MID AND WEST WALES FIRE AND RESCUE AUTHORITY

DRAFT STATEMENT OF ACCOUNTS 2011/2012

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

STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

The following pages show the financial performance for the year commencing the 1st April 2011 and ending on the 31st March 2012 for the Mid and West Wales Fire and Rescue Authority.

The Authority's accounts for 2011/2012 consist of the following

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 undertaken by the Fire and Rescue Authority.

Comprehensive Income and Expenditure Statement (CIES) – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in 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 are unusable reserves and 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.

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

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.

Responsibilities and Governance – The audited Annual Statement of Accounts also include a statement of the responsibilities for this statement of accounts. Also included is an Annual Governance Statement laying out the Authority's policy on governance and providing an assurance statement on the effectiveness of that policy.

SUMMARY OF THE FINANCIAL YEAR

The Outturn for the year 2011/2012

	Budget £000's	Actual £000's	Variance £000's
Revenue			
Expenditure	44,995	47,727	2,732
Income	(1,308)	(4,580)	(3,272)
Net Expenditure	43,687	43,147	(540)
Use of Reserves	(480)	(940)	(460)
Unitary Authority Contributions	(43,207)	(42,207)	1,000
Surplus /Deficit	0	0	0
Capital (inc b/f slippage)	7,524	7,803	279

The variance of £1 million on Unitary Authority Contributions was the result of a decision made by the Authority during the year to refund some of the Contributions received.

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

*Net Expenditure	43,147
**Accounting Adjustments	21,955
***Other operating income	6
***Financing and investment income and expenditure	(19,056)
***Tax and non specific grant income (excluding levies)	2,847
***Cost of Services	48,899

*detailed in 'The Outturn for the Year 2011/12 (above)

**detailed in note 3

***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 2011/12, the proportions were as follows:

	Proportion %	Values £
Carmarthenshire County Council	20.8	8,763,771
Ceredigion County Council	8.8	3,695,066
Neath and Port Talbot County Borough Council	15.6	6,607,449
Pembrokeshire County Council	13.4	5,665,304
Powys County Council	15.1	6,356,536
City and County of Swansea Council	26.3	11,119,133
Total	**100.0**	**42,207,259**

Revenue Spending
The total net expenditure for the year was £43.1 million, compared with the net revenue budget of £42.2 million, after adjusting for the refund of Unitary Authority contributions. The overspend of £0.9 was funded by the release of reserves set aside in previous years for specific purposes.

Revenue Sources of Funding

2010/11 £000		2011/12 £000
43,819	Unitary Authority Contributions	42,207
1,771	Revenue Grants	3,559
6	Interest	8
555	Fees and Charges	1,013
6,834	Useable Reserves	940

Capital Expenditure
Total capital expenditure in the year amounted to £7.803 million.

2010/11		2011/12
£000		£000
1,892	Property – Refurbishments, adaptations, new buildings	5,838
2,053	Vehicles and Plant	1,773
1,687	Operational and I.C.T. Equipment	192
5,632	**Total Capital Expenditure**	**7,803**

Capital Receipts
Capital receipts and contributions for the year 2011/12 amounted to £2,853k. Of this figure £2,847k was received as a contribution from our partners towards the construction costs of the Combined Service Centre in Llandrindod Wells. The remaining £6k was from the sale of surplus assets.

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 with no other external facility in place at present. No additional loans were taken out in the year in respect of the capital programme. The total principal outstanding as at 31 March 2012 is £6.952 million. All of the outstanding loans are with the PWLB.

Pension liability

In 2011/12, seven wholetime 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 2012 was £356.585 million for Fire fighters pension scheme and £9.086 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.

Provisions, Contingencies and Write offs

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.

As a result of a Comprehensive Service Review, the Authority identified a number of efficiency targets and has built these into the Medium Term Financial Plan and annual budgets.

Planned efficiency generating projects produced significant savings earlier than anticipated in the budget. This led to a decision to refund £1 million of the Contributions received from the Unitary Authorities.

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 £3.622 million. This is a notional charge for depreciation, amortisation and impairment, 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 £0.6 million loan and finance lease interest and £2.07 million Revenue Provision.

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.

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.

E. A. Aitken
Director of Resources and Treasurer
17th September 2012

STATEMENT OF RESPONSIBILITIES / CERTIFICATE OF THE 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.

CERTIFICATE OF THE TREASURER

I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2012 and its income and expenditure for the year then ended.

Signed by: E A Aitken
Treasurer
Dated: 17th September 2012

ANNUAL GOVERNANCE STATEMENT

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 Service Headquarters, Lime Grove Avenue, Carmarthen SA31 1SP.

