

MID AND WEST WALES FIRE AND RESCUE AUTHORITY



STATEMENT OF ACCOUNTS

2007-2008

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Introductory Statements

Director of Resources and Procurement's Introduction to the Statement of Accounts

Explanatory Foreword

Statement of Accounting Policies

MID AND WEST WALES FIRE AND RESCUE AUTHORITY

STATEMENT OF ACCOUNTS

2007-2008

Director of Resources and Procurement's Introduction

This Report is produced in accordance with the requirements of the Local Government Act 2003, the Local Government and Housing Act 1989 and the Accounts and Audit (Wales) Regulations 2005. The Regulations prescribe the contents of the Statement of Accounts.

Certification and Approval

I hereby append my signature to the Statement of Accounts (pages 3-55 inclusive) as required by Regulation 9 (2) and certify that it presents fairly the financial position of the Mid and West Wales Fire and Rescue Authority as at 31st March 2008 and its income and expenditure for the year ended 31st March 2008.

Signed by E A Aitken

Date: 22/09/08

E A AITKEN
DIRECTOR OF RESOURCES
AND PROCUREMENT

The Statement of Accounts was approved at a meeting of the Mid and West Wales Fire and Rescue Authority held on 29th September 2008

Signed by Cllr C. J. Crowley

Date: 22/09/08

CLLR. C J CROWLEY
CHAIR OF THE AUTHORITY

EXPLANATORY FOREWORD

1. Introduction and Content

The Authority's Statement of Accounts is a publication required by law. Its prime purpose is to give Electors, Council Tax Payers, Members of the Authority and other interested parties clear information about the Mid and West Wales Fire and Rescue Authority's finances. They are published to present fairly the financial position and transactions of the Authority.

These accounts have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in United Kingdom 2007 (A Statement of Recommended Practice)" known as the SORP, and the "Best Value Accounting Code of Practice". Both of these are published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Accounts for the year ended 31st March 2008 are set out on pages 9 to 53. They consist of:

- The Statement of Accounting Policies – this explains the principles and basis on which the Authority's Accounts have been prepared.
- The Income and Expenditure Account - this summarises the resources that have been generated and consumed in providing services and managing the authority during the last year.
- The Statement of the Movements on the General Fund Balance – this reconciliation statement reconciles the difference between the out turn on the Income and Expenditure Account and the General Fund Balance, that is, the contributions received from the constituent unitary authorities.
- The Statement of Total Recognised Gains and Losses – this records all gains and losses including those that are not recorded in the Income Expenditure Account. It measures the increase in balance sheet net worth of the Authority.
- The Balance Sheet- this summarises the assets and liabilities of the authority at year end and shows how the assets and liabilities are funded.
- The Cash Flow Statement - this summarises the inflows and outflows of cash with third parties.
- The Pension Fund Account – this summarises the movements relating to the new firefighters' pension scheme.

- Notes supporting the above statements.
- The Statement of Responsibility for the Statement of Accounts – this sets out the responsibilities of the Authority and the Director of Resources and Procurement for the accounts.
- The Statement on Internal Control – this reviews the effectiveness of the Authority's system of internal Control.

2. Where the money comes from:

	<u>£'000</u>	<u>%</u>
Fees, Charges, Interest, Other Income	973	2
Revenue Grants	1,329	3
Contributions from Unitary Authorities	<u>39,829</u>	<u>95</u>
	42,131	100
	=====	=====

3. What the money is spent on:

	<u>£'000</u>	<u>%</u>
Employee Costs	33,133	79
Running Costs	8,090	19
Capital Financing Costs	<u>908</u>	<u>2</u>
	42,131	100
	=====	=====

4. Revenue Budget

The table below indicates the budgeted and actual expenditure and income for the year ended 31st March 2008.

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIATION</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Service Expenditure	40,897	42,131	(1,234)
Service Income	(1,232)	(2,302)	1,070
(Surplus)/Deficit for the year	39,665	39,829	(164)
Unitary Authority Contributions	(39,665)	(39,829)	164
	0	0	0

The variation shown in the above comparisons are due to a much higher activity on grant funded activities than were anticipated.

5. Capital Expenditure

During 2007/08 the Authority spent £1.881 million on capital projects (£1.786 million in 2006/07). Capital expenditure is analysed below:

2006/07 £'000		2007/08 £'000
1,109	Refurbishment, Adaptions and New Buildings	1,092
386	Operational, Communications and Computer Equipment	103
291	Vehicles	686
1,786	Total Capital Expenditure	1,881

6. Capital Borrowing

Capital expenditure is financed mainly by loans from the Public Works Loan Board. The Authority has no other borrowing facilities. Loans totalling £0.965m were raised in 2007-08 in order to meet the estimated capital financing requirement. The total of loans outstanding at 31st March 2008 was £8.337m, comprised entirely of fixed interest, fixed term loans.

The 2007-08 capital expenditure is being financed by capital receipts, direct revenue funding and loans.

7. Balances and Reserves

The Authority holds a number of reserves required by statute and proper accounting practices. No General Fund Balances or non statutory reserves are held.

8. Pensions Liability

Financial Reporting Standard 17 (FRS 17) requires employers to report the full cost of pension benefits as they are earned, regardless of whether they have been paid for. The Authority's pension's liability is recognised in full in the Balance Sheet and the appropriate charges in respect of current and past service costs and interest, for Firefighters' and Local Government pensions, are made to the Income and Expenditure Account. The Authority's total pensions liability is estimated at £243.643m at 31st March 2008; this is split between the Local government Pension Scheme (£7.773m) and the Firefighters' Pension Scheme (£235.87m). The Firefighters' pension liability includes both the Firefighters' Pension Scheme 1992 and the New Firefighters' scheme 2006.

9. Pension Fund Account

The Financial Statements now include a separate section for the Pension fund Account in line with the 2007 SORP. Under the new pension funding arrangements each Fire and Rescue Authority in Wales is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the fund are specified by regulation.

10. Further Information

Further information about the Accounts is available from the Finance Department at Fire and Rescue Authority Headquarters. Interested members of the public have a statutory right to inspect the Accounts before the audit is completed. The availability for inspection is advertised in the local press.

**DIRECTOR OF RESOURCES AND PROCUREMENT,
MID AND WEST WALES FIRE AND RESCUE AUTHORITY**

**Headquarters
Lime Grove Avenue
CARMARTHEN
SA31 1SP**

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. ACCRUALS OF INCOME AND EXPENDITURE

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

- 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 their 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.

3. 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 service revenue account in the year that 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 now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

4. RESERVES

Certain reserves are kept to manage the accounting process for tangible fixed assets and retirement benefits and do not represent useable resources for the authority – these reserves are explained in the relevant policies below. No other reserves are held.

