |
| b. Women | 25.3 | 25.4 | 24.6 | 25.0 |
| Longevity at 65 for future pensioners (in years): | | | | |
| c. Men | 26.5 | 26.7 | 23.4 | 24.2 |
| d. Women | 28.3 | 28.4 | 26.1 | 27.0 |
| Rate of inflation – CPI | 2.5% | 2.5% | 2.5% | 2.4% |
| Rate of increase in Salaries | 4.75% | 4.75% | 4.25% | 4.15% |
| Rate of Increase in Pensions | 2.5% | 2.5% | 2.5% | 2.4% |
| Rate for discounting Scheme Liabilities | 4.9% | 4.3% | 4.9% | 4.2% |
| Take-up option to convert annual pension into retired lump sum | - | - | 50% | 50% |

The Fire fighters Pension scheme is an unfunded scheme and as such holds no assets to generate income to meet the schemes liabilities. Funding for the payments made from the scheme is met from employers and employees contributions in the year and an annual grant from the Welsh Government.

The Local Government scheme is a funded scheme and as such has built up assets over the years to generate income to meet future liabilities. Assets in the Dyfed Pension Fund are valued at fair value, principally bid value for investments, and consist of:

| | 31 March 2012 % | 31 March 2013 % |
|------------------|--------------------------------|--------------------------------|
| Equities | 69.2 | 70.3 |
| Government bonds | 11.1 | 10.8 |
| Other bonds | 11.2 | 10.3 |
| Property | 7.1 | 7.5 |
| Cash/liquidity | 1.4 | 1.1 |
| Other | 0.0 | 0.0 |
| Total | 100.0 | 100.0 |

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2012-13 can be analysed into the following categories.

| | 2008/09 % | 2009/10 % | 2010/11 % | 2011/12 % | 2012/13 % |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Fire Fighters Pension 1992 Scheme | | | | | |
| Difference between expected and actual return on assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Experience gains and losses on liabilities | 1.4 | 153.1 | 2.1 | 0.6 | 2.1 |
| Fire Fighters New Pension Scheme | | | | | |
| Difference between expected and actual return on assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Experience gains and losses on liabilities | (59.8) | 33.0 | 47.4 | 20.6 | -14.4 |
| Local Government Pension Scheme | | | | | |
| Difference between expected and actual return on assets | (31.3) | 22.0 | 5.5 | 4.2 | 7.0 |
| Experience gains and losses on liabilities | 0.0 | 0.0 | 4.0 | 0.0 | 0.0 |

Revisions to International Accounting Standard 19 – Post Employment Benefits (IAS 19)

Revisions have been made to IAS 19 for financial years starting from 1 April 2013. While these revisions do not alter the accounts presented here, the figures presented in 2013/14 in respect of 2012/13 will have to be restated.

The revisions refer to disclosures on the interest on fund assets and therefore only apply to the LGPS. The revision requires that the “expected return on assets” is replaced with “interest on assets”, calculated as the interest held on assets at the start of the year, and cash flows during the year, and calculated using the discount rate at the start of the year. This does not affect the balance sheet position but does affect the reported pension cost. For the year 2012/13 the revision will result in the following changes in reported figures.

| | Extract of LGPS Pension Costs as Disclosed | Extract of LGPS Pension Costs using Revised IAS 19 |
|---|---|--|
| | £000 | £000 |
| Current Service Cost | 936 | 959 |
| Interest on Pension Liabilities | 1,633 | |
| Expected Return on Assets | (1,399) | |
| Net Interest Costs | | 419 |
| Administration Expenses | | 20 |
| Actuarial (gains)/losses | 2,983 | |
| Remeasurement (liabilities and assets) | | 2,755 |

43. CONTINGENT LIABILITIES

The Part-Time Workers (Prevention of less favourable treatment) Regulations came into force on 1st July 2000. As a consequence of a court case under certain circumstances Retained Fire fighters are permitted to buy into the Uniformed Staff Pension Scheme. Where Retained Fire fighters choose to buy into the Pension Scheme there will be a considerable liability for the Authority to bear the cost of such pensions. The detailed calculation of liability has not yet been fully agreed and an element may be funded by the Welsh Government. At present the costs and timing of any such liability, if any, are unquantifiable.

44. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have 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 has adopted the CIPFA Code of Practice on Treasury Management which ensures the Authority has measures in place to manage the above risks. At the beginning of the financial year Members are presented with a report outlining the Treasury Management Strategy to be followed for the year and setting out the Prudential Indicators (PI's) for the year. At year end the final report sets out how the Authority has performed during the year. How the Authority manages risks arising from financial instruments are detailed in the treasury reports presented to Members and can be accessed from the Authority's website www.mawwfire.gov.uk

The highest credit risk is for the investments and these are managed through the Treasury Management Strategy as detailed above. In the current market the Authority invests any cash held surplus to its day to day needs internally. This results in a reduction in the need to borrow and no external cash investments.