During the year 2011/12 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: ………………………………………………………………………

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 it 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**
To focus on the purpose of the Authority and on outcomes for the community and its citizens, & to create a vision for MAWWFRS: By:- • 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.	• 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.	• 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**
To work to achieve the stated objectives within clearly defined Member and Officer roles and functions: By:- • 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.	• 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.	• 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 (PASC from 2012/13) • 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**
Promote and demonstrate the values of the Authority through our behaviour: By:- • 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.	• 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.	• 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. • 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**
Take informed and transparent decisions which are subject to effective evaluation and managed risks: By:- • 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.	• 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	• 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

	available and make full use of its legal powers to benefit the community. • When working in partnership, ensure that the same standards of good governance are applied to the partnership's activities.	including risk and governance issues.
Principle 5 : Developing the capacity and capability of the governing body to be effective		
The principles of good governance that we have adopted are:-	**What we will do to meet them.**	**How we will demonstrate compliance**
Develop the capacity and capability of Members and Officers to be effective and to deliver services effectively: By:- • 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.	• 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.	• 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**
Engage with the community we serve to ensure robust local public accountability: By:- • 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.	• 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.	• 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.

INDEPENDENT AUDITIOR’S REPORT

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
- Firefighters' Pension Fund

for the year ended 31 March 2012 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, and the Cash Flow Statement.

Firefighters' 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 2011-12 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 the Mid and West Wales Fire and Rescue Authority's and Firefighters' Pension Fund 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 2012 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 2011-12.

Opinion on the accounting statements of Firefighters' Pension Fund

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

- give a true and fair view of the financial transactions of [name of] Pension Fund during the year ended [insert date] 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 2011-12.

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

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

Anthony Barrett
Wales Audit Office
24 Cathedral Road
Cardiff, CF11 9LJ
September 2012

FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT - RESTATED

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010 brought forward	0	5,096	5,096	(331,377)	(326,281)
Movement in Reserves during 2010/11					
Surplus or (deficit) on the provision of services	24,578	0	24,578	0	24,578
Other Comprehensive Income and Expenditure	0	0	0	15,498	15,498
Total Comprehensive Income and Expenditure	24,578	0	24,578	15,498	40,076
Adjustments between accounting basis & funding basis under regulations (note 3)	(22,508)	0	(22,508)	22,508	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,070	0	2,070	38,006	40,076
Transfers to/(from) Earmarked Reserves (note 4)	(2,070)	1,698	(372)	372	0
Increase/(Decrease) in 2010/11	0	1,698	1,698	38,378	40,076
Balance at 31 March 2011 carried forward	**0**	**6,794**	**6,794**	**(292,999)**	**(286,205)**

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	0	6,794	0	6,794	(292,999)	(286,205)
Movement in reserves during 2011/12						
Surplus or (deficit) on the provision of services	(22,895)	0	0	(22,895)	0	(22,895)
Other Comprehensive Income and Expenditure	0	0	0	0	6,059	6,059
Total Comprehensive Income and Expenditure	(22,895)	0	0	(22,895)	6,059	(16,836)
Adjustments between accounting basis & funding basis under regulations (note 3)	21,955	0	24	21,979	(21,979)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(940)	0	24	(916)	(15,920)	(16,836)
Transfers to/(from) Earmarked Reserves (note 4)	940	(940)	0	0	0	0
Increase/(Decrease) in 2011/12	0	(940)	24	(916)	(15,920)	(16,836)
Balance at 31 March 2012 carried forward	0	5,854	24	5,878	(308,919)	(303,041)

COMPREHENSIVE INCOME AND EXENDITURE STATEMENT FOR YEAR ENDING 31ST MARCH 2012

2010/11 Restated				2011/12		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
6,375	(1,173)	5,202	Community Safety	7,341	(1,248)	6,093
35,715	(1,235)	34,480	Fire Fighting & Rescue Operations	42,230	(1,291)	40,939
1,056	(699)	357	Fire Service Emergency Planning	1,865	(795)	1.070
615	(6)	609	Corporate and democratic core	811	(23)	788
(38,206)	0	(38,206)	Non distributed costs	9	0	9
5,555	(3,113)	2,442	**Cost of Services**	52,256	(3,357)	48,899
		5	Other Operating (income)/expenditure (note 5)			(6)
		19,880	Financing and investment income and expenditure (note 6)			19,056
		(46,905)	Taxation and non-specific grant income (note 7)			(45,054)
		(24,578)	**(Surplus) or Deficit on Provision of Services**			22,895
		0	Surplus on revaluation of property			(20,733)
		(15,498)	Actuarial gains/(losses) restated on pension assets / liabilities			14,674
		(15,498)	**Other Comprehensive Income and Expenditure**			(6,059)
		(40,076)	**Total Comprehensive Income and Expenditure**			16,836