5. GRANTS AND CONTRIBUTIONS (REVENUE)

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

6. RETIREMENT BENEFITS

Pension costs and liabilities are recognised in full in the Income and Expenditure Account and Balance Sheet, in accordance with FRS17. The Authority participates in two different pension schemes, both provide defined benefits to members, earned as employees work for the authority: -

Firefighters' Pension Scheme

The scheme is an unfunded scheme and as such has no investment assets. For such schemes FRS17 requires recognition of the liability and pension reserve in the balance Sheet and transaction in the Income and Expenditure account for movements in the liability and reserve. The scheme is administered by the Authority in accordance with Welsh Assembly Government regulations.

The Authority's liability under this scheme is estimated by the Government Actuary's Department (GAD), on the basis of information provided by the Authority.

Local Government Pension Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The Authority is an Admitted Body of the Dyfed Pension Fund, administered by Carmarthenshire County Council. Regulations govern the rate of contribution to be made by both employee and employer and the benefits payable. The contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations.

This scheme is accounted for as a funded defined benefit scheme:

- The liabilities of the Dyfed Pension Fund attributable to the authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of

the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 6.1%. This has been calculated as a weighted average of “spot yields” on AA rated corporate bonds. In past years the discount rate was based on the yield on the iBoxx Sterling AA corporate bond over 15 years index. The new method is a more sophisticated approach and reflects more accurately the duration of the pension liabilities of the typical Local Government Pension Scheme employer.
- The assets of the Dyfed Pension Fund attributable to the authority are included in the balance sheet at their fair value, which for quoted securities is their mid-market value. The change in net pension liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
 - Expected return on assets – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to Net Operating Expenditure in the Income and Expenditure Account as part of Non Distributed Costs.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
 - Contributions paid to the Dyfed Pension Fund – cash paid as employers contributions to the pension fund.

Statutory provisions limit the authority to raising contributions to cover the amounts payable by the authority to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

7. VALUE ADDED TAX

Income and expenditure excludes any amount related to recoverable VAT, as all recoverable VAT collected is payable to HM Revenue and Customs and all recoverable VAT paid is recoverable from them.

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2007* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between the users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – retirement benefit costs that are not related to current service.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

9. INTANGIBLE FIXED ASSETS

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

10. TANGIBLE FIXED ASSETS

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

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets (de-minimis £5,000) is capitalised on an accruals basis, provided that they yield benefits to the authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Assets surplus to requirements – lower of net current replacement cost or net realisable value.
- Land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value.
- Specialised operational properties – depreciated replacement cost.
- Surplus assets – market value.

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

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

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

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

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

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

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

The written-off value of disposals is not a charge against the contributions from the constituent Unitary Authorities, as the cost of fixed assets is fully provided for under

separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation charges in respect of operational buildings, infrastructure, vehicles and equipment are calculated using the straight-line method, from the year following acquisition to the year of disposal, based on the following estimated useful lives:-

BUILDINGS	40 years
INFRASTRUCTURE	40 years
VEHICLES:	
Appliances	12 years
Specials	10-15 years
Land Rovers & L4Ps	10 years
Minibuses	5-7 years
Vans & Cars	3-5 years
EQUIPMENT	3-10 Years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

11. CHARGES TO REVENUE FOR FIXED ASSETS

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

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

12. REDEMPTION OF DEBT

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

13. LEASES

Finance Leases

A finance lease is where substantially all the risks and rewards relating to the leased asset transfer to the authority. In such cases the SORP requires that rentals are apportioned between:

- A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

The SORP requires that fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The majority of the authority's leased assets have been procured through operating leases (see below). A small number of assets acquired on finance leases were inherited by the authority when it was formed; these assets are accounted for in the same way as if acquired under an operating lease. This departs from the Code of Practice but the amounts involved are immaterial.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

14. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

There have been no repurchase or early settlement of borrowing during the year.

15. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure for interest receivable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable in the loan agreement.

All loans made by the authority consist of Treasury and Bank deposits, for periods not exceeding 364 days.

16. STOCKS AND WORKS IN PROGRESS

Stocks are reflected in the Accounts at current cost. This is not in accordance with the SORP which requires stocks to be held at the lower of cost or net realisable value, but the difference is not material.

Core Financial Statements

Income and Expenditure Account

Statement of Movement on the General Fund Balance

Statement of Total Recognised Gains and Losses

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31ST MARCH 2008

This account summarises the resources that have been generated and consumed in providing services and managing the authority during the last year. It includes all day-to-day expenses and related income on an accrual basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

<u>2006-2007</u> <u>Restated</u> Net Expenditure £'000		<u>2007-2008</u> Gross Expenditure £'000	<u>2007-2008</u> Gross Income £'000	<u>2007-2008</u> Net Expenditure £'000
4,105	Community Safety	5,827	(827)	5,000
38,953	Fire Fighting and Rescue Operations	36,956	(893)	36,063
416	Fire Service Emergency Planning and Civil Defence	912	(560)	352
480	Corporate and Democratic Core	487	0	487
0	Non Distributed Costs	266	0	266
43,954	Net Cost of Service	44,448	(2,280)	42,168
297	Interest Payable and similar charges			367
(245)	Interest and Investment Income			(263)
13,959	Pensions Interest Cost and Expected Return on Pensions Assets			14,703
57,965	Net Operating Expenditure			56,975
	Unitary Authority Contributions:			
(8,604)	Carmarthenshire			(8,180)
(3,783)	Ceredigion			(3,594)
(6,578)	Neath and Port Talbot			(6,227)
(5,683)	Pembrokeshire			(5,395)
(6,332)	Powys			(6,039)
(10,924)	City and County of Swansea			(10,394)
16,061	(Surplus)/Deficit For The Year			17,146

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

The General Fund Balance compares the authorities spend against the contributions that it received for the year. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

<u>2006-2007</u> <u>Restated</u> <u>£000's</u>		<u>2007-08</u> <u>£000's</u>
16,061	(Surplus)/Deficit for the Year on the Income and Expenditure Account	17,146
(16,061)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(17,146)
0	Increase in General Fund Balance for the Year	0
0	General Fund Balance brought forward	0
0	General Fund Balance carried forward	0

Note of reconciling items for the Statement of Movement on the General Fund Balance.