The Authority has ready access to borrowing from the Public Works Loan Board, 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 borrowing at a time of unfavourable interest rates.

As all loans have a fixed rate and there are no investments, a change of interest rates would have no effect.

The debt portfolio comprises of both Equal Instalment of Principal (EIP) and Maturity loans and the average debt rate equates to 4.099%.

FIRE FIGHTERS PENSION FUND ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2013

| 2011/12 | | 2012/13 |
|----------------|--|----------------|
| £000 | | £000 |
| | Contributions receivable: | |
| | Employer: | |
| (3,314) | -Normal | (3,394) |
| (453) | -early retirements (ill health) | (350) |
| (1,762) | -members | (1,793) |
| <u>(5,529)</u> | | <u>(5,537)</u> |
| (49) | Individual Transfers In from other schemes | (16) |
| | Benefits Payable | |
| 5,323 | -pension | 5,694 |
| 583 | -commutations and lump-sum retirement benefits | 1,039 |
| 0 | -lump sum death | 0 |
| <u>5,906</u> | | <u>6,733</u> |
| | Other | |
| 578 | Widows Pensions | 599 |
| 37 | Dependent Children | 29 |
| 2,465 | Ill Health | 2,515 |
| <u>3,080</u> | | <u>3,143</u> |
| | Payments to and on account of leavers: | |
| 128 | Individual transfers out to other schemes | 803 |
| <u>3,536</u> | Deficit for year before top-up grant receivables from the Welsh Government | <u>5,126</u> |
| (3,536) | Top up grant Receivable from the Welsh Government | (5,126) |
| 0 | Net amount payable/receivable for the year | 0 |

NET ASSETS STATEMENT AS AT 31 MARCH 2013

| 2011/12 | | 2012/13 |
|----------------|--|----------------|
| £000's | | £000's |
| | <u>Current Assets:</u> | |
| (8,112) | Top-up received from the Welsh Government | (226) |
| 3,536 | Top-up receivables from the Welsh Government | 5,126 |
| <u>(4,576)</u> | | <u>4,900</u> |
| | <u>Current Liabilities:</u> | |
| (4,576) | Amount owed by/(to) General Fund | 4,900 |
| <u>0</u> | Net amount payable/receivables for year | <u>0</u> |

NOTES TO THE FIRE FIGHTERS PENSION FUND ACCOUNT

The Fund was established 1 April 2007 and covers both the 1992 and 2006 Fire fighters' Pension Schemes and is administered by the Authority. 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 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 75% of the estimate is paid in July. The 2012-13 estimate included as assessment of the number of fire fighters 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. In 2012-13 a total of 10 fire fighters retired compared to the estimate of 11.

The accounting policies for the Pension Fund Account are consistent with the accounting policies on pages 34 - 41.

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.

Contribution Rates

Under the Firefighters' Pension Regulations the employers contribution rates for the 2007 scheme were 14.2% of pensionable pay with employees rates as per the pensionable pay banding detailed below:

| Pensionable Pay Band | 2012-13 Contribution Rate % |
|---|-----------------------------------|
| Up to and including £15,000 | 8.5 |
| More than £15,000 and up to and including £30,000 | 8.8 |
| More than £30,000 and up to and including £40,000 | 8.9 |
| More than £40,000 and up to and including £50,000 | 9.0 |
| More than £50,000 and up to and including £60,000 | 9.1 |
| More than £60,000 and up to and including £100,000 | 9.3 |
| More than £100,000 and up to and including £120,000 | 9.5 |
| More than £120,000 | 9.7 |

For the 1992 scheme the employers contribution rates were 21.3% of pensionable pay with employees rates as per the pensionable pay bandings detailed below:

| Pensionable Pay Band | 2012-13 Contribution Rate % |
|---|-----------------------------------|
| Up to and including £15,000 | 11.0 |
| More than £15,000 and up to and including £30,000 | 11.6 |
| More than £30,000 and up to and including £40,000 | 11.7 |
| More than £40,000 and up to and including £50,000 | 11.8 |
| More than £50,000 and up to and including £60,000 | 11.9 |
| More than £60,000 and up to and including £100,000 | 12.2 |
| More than £100,000 and up to and including £120,000 | 12.5 |
| More than £120,000 | 13.0 |

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 42 to the core financial statements (£408.790m at 31 March 2013 and £350.580m at 31 March 2012).