BALANCE SHEET AS AT 31st March 2012

31 March 2010	31 March 2011 (Restated)		Notes	31 March 2012
£000	£000			£000
49,001	51,926	Property, Plant & Equipment	8	76,005
75	66	Intangible Assets	9	50
0	0	Assets held for sale	8	425
130	124	Long Term Debtors	12	117
49,206	52,116	**Long Term Assets**		76,597
336	479	Inventories	11	517
3,203	6,731	Short Term Debtors	12	3,549
1,677	1,017	Cash and Cash Equivalents	13	2,295
5,216	8,227	**Current Assets**		6,361
(366)	(1,866)	Short Term Borrowing	10	(338)

(3,957)	(4,849)	Short Term Creditors	14	(6,799)
(763)	(814)	Other Short Term Liabilities	10	(950)
(85)	(122)	Provisions	15	(74)
(5,171)	(7,651)	**Current Liabilities**		(8,161)
(7,280)	(6,934)	Long Term Borrowing	10	(6,614)
(6,031)	(5,261)	Other Long Term Liabilities	10	(5,553)
(362,221)	(326,702)	Net Pension Liability	31	(365,671)
(375,532)	(338,897)	**Long Term Liabilities**		(377,838)
(326,281)	(286,205)	**Net Liabilities**		(303,041)
5,096	6,794	Usable Reserves	16	5,878
(331,377)	(292,999)	Unusable Reserves	17	(308,919)
(326,281)	(286,205)	**Total Reserves**		(303,041)

CASH FLOW STATEMENT

2010/11 £000		2011/12 £000
(24,578)	Net (surplus) or deficit on the provision of services	22,895
24,679	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(25,825)
(4,638)	Adjustments for items included in the net surplus on provision of services that are investing or financing activities	(6,059)
(4,537)	Net cash flows from Operating Activities (Note 18.01)	(8,989)
5,632	Investing Activities (note 18.02)	6,309
(435)	Financing Activities (note 18.03)	1,402
660	Net (increase) or decrease in cash and cash equivalents	(1,278)
(1,677)	Cash and cash equivalents at the beginning of the reporting period	(1,017)
(1,017)	**Cash and cash equivalents at the end of the reporting period (note 13)**	(2,295)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2010/11 (the Code) and the Service Reporting Code of Practice 2011/12 (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 accounts have been prepared using the 'Going Concern' concept, that is, the functions and services will continue in operational existence for the foreseeable future. As at 31 March 2012 current liabilities were recorded as £8,161k and current assets at £6,361k, this does not mean that the Authority is unable to meet its current liabilities but is due to the temporary funding of capital projects by cash. The cash can quickly be replaced by capital funding when required.

1.01 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.

- Where there is a gap between the date supplies are received and when consumption they are carried as inventory on the Balance Sheet.

- Works are charged as expenditure when they are completed, before completion 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.

1.02 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.

1.03 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. The lives of the buildings range from 15 years to 80 years, with a median average of 40 years.

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.

1.04 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 to the extent that employees are permitted to carry-forward leave into the following period.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

1.05 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:

- **Firefighter Pension Scheme (FPS)**

  The Firefighters 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 the 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 note 31 and the 'Firefighters Pension Fund Account' on page 92 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 and Rescue Authority to meet these costs is disclosed by a note to the accounts as required by IAS 19. The Fire Fighters Pension Schemes liabilities have been assessed by the Government Actuary's Department (GAD).

- **Local Government Pension Scheme (for 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 if 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 31 for more detail.

  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 31 March 2010.

1.06 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).

1.07 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.

1.08 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.

1.09 FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Authority's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

All other financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Authority has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure' or as 'Loans and receivables'.

Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

Currently the Authority holds no financial assets or liabilities that fall into the ‘Fair Value through Income and Expenditure’ categories. All financial assets or liabilities held are categorised as ‘Loans and receivables’ or ‘Other Financial liabilities’ and are therefore carried at amortised cost.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Authority’s loans and receivables comprise of cash and cash equivalents, debtors, accrued income and ‘other debtors’.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Other financial liabilities
All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Impairment of financial assets
At the Statement of Financial Position date, the Authority assesses whether any financial assets, other than those held at ‘fair value through income and expenditure’ are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

1.11 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.

1.12 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 comprehensive income and expenditure statement after Net Operating Expenditure.

1.13 INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the balance sheet at the lower of cost and NRV. The cost of inventories is assigned using average costs.

1.14 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, the cost does 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.

1.15 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 2011/12* (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.

1.16 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.

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 5 yearly. Annual impairment reviews are carried out in other years. The 5 yearly 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. The annual 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.
Equipment is depreciated evenly over the estimated life of the asset.