<u>2006-2007</u> <u>Restated</u> £000's		<u>2007-08</u> £000's
	Amounts within the Income and Expenditure account which need to be excluded from it to calculate the movement in the General Fund Balance	
0	Amortisation of intangible fixed assets	(3)
(1,332)	Depreciation and impairment of fixed assets (note 29b)	(1,422)
71	Amortisation of Government Grants deferred (note 29b)	71
(23,942)	Net FRS17 adjustments	(25,150)
(25,203)		(26,504)
	Amounts not included in the Income and Expenditure Account which need to be included within it to calculate the movement in the General Fund Balance	
324	Statutory Minimum Revenue Provision (note 29b)	351
24	Capital expenditure financed from Revenue (note 29b)	191
8,794	Contributions paid to pension funds (note 34)	8,816
(16,061)	Net additional amount required to be credited to the General Fund Balance for the year	(17,146)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE
YEAR ENDED 31ST MARCH 2008

The Statement of Total Recognised Gains and Losses (the STRGL) records all gains and losses, including those that are not recorded in the Income and Expenditure Account, and is therefore a primary statement. The STRGL measures the increase in balance sheet net worth of the Authority.

<u>2006-2007</u> <u>Restated</u> £000's		<u>2007-08</u> £000's
16,061	(Surplus)/Deficit for the Year on the Income and Expenditure Account	17,146
0	(Surplus)/Deficit arising on revaluation of fixed assets (note 29a)	(20)
(27,622)	Actuarial (Gains)/Losses on Pension Fund assets/liabilities	(47,331)
(2)	Other (Gains) and Losses	0
(11,563)	Total Recognised (Gains)/Losses for the year	(30,205)
0	Prior Year adjustments	3,937
(11,563)	Total Gains and Losses recognised since published Statement of Accounts 2006/2007	(26,268)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
BALANCE SHEET
AS AT 31st MARCH 2008

<u>31st Mar 07</u> <u>Restated</u> <u>£'000</u>		Note	<u>31st Mar 08</u> <u>£'000</u>	<u>31st Mar 08</u> <u>£'000</u>
	<u>Fixed Assets:</u>			
23	Intangible Assets	14		20
	Operational Assets	15		
29,749	- Land and Buildings		30,047	
130	- Infrastructure		151	
2,129	- Vehicles and Equipment		2,192	
60	Non-operational Assets	15	<u>137</u>	32,527
149	Long-Term Debtor	20		142
32,240	TOTAL LONG TERM ASSETS			32,689
	<u>Current Assets:</u>			
141	- Stocks	21	224	
2,152	- Debtors	22	1,764	
3,700	- Short-Term Investments	23	3,000	
214	- Bank Balance		1,651	
4	- Cash and Bank Imprests		<u>3</u>	6,642
38,451	TOTAL ASSETS			39,331
	<u>Current Liabilities:</u>			
0	- Bank Overdraft		0	
(6,865)	- Creditors and Provisions	24 & 28	(7,687)	
(382)	- Borrowing repayable within one year	25	<u>(388)</u>	(8,075)
31,204	TOTAL ASSETS LESS CURRENT LIABILITIES			31,256
(7,372)	Borrowing repayable in more than one year	25	(7,970)	
(874)	Grants and Contributions Deferred	27	(1,120)	
(274,640)	Pensions Liability	34	<u>(243,643)</u>	(252,733)
(251,682)	TOTAL ASSETS LESS LIABILITIES			(221,477)
	<u>EQUITY:</u>			
0	Revaluation Reserve	29a	0	
22,958	Capital Adjustment Account	29b	22,166	
0	Usable Capital Receipts Reserve	29c	0	
(274,640)	Pensions Reserve	34	<u>(243,643)</u>	
(251,682)	TOTAL EQUITY			(221,477)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY

CASH FLOW STATEMENT 2007-2008

<u>2006-2007</u>		<u>2007-2008</u>	<u>2007-2008</u>
£'000		£'000	£'000
	<u>Revenue Activities:-</u>		
	<u>Cash Outflows:</u>		
(35,558)	Cash paid to and on behalf of employees	(33,150)	
(8,354)	Cash paid on other operating costs	(7,006)	
			(40,156)
	<u>Cash Inflows:</u>		
41,885	Contributions from Unitary Authorities	39,665	
852	Government grants received (note 35(d))	1,330	
114	Cash received for goods and services	946	
			41,941
(1,061)	Net Revenue Cash Inflow/(Outflow) before Servicing of Finance (note 35(a))		1,785
	<u>Servicing of Finance:</u>		
	<u>Cash Outflows:</u>		
(297)	Interest paid	(367)	
	<u>Cash Inflows:</u>		
245	Interest received	263	
			(104)
(1,113)	Net Cash Inflow/(Outflow) from Revenue Activities		1,681
	<u>Capital Activities:-</u>		
	<u>Cash Outflows:</u>		
(1,703)	Purchase of Fixed Assets	(1,880)	
	<u>Cash Inflows:</u>		
9	Sale of Fixed Assets	20	
299	Capital grants and contributions received	317	
			(1,543)
(2,508)	Net Cash Inflow/ (Outflow) before Financing (note 35(b))		138
	<u>Management of Liquid Resources</u>		
800	(Increase)/decrease in Short-Term Investments		700
	<u>Financing :-</u>		
	<u>Cash Outflows:</u>		
(366)	Repayments of amounts borrowed	(367)	
	<u>Cash Inflows:</u>		
3,000	New loans raised	965	
			598
926	INCREASE/(DECREASE) IN CASH (note 35(c))		1,436

NOTES TO THE FINANCIAL STATEMENTS

1 Acquired and Discontinued Operations

No operations have been acquired or discontinued during the year.

2 Exceptional Items, Extraordinary Items and Prior Year Adjustments

- a) In 2006/07 the revaluation of vehicles disposed of were incorrectly accounted for. These errors resulted in the value of Fixed Assets being overstated by £43k in the Balance Sheet as at 31 March 2007. This revaluation was also carried forward in the Capital Adjustment Account when it should have been removed at disposal. The necessary corrections have been made and have had the following effect on the comparative values in the Balance Sheet prior year balances

	2006/07		2006/07
	Closing	Correction	Comparative
	Balance Sheet		Balance Sheet
	£'000	£'000	figures
			£'000
Operational Assets –	2,195	(43)	2,152
Vehicles and Equipment			
Capital Adjustment Account	23,001	(43)	22,958
Impact on Balance Sheet		<u>0</u>	

This adjustment has no overall effect on the balance sheet.

- b) In 2006/07 computer software with a value of £23k was recorded as Vehicles and Equipment in the Balance Sheet when it should have been recorded as Intangible Assets. Also, land purchased for £60k was recorded as Land and Buildings when the land was acquired for future development. The land should have been recorded as non operational assets. No depreciation had been charged in respect of any of the assets involved. The necessary corrections have been made and have had the following effect on the comparative values in the Balance Sheet prior year balances

	2006/07		2006/07
	Closing	Correction	Comparative
	Balance Sheet		Balance Sheet
	£'000	£'000	figures
			£'000
Intangible assets	0	23	23
Operational Assets – Land	29,809	(60)	29,749
and Buildings			
Operational Assets –	2,152	(23)	2,129
Vehicles and Equipment			
Non Operational assets	0	<u>60</u>	60
Impact on Balance Sheet		<u>0</u>	

This adjustments have an overall effect on the Balance Sheet.

- c) In the past the Authority has built up a reserve of funds received from the Unitary Authorities through their contributions. This fund was built up to smooth out the variable impact of pension costs on future Unitary Authority contributions. The reserve, titled the Elective Pension Fund, was held with the permission of the constituent Unitary Authorities.

At 31 March 2006 this fund held a balance of £3,956k and in 2006/2007, £19k was transferred from the fund to the Income and Expenditure Account leaving a balance in the fund of 31 March 2007 of £3,937.

As a result of a legal opinion obtained by the Wales Audit Office it has been decided to transfer the balance on the fund from Reserves to Creditors in the Balance Sheet as a prior year adjustment. As the Unitary Authorities have agreed to the Authority holding these funds, the balance is held separately to sundry creditors.

Comparative figures in the Income and Expenditure Account and in the Statement of Movement on the General Fund Balance have been amended to remove the £19k transfer as shown in the extracts below:

Extract from Income and Expenditure Account			
Prior Year Before Adjustment (not published) £000	Prior Year Net Expenditure £000		2007/08 £000
57,965	57,965	Net Operating Expenditure	56,975
		Unity Authority Contributions:	
(8,600)	(8,604)	Carmarthenshire	(8,180)
(3,782)	(3,783)	Ceredigion	(3,594)
(6,575)	(6,578)	Neath and Port Talbot	(6,227)
(5,680)	(5,683)	Pembrokeshire	(5,395)
(6,329)	(6,332)	Powys	(6,039)
(10,919)	(10,924)	City and County of Swansea	(10,394)
16,080	16,061	Deficit For The Year	17,146

Extract from Statement of Movement on General Fund Balance			
Prior Year Before Adjustment (not published) £000	Prior Year Net Expenditure £000		2007/08 £000
16,080	16,061	Deficit for Year on Income and Expenditure Account	17,146
(16,080)	(16,061)	Statutory adjustments	(17,146)
0	0	Increase in General Fund for the Year	0
0	0	General Fund balance brought forward	0
0	0	General Fund balance carried forward	0

Comparative figures in the Balance Sheet have been amended to reflect the reversal of the transfer from Reserves to the Income and Expenditure Account and to move the balance on Reserves to Creditors and Provisions. This has the effect of reducing the value of equity by £3,937k at 31 March 2007.

Extract from Balance Sheet

At 31 March 2007 Before Adjustment (not published) £000	At 31 March 2007 £000		31 March 2008 £000
2,982	6,865	Creditors and Provisions	7,687
(247,745)	(251,682)	Total Assets less Liabilities	(221,477)
3,937	0	Elective Pension Fund	0
(247,745)	(251,682)	Total Equity	(221,477)

Extract from Statement of Total Recognised Gains and Losses

Prior Year Before Adjustment (not published) £000	Prior Year Net Expenditure £000		2007/08 £000
16,080	16,061	Deficit for the Year on the Income and Expenditure Account	17,146
0	0	Deficit on the revaluation of fixed assets	(20)
(27,622)	(27,622)	Actuarial Gains on Pension Fund assets and liabilities	(47,331)
(2)	(2)	Other gains	0
(11,544)	(11,563)	Total of Recognised Gains and Losses for the year	(30,205)
0	0	Prior Year Adjustments	3,937
(11,544)	(11,563)		(26,268)

3 Outstanding Undischarged Items

There are no outstanding undischarged obligations arising from long-term contracts.

4 Trading Operations

The Authority has no trading operations.

5 Section 137 Local Government Act 1972
(as amended by the Local Government and Housing Act 1989)

Section 137 empowers Local Authorities, subject to certain conditions and limits, to incur expenditure which in their opinion is in the interest of their area or any part of it, or all or some of its inhabitants. Under this Section Local Authorities are required to account separately for any such expenditure.

In 2007-08 the Authority incurred no such expenditure.

6 Publicity

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is the Authority's spending on publicity: -

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£'000</u>	<u>£'000</u>
Recruitment Advertising	31	26
Other Advertising	40	22
	<u>71</u>	<u>48</u>

7 Local Authority (Goods and Services) Act 1970

The authority is empowered by this Act to provide goods and services to other public bodies. During the year the Authority did not receive any income in relation to this Act.

8 Members Allowances

The following allowances were paid by the Authority to Fire and Rescue Authority Members for the financial years 2007-08 and 2006-07.

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£'000</u>	<u>£'000</u>
Chairperson's Allowance	10	10
Vice Chairperson's Allowance	8	7
Members' Allowances (Basic and Care Allowances)	24	25
	<u>42</u>	<u>42</u>

9 **Employee Details**

9.1 **Numbers Employed: -**

	<u>31st Mar 08</u>	<u>31st Mar 07</u>
<i><u>Firefighters:-</u></i>		
Whole-time role of Station Manager and above	98	98
Whole-time below the role of Station Manager	344	351
Retained Firefighters	711	715
	<hr/> 1,153	<hr/> 1,164
<i><u>Control Room and Civilian Support Staff:-</u></i>		
Full-time	171	165
Part-time	38	29
	<hr/> 209	<hr/> 194

9.2 **Remuneration Received: -**

During the year the number of Officers and Support Staff who received remuneration in excess of £60,000 were: -

<u>Remuneration Band</u>	<u>Number of Employees</u>	
	<u>2007-2008</u>	<u>2006-2007</u>
£60,000 - £69,999	6	5
£70,000 - £79,999	0	1
£80,000 - £89,999	1	0
£90,000 - £99,999	1	2
£100,000 - £109,999	1	0
£110,000 - £119,999	0	0
£120,000 - £129,999	1	1

10 **Related Party Transactions**

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

None of the Authority Members or relevant Officers, or parties related to them, has undertaken any material transactions with the Mid and West Wales Fire and Rescue Authority in 2007-08

The following payments to related parties are noted:

	Expenditure £'000s	Income £'000s
Carmarthenshire County Council	415	8,183
Cyngor Sir Ceredigion	34	3,595
Neath Port Talbot CBC	122	6,245
Pembrokeshire County Council	121	5,401
Powys County Council	164	6,056
City & County of Swansea	186	10,422
Dyfed Pension Fund	887	0
National Assembly for Wales	4	1,912
ODPM	17	83
Public Works Loan Board	366	0
South Wales Fire Service	115	1
Dyfed Powys Police	99	2
South Wales Police	61	14
Other Police & Fire Authorities	7	5
Fire Service College	163	0
FBU	222	0
NHS/Ambulance	1	234
Other Local Authorities/Agencies	0	84
Trunk Rd Agencies	0	36
	2,984	42,273

11 **Euro Costs**

To date limited transactions have been undertaken with the Euro. Where these have occurred such purchases have been converted into sterling. Most financial systems are believed to be Euro compliant and any costs in respect of accounting, making payments or receiving income are at this stage expected to be minimal.