The following useful lives have been used for the calculation of depreciation:-

BUILDINGS		40 years
INFRASTUCTURE		40 years
VEHICLES:		
	Appliances	12 years
	Specials	10-15 years
	Land Rovers	10 years
	Minibuses	5-7 years
	Vans and Cars	3-5 years
EQUIPMENT		3-10 years

Assets acquired by Finance Lease are depreciated over the length of the lease

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 or reverts to the authority, respectively.

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’.

Donated Assets
Donated assets are where the purchase price of the asset has been reduced to nil or a nominal amount for non-commercial reasons (eg a property bequested to the authority). Such assets are brought onto the balance Sheet at their fair value. If there are no unsatisfied conditions attached to the transfer, the difference between fair value and purchase price is credited to the Comprehensive Income and Expenditure Account. If there are unsatisfied conditions, the difference is credited to the Donated Assets Account until such time as the conditions are met.

1.17 INTANGIBLE ASSETS

Recognition
Assets are intangible when:

- the item is identifiable – this requires either the item is capable of being separated and sold or (if it can not be separated) that it has arisen from contractual or other legal right;
- it lacks physical substance – all intangible assets will have some physical substance such as a contractual document, user licence or storage medium. The tangible element is only incidental to the intangible element;
- it is expected to be used for more than one financial year;
- the cost of the individual asset is at least £5,000;

All intangible assets currently held are purchased computer software licences.

Measurement
All intangible assets are measured initially at purchase price plus any directly attributable cost of bringing the asset into use.

Intangible assets are only revalued if a fair value can be determined by reference to an active market and are accounted for in the same manner as tangible fixed assets..

Amortisation
Intangible assets are amortised over their estimated remaining useful assuming a zero residual value.

Derecognition
Intangible assets are derecognised at the earlier of when they are disposed of or when no future economic benefits are expected to arise from the asset's use or disposal.

1.18 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.

1.19 PROVISIONS, CONTINGENT LIABLITIES AND CONTINGENT ASSETS
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.

1.20 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.

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

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

1.23 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 34-45, 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.

1.24 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 2012 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.

1.25 EVENTS AFTER BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer on 17th September 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

2. PRIOR YEAR ADJUSTMENTS

The Government Actuary Department reviewed their calculations made in respect of Firefighter pension fund in 2010/11 and corrected the basis for the future liability calculation to reckonable service basis from qualifying service. This brought the 2010/11 calculations in line with all previous years and with the 2011/12 calculation and resulted in an increased actuarial loss of £10,860k.

Adjusting for this change has resulted in the following amendments to the 2010/11 Financial Statements:

	Previously Reported	Adjustment	Restated
	£000	£000	£000
Balance Sheet as 31 March 2011			
Net Pension Fund Liability	(337,562)	10,860	(326,702)
Unusable Reserves	303,859	(10,860)	292,999
2010/11 Comprehensive Income and Expenditure Statement			
Actuarial losses on pension assets/liabilities	(4,638)	(10,860)	(15,498)

3. 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.

2011/12	Usable Reserves General Fund Balance	 Capital Receipts Reserve	 Total Usable Reserves	 Movement in Unusable Reserves
	£000	**£000**	**£000**	**£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	4,033		**4,033**	**(4,033)**
Amortisation of intangible assets	16		**16**	**(16)**
Capital grants and donations applied	(2,853)		**(2,853)**	**2,853**
Direct revenue funding	(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	(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)**

ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	28,476		**28,476**	**(28,476)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,181)		**(4,181)**	**4,181**
ADJUSTMENTS 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	9		**9**	**(9)**
TOTAL ADJUSTMENTS	**21,955**	**24**	**21,979**	**(21,979)**

2010/11	Usable Reserves General Fund Balance Restated £000		Total Usable Reserves Restated £000	Movement in Unusable Reserves Restated £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	2,701		**2,701**	**(2,701)**
Amortisation of intangible assets	9		**9**	**(9)**
Capital grants and donations applied	(3,086)		**(3,086)**	**3,086**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive income and Expenditure Statement	5		**5**	**(5)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(2,067)		**(2,067)**	**2,067**

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			
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(8,268)	**(8,268)**	**8,268**
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,753)	**(11,753)**	**11,753**
ADJUSTMENTS 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	(49)	**(49)**	**49**
TOTAL ADJUSTMENTS	**(22,508)**	**(22,508)**	**22,508**

4. TRANSFERS TO AND FROM EARMARKED RESERVES

Details of the Reserves are set out in note 16.	**Balance at 1 April 2010 £000**	Transfers out 2010/11 £000	Transfers in 2010/11 £000	**Balance at 31 March 2011 £000**	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	**Balance