12 **Audit Costs**

	<u>2007-2008</u>	<u>2006-2007</u>
	£'000	£'000
External audit services as appointed auditor	43	41
Statutory inspection	10	10
Certification of grant claims and returns	0	0
Other services – Pay Verification Report	0	0
– National Fraud Initiative	0	1
	53	52

13 **Explanation of the significance of the statement of movement on the general fund balance**

The Authority is required to raise contributions on a different accounting basis to the Income and Expenditure Account, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the contributions that it received for the year.

A reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

For ease of reference this reconciling note is included in the core statements immediately after the Statement of Movement on the General Fund Balances.

14 **INTANGIBLE FIXED ASSETS**

	Purchased Software Licences £'000
Gross Book Value	
At 1 April 2007	23
Revaluations	0
	23
Additions during year	0
Disposals during year	0
Balance at 31 March 2008	23
Accumulated Amortisation	
At 1 April 2007	0
Amortisation during year	(3)
Disposals during year	0
	(3)
Net Book Value	
At 1 April 2007	23
At 31 March 2008	20

Intangible fixed assets are valued at amortised historic cost.

15 **Tangible Fixed Assets**

Movement on Operational Fixed Assets

	Land and Buildings	Infrastructure	Vehicles and Equipment	Non Operational	TOTAL
	£'000	£'000	£'000	£'000	£'000
<u>Gross Book Values</u>					
At 1 April 2007	32,249	156	11,718	60	44,183
Revaluations	0	0	20	0	20
	32,249	156	11,738	60	44,203
Additions	1,015	25	764	77	1,881
Disposals	0	0	(160)	0	(160)
At 31 March 2008	33,264	181	12,342	137	45,924
<u>Accumulated Depreciation</u>					
At 1 April 2007	(2,499)	(26)	(9,590)	0	(12,115)
Depreciation for year	(718)	(4)	(700)	0	(1,422)
Disposals	0	0	140	0	140
At 31 March 2008	(3,217)	(30)	(10,150)	0	(13,397)
<u>Net Book Values</u>					
At 1 April 2007	29,750	130	2,128	60	32,068
At 31 March 2008	30,047	151	2,192	137	32,527

Operational properties are valued on the depreciated replacement costs (DRC) basis where they are of a specialised nature, or otherwise on the existing use value (EUV) basis. The market value of specialised properties could be significantly lower than DRC. Non-operational properties that are surplus to requirements are valued at market value. Non-operational assets under construction are stated at cost.

Properties were valued as at 1st April 2003, at £26.98m, by the Corporate Property Division of Carmarthenshire County Council.

Infrastructure assets (hydrants) are stated at depreciated historic cost. Vehicles and Equipment asset valuations are at depreciated replacement cost, reviewed annually by the departmental managers of the Service.

No diminution in value of individual assets was identified in the 2007/08 Impairment Review.

16 Capital Expenditure and Financing

	2007/08 £'000	2006/07 £'000
Net Capital Expenditure	1,881	1,786
Financed as follows:		
Loan	1,353	1,682
Capital Receipts	20	9
Capital Grants and Contributions	317	71
Direct Revenue Financing	191	24
	1,881	1,786

As at 31 March 2008 of the loan funding of £1,353k, only £965k had actually been borrowed.

17 Significant Capital Commitments

	£'000
New Headquarters Building, Carmarthen - retention	30

18 Asset Structure

A summary of the Authority's major physical assets is given below:

	<u>31st Mar 08</u>	<u>31st Mar 07</u>
Brigade Headquarters	1	1
Other HQ Buildings	4	4
Fire Stations and Houses	62	62
Vehicles	101	102

The above figures exclude leased vehicles.

19 Assets Held Under Leases

The authority uses appliances, vans and cars financed under terms of an operating lease. The amount paid under these arrangements in 2007/08 amounted to £1,567,775 (£1,336,000 in 2006/07). A small amount of equipment inherited from the predecessor authorities are held under a finance lease, these are small in value and there is no future commitment to pay rentals. Because of this, they are accounted for as operating leases. The authority holds no land and buildings under a lease scheme and does not act as a lessor.

The authority was committed at 31 March 2008 to making payments of £1,296,000, under operating leases in 2008/09:

	<u>2007-2008</u>	<u>2006-2007</u>
	£'000	£'000
For payments due within one year, commitments expire as follows:-		
Within 1 year	104	10
1 - 5 years	423	694
More than 5 years	769	619

20 Long Term Debtors

This represents the balance due from Dyfed-Powys Police Authority, in respect of the joint building project at Crymych Fire Station. It is repayable over 25 years from 2005-06 by set-off against rent payable in respect of additional works at the new Control Room in Llangunnor. The original capital debtor was £0.158m.

21 Stocks

	<u>31st Mar 08</u>	<u>31st Mar 07</u>
	£'000	£'000
Transport Maintenance Workshops	40	27
Brigade Stores	156	90
Fuel	27	21
Other	1	3
	<u>224</u>	<u>141</u>

The introduction of a new stores system during 2007/08 resulted in stock valued at £43k being added to stores. Under the old system these items would have been charged to the Income and Expenditure account at the date they were purchased, under the new system they will be charged to Income and Expenditure when used.

22 Debtors

	<u>31st Mar 08</u>	<u>31st Mar 07</u>
	£'000	£'000
Government/ Agency Departments	715	1,110
Local Authorities/ Other Public Bodies	161	130
Sundry Debtors	297	45
Payments in Advance	599	857
Capital Debtors and Prepayments	0	0
Interest receivable on Investments	0	19
	<u>1,772</u>	<u>2,161</u>
Less Provision for Bad Debts	(8)	(9)
	<u>1,764</u>	<u>2,152</u>

23 Short-Term Investments

The Authority's short-term investments consist of:-

	31st Mar 08	31st Mar 07
	£'000	£'000
Treasury Deposits	3,000	3,700
Bank Deposits	0	0
	<u>3,000</u>	<u>3,700</u>

24 Creditors and Provisions

	31st Mar 08	31st Mar 07
	£'000	£'000
Government/ Agency Departments	1,431	606
Local Authorities/ Other Public Bodies	217	162
Sundry Creditors	1,812	1,182
Receipts in Advance	249	511
Capital Creditors	0	167
Balances held on behalf of constituent Unitary Authorities (see note 2c)	3,774	3,937
Provisions	204	300
	<u>7,687</u>	<u>6,865</u>

25 Long-Term Borrowing

		<u>Loans</u>	<u>Maturity</u>
		<u>Outstanding</u>	<u>Dates</u>
		£'000	
31st Mar 08	Public Works Loan Board	8,358	2009 – 2058
31st Mar 07	Public Works Loan Board	7,754	2009 – 2052

Analysis of loans by maturity: -

	<u>Loans</u> <u>Outstanding</u> <u>31st Mar 08</u> <u>£'000</u>	<u>Loans</u> <u>Outstanding</u> <u>31st Mar 07</u> <u>£'000</u>
Repayable within:-		
1 year	367	367
1 - 2 years	345	367
2 - 5 years	1,011	1,036
5 - 10 years	1,429	1,468
More than 10 years	5,185	4,501
	8,337	7,739
Interest Owed	21	15
	8,358	7,754
Less: Borrowing repayable within one year	(367)	(367)
Interest Owed	(21)	(15)
Borrowing repayable in more than one year	7,970	7,372

FRS25, FRS26 and FRS29 accounting for financial Instruments require that any interest outstanding on loans should be recognised on the Balance Sheet as part of the loan. It is also a requirement that the fair value of the loan portfolio is disclosed in a note to the accounts, at 31 March 2008 the fair value of PWLB loans was £8,698,992 (31 March 2007, £7,469,899).

26 Financial Instruments

The Authority's activities expose it to a variety of financial risks, the key risks are:

- 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;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Authority's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual budget setting meeting. The Authority meeting of the 5th February 2007 accepted the Prudential Indicators 2007/08 to 2009/10.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are only made with the Authority's banking services provider or in Treasury deposits through the banking services provider. Deposits are only made for periods of less than one year and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for its trade debtors.

Liquidity risk

The Authority limits its investments to ensure that there are sufficient funds meet its day to day cash flow needs. The Authority can borrow from its banking services provider for short periods, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Authority maintains a significant debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial liabilities, the Authority has no longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limit on investments to sort term deposits of less than one year are the key parameters used to address this risk. The Authority approved treasury management limits address the main risks and the Finance Unit address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- only investing for periods of less than one year.

The maturity analysis of financial liabilities is shown above in note 25.

Financial assets are shown in note 23 and all mature in less than one year.

Market risk

Interest rate risk - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The level of the Authority's debt profile allows limited opportunity to take advantage of the large variety of debt available in the market. To minimize the risk of being unable to spread debt between a number of lenders, the Authority borrows solely from the PWLB at fixed interest rates. The Authority has no long term investments.

Price risk - The Authority does not invest in equity shares.

Foreign exchange risk - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

	<u>31st Mar 08</u>	<u>31st Mar 07</u>
	£'000	£'000
Balance brought forward	874	652
New grants	317	293
Amortisation	(71)	(71)
Balance carried forward	<u>1,120</u>	<u>874</u>

28 **Provisions**

Movements within the Authority's provisions during 2007/08 and the balances at the start and end of year are shown below.

Description	Balance at 1 April 2007	Increase in Year	Decrease in Year	Balance at 31 March 2008
	£'000	£'000	£'000	£'000
CPD Payments	168	0	0	168
Operational vehicles	55	0	55	0
PPE Co-responder	22	0	22	0
HQ Additional Items	15	0	15	0
Software Development	40	17	21	36
Total	300	17	113	204

The CPD payments provision relates to payments of CPD and long service increments in the transitional period to the new CPD scheme. The provision is an estimate of the initial and transitional payments due but payments have been delayed while the application process takes place.

In 2006/07 a provision was made for the costs of introducing and enhancing software for procurement, invoice management and stores. These developments and the related training are part way through but have been expanded to cover transport.

29 **Movements on Reserves**

The authority keeps a number of reserves in the Balance Sheet which are required to be held for statutory reasons or to comply with proper accounting practice.

Statutory and Proper Accounting Practice Reserves

Reserve	Balance at	Net	Balance at	Further Detail of
---------	------------	-----	------------	-------------------

	1 April 2007 £000s	Movement in Year £000s	31 March 2008 £000s	Movement
Revaluation Reserve	0	0	0	(a) below
Capital Adjustment Account	22,958	(792)	22,166	(b) below
Usable Capital Receipts	0	0	0	(c) below
Pension Reserve	(274,640)	30,997	(243,643)	Note 33 to the Financial Statements
General Fund	0	0	0	Statement of Movement on the General fund Balance
Total	(251,682)	30,205	(221,477)	

(a) Revaluation Reserve

This reserve is a store of gains on the revaluation of fixed assets not yet realised through sales. The movements for the year 2007/08 were (there are no comparative figures from 2006/07 as this is a new reserve in 2007/08):

	<u>31st Mar 08</u>
	£'000
Balance Brought Forward	0
Revaluation of Fixed Assets	20
Disposal of Fixed Assets	(20)
Balance Carried Forward	<u>0</u>

(b) Capital Adjustment Account

The Capital Adjustment Account is a store of capital resources set aside to meet past expenditure. This is a new reserve for 2007/08 so there are no comparative figures from 2006/07. The opening balance is made up of the remaining balances on the Fixed Asset Restatement Account and the Capital Financing Account which were closed on 31 March 2007. The movements for the year 2007/08 were:

	<u>31st Mar 08</u>
	<u>£'000</u>
Balance brought forward	22,958
Minimum Revenue Provision	351
Capital Financing – Capital Receipts	20
Capital Financing – Revenue	191
Depreciation	(1,425)
Amortisation of Grants and Contributions	71
Balance carried forward	<u>22,166</u>

(c) **Usable Capital Receipts Reserve**

The Usable Capital Receipts Reserve represents the Capital Receipts available to finance capital expenditure in future years.

	<u>31st Mar 08</u>	<u>31st Mar 07</u>
	<u>£'000</u>	<u>£'000</u>
Balance brought forward	0	0
Capital Receipts	20	9
<u>Less:</u>		
Capital Receipts used for financing	(20)	(9)
Balance carried forward	<u>0</u>	<u>0</u>

30 Contingent Liabilities and Assets

There were no material contingent liabilities or assets at the Balance Sheet date.

31 Authorisation of Statement of Accounts for Issue

The Statement of Accounts were authorised for issue by the Fire Authority at a meeting held on Monday 22nd September 2008.

32 Events After the Balance Sheet Date

There are no material events after the balance sheet date which might have a bearing upon the financial results of the past year.

33 Trust Funds

The Authority does not act as trustee for any trust fund.

34 Retirement Benefits

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these 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 pension schemes; both schemes are defined benefit schemes:

- The Firefighters Pension Scheme – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. All pensions and other payments are charged to the Fire Service Pension Fund Account during the year, employee contributions and other income are credited to the same account. Any deficit is financed by Welsh Assembly Government top-up grant.
- The Local Government pension Scheme (LGPS) for support staff, the authority is an admitted body of the Dyfed Pension Fund which is administered by Carmarthenshire County Council – this is a funded scheme, meaning that the authority and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the contributions from the

constituent unitary authorities is based on the cash payable during the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balances. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

	Firefighters Pension Scheme £000s		Local Government Pension Scheme £000s	
	2007/08	2006/07	2007/08	2006/07
Income and Expenditure Account				
<i>Net Cost of Services</i>				
Current Service Cost	(9,480)	(9,200)	(701)	(784)
Past Service Costs	0	0	(266)	0
<i>Net Operating Expenditure</i>				
Interest Cost	(14,640)	(13,840)	(1,079)	(957)
Expected Return on Assets in the Scheme	0	0	1,016	838
<i>Net Charge to the Income and Expenditure Account</i>	(24,120)	(23,040)	(1,030)	(903)
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	24,120	23,040	1,030	903
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
Retirement benefits payable to pensioners	8,645	8,180		
Employee contributions	(1,800)	(1,580)		
Employers contributions payable to the scheme			716	614

b) Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	Firefighters Pension Scheme £000s		Local Government Pension Scheme £000s		Total £000s	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
Estimated liabilities in scheme	(235,870)	(270,440)	(23,887)	(19,679)	(259,757)	(290,119)
Estimated assets in scheme	0	0	16,114	15,479	16,114	15,479
Net asset/(liability)	(235,870)	(270,440)	(7,773)	(4,200)	(243,643)	(274,640)

c) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit actuarial cost method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters scheme liabilities have been assessed by the Government Actuary's Department (GAD), whereas the liabilities in the Dyfed Pension Fund have been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the Dyfed Pension Fund are based on the latest full valuation of the scheme as at 1 April 2007.

The main assumptions used in their calculations have been:

	Firefighter Pension Scheme		Local Government Pension Scheme	
	2007/08	2006/07	2007/08	2006/07
Rate of inflation	3.7%	3.4%	3.6%	3.1%
Rate of increase in salaries	5.2%	4.9%	5.35%	4.85%
Rate of increase in pensions	3.7%	3.4%	3.6%	3.1%
Rate for discounting scheme liabilities	6.9%	5.4%	6.1%	5.4%
Take up of option to convert annual pension into retirement grant	-	-	50%	50%

The Firefighters Pension Scheme has no assets to cover its liabilities. Assets in the Dyfed Pension Fund are valued at realisable values, that is, at their bid values, totalling £1,159m for the Fund as at 31 December 2007 (£1,109m at 31 March 2007). In previous years assets were valued at fair values, which in effect were mid-market value for investments. The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund.

	Long-term Return	31 March 2008	31 March 2007
	%	%	%
Equity investments	7.5	68.6	69.6
Government Bonds	4.6	15.4	14.5
Other Bonds	6.1	14.9	14.4
Property	6.5	0.0	0.0
Cash/liquidity	5.25	1.1	1.5
Other assets	-	0.0	0.0
		100.0	100.0

d) Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March (losses are shown in brackets):

Firefighters Pension Scheme

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Differences between actuarial assumptions about liabilities and actual experience	(4,220)	3.0	(7,830)	3.4	(100)	0.0	10,030	3.7	7,831	3.1
Changes in the demographic and financial assumptions used to estimate liabilities	(25,420)	15.0	(48,530)	21.0	(39,330)	14.0	16,440	6.1	42,760	18.1
	<u>(29,640)</u>		<u>(56,360)</u>		<u>(39,430)</u>		<u>26,470</u>		<u>50,591</u>	

Local Government Pension Scheme

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on	1,302	13.0	429	3.8	1,779	12.6	(51)	0.3	(1,704)	10.6

assets										
Differences between actuarial assumptions about liabilities and actual experience	0	0.0	(552)	3.6	(623)	3.3	0	0.0	(569)	2.4
Changes in the demographic and financial assumptions used to estimate liabilities	0	0.0	(3,103)	20.0	(1,764)	9.2	1,203	6.1	(986)	4.1
	<u>1,302</u>		<u>(3,226)</u>		<u>(608)</u>		<u>1,152</u>		<u>(3,259)</u>	

35 Notes Relating to the Cash Flow Statement

a) Reconciliation of Net Surplus/Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow in the Statement

<u>2006-2007</u> <u>£'000</u>		<u>2007-2008</u> <u>£'000</u>	<u>2007-2008</u> <u>£'000</u>
(16,061)	Surplus/Deficit for the year		(17,146)
	<u>Non-Cash Transactions:</u>		
1,261	Depreciation/amortisation	1,354	
0	Gain on disposal of assets	0	
15,148	Net FRS 17 adjustments	16,004	
<u>16,409</u>			17,358
	<u>Items on an Accruals Basis:</u>		
11	Movement in Stock	(83)	
(1,177)	Movement in Revenue Debtors	388	
(295)	Movement in Revenue Creditors	1,164	
<u>(1,461)</u>			1,469
52	Financing items shown later in Cash Flow		104
<u>(1,061)</u>	Net Cash Flow from Revenue Activities before Servicing of Finance		<u>1,785</u>

b) Reconciliation of Movement in Cash to the Movement in Net Debt

	<u>Balance</u> <u>31.3.07</u> <u>£'000</u>	<u>Net</u> <u>Cash Flow</u> <u>£'000</u>	<u>Balance</u> <u>31.3.08</u> <u>£'000</u>
Cash balances	218	1,436	1,654
Short-Term Investments	3,700	(700)	3,000

Debt due within one year	(367)	0	(367)
Debt due after one year	(7,372)	(598)	(7,970)
Cash movement before financing	(3,821)	138	(3,683)

c) **Movement in Liquid Resources**

	<u>Balance</u> <u>31.3.07</u> £'000	<u>Balance</u> <u>31.3.08</u> £'000	<u>Movement</u> <u>in Year</u> £'000
Bank balance/overdraft	214	1,651	1,437
Cash in hand and at bank	4	3	(1)
Increase/(Decrease) in liquid resources	218	1,654	1,436

d) **Government Grants Received (Revenue)**

	2007-2008 £'000	2006-2007 £'000
Community Safety – Home Fire Safety Grant	309	362
Community Safety – Youth Specialist Team	64	
Community Safety – Publicity Grant		39
New Dimension Funding and USAR Funding	473	85
Grass Fire Initiative	44	
Arson Reduction Scheme	182	153
Business Arson Warden/Vari Manager	81	94
Firelink Programme - Secondments	138	
Young Firefighters Scheme - Brecon	15	
Arson Small Grants Programme		76
Road Traffic Collision Scoping Study		29
Other small grants	24	14
	1,330	852

Other Financial Statements

Pension Fund Account

Notes to the Pension Fund Account

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
PENSION FUND ACCOUNT FOR THE YEAR ENDED

31ST MARCH 2008

	<u>2007-08</u>
	£000's
Contributions receivable	
Fire and Rescue Authority	
- contributions in relation to pensionable pay	(3,396)
- early retirements (ill health)	(684)
- other	0
Firefighters contributions	<u>(1,792)</u>
	(5,872)
 Individual Transfers In from other schemes	 (344)
 Benefits payable	
- pensions	4,167
- commutations and lump sum retirement benefits	1,634
- lump sum death benefits	<u>0</u>
	5,801
 Other	
Widows Pension	424
Dependant Children	12
Ill Health	<u>2,023</u>
	2,459
 Payments to and on account of leavers	
Refunds of contributions	0
Individual transfers out to other schemes	341
Other	<u>0</u>
	341
 Net Amount Payable for the year	 <u>2,385</u>
 Top Up Grant Payable by Welsh Assembly Government	 (2,385)
 Net amount payable/receivable for the year	 <u><u>0</u></u>

NET ASSETS STATEMENT AS AT 31 MARCH 2008

	<u>2007-08</u>
	£000's
Unpaid pensions due	0
Recoverable overpayments of pensions	0
Top-up received from the Welsh Assembly Government	(3,177)
Top-up receivable from the Welsh Assembly Government	2,385
Amount owed by General Fund	792

NOTES TO THE PENSION FUND ACCOUNT

Introduction

The funding arrangements for the fire-fighters pension scheme in Wales changed on 1st April 2007 on the introduction of a new scheme. The new scheme which is administered by the Fire and Rescue Authority was established under the Firefighters' Pension scheme (Wales) Order 2007. Before 1st April 2007 these schemes did not have a percentage of pensionable pay type of employers contribution, instead, each Fire and Rescue Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. Under the new arrangements the schemes remain unfunded and each Fire and Rescue Authority in Wales is required to operate a Pension Fund. The amounts that must be paid into and out of the Fund are specified by regulation.

There are no investment assets and the fund is balanced to nil each year by receipt of a top-up grant from the Welsh Assembly Government or by paying any surplus to the Welsh Assembly Government. Employees' and employers' contribution levels are based on percentages of pay set nationally by the Welsh Assembly Government and subject to triennial revaluation by the Government Actuary's Department. The scheme is a defined benefit scheme which provides a lump sum on retirement and an ongoing pension.

The fund's financial statements do not take into account liabilities to pay pensions and other benefits after the period end.

Accounting Policies

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

Governance and Audit

Statement of the Responsibilities for the Statement of Accounts

Statement on Internal Control

Audit Report and Certificate

STATEMENT OF RESPONSIBILITIES **FOR THE STATEMENT OF ACCOUNTS**

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 Director of Resources and Procurement;
- * manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- * approve the Statement of Accounts.

THE DIRECTOR OF RESOURCES AND PROCUREMENT'S RESPONSIBILITIES: -

The Director of Resources and Procurement is responsible for the preparation of the Authority's Statement of 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 SORP).

In preparing this Statement of Accounts, the Director of Resources and Procurement has:

- * selected suitable accounting policies and then applied them consistently;
- * made judgements and estimates that were reasonable and prudent; and
- * complied with the local authority SORP.

The Director of Resources and Procurement has also:

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Authority for the year ended 31st March 2008 and up to the date of the approval of the accounts.

3. The internal control environment

The Authority's constitution provides the framework for its decision making processes and sets out the detailed procedures and codes of conduct by which members and officers operate in order to achieve the Authority's objectives.

Under the constitution the Fire Authority and its committees make decisions which must be in line with the Authority's objectives. These are subject to examination by internal and external Audit.

The Clerk to the Authority is designated as the Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Authority, its committees and officers and providing support and advice on the maintenance of ethical standards.

The Director of Resources and Procurement is responsible for the proper administration of the Authority's financial affairs. The system of internal financial control is based on a framework of regular management information, financial procedures rules and standard financial instructions, administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability. In particular the system includes;

- A comprehensive budgeting system
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital expenditure guidelines
- As appropriate, formal project management disciplines

The effectiveness of the Authority's internal controls is examined in detail through the work of the Internal Audit section of Carmarthenshire County Council, with which the Authority has a Service Level Agreement. The Audit section's work plan is based on a needs and risk assessment process that focuses resources on higher risk areas. The section meets the professional standards required by CIPFA. Their work and the wider financial aspects of corporate governance and performance management are examined and validated each year by the Authority's external auditors.

The Authority has established a performance management framework which requires each department to produce annual business plans setting out their objectives and targets in relation to Authority policy priorities. Progress against these plans are measured throughout the year and proposed improvements in performance and service standards are set out annually. A process of identifying individual development needs in line with these targets is also in place.

4. Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment and also by comments made by the external auditors in their annual audit letter and other reports and by other review agencies (as appropriate). The Authority is also informed by a whole Authority Strategic Risk Profile assessment undertaken by consultants, together with its own risk assessments, including the RAT (Risk Assessment Template) audited by the Wales Audit Office. The Authority has set up a Business Risk Management Group to coordinate all these aspects of Business Risk. In addition the Authority has been informed by the work of the Director of Resources and Procurement and the Clerk in performing their statutory roles.

Internal financial control is reviewed on an ongoing basis by internal audit. Internal Audit also produces a statement each year setting out any major weaknesses in financial control, highlighting areas of concern. This information is reviewed by the Director of Resources and Procurement along with other relevant information such as budget monitoring reports in compiling this statement. This year all reports in regards to these issues were extremely pleasing, complementing the authority on its internal controls. Similarly re the controls on the new Procurement /Stores/ Commitment Accounting system which is working effectively. An area that was highlighted to the Director of Resources and Procurement

however was the part compliance in some areas with Contract Standing Orders in the procurement of goods and services. Training has been scheduled and procedures put in place for improving and monitoring these and a further report will be requested in the new years audit. There were no other significant internal control issues highlighted during the year.

5. Internal control issues

The review of financial control identified that general assurance can be given that internal financial controls are of a sufficient standard to provide for the proper administration of the Authority's financial affairs.

To the best of our knowledge the internal control environment as identified above has been effectively operated during the year.

Signed

Richard Smith
Chief Fire Officer

Cllr Collin Crowley
Chairman of the Fire Authority

Date 30th June 2008

Independent Auditor's Report to the Members of Mid & West Wales Fire & Rescue Authority

We have audited the accounting statements and the related notes of Mid & West Wales Fire & Rescue Authority for the year ended 31 March 2008 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Mid & West Wales Fire & Rescue Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects compliance with 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International

Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Mid & West Wales Fire & Rescue Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Certificate

We certify that we have completed the audit of the accounts of Mid & West Wales Fire & Rescue Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales.

My conclusion on Mid & West Wales Fire & Rescue Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Relationship Manager's Annual Letter.

Anthony Snow
Appointed Auditor
Wales Audit Office
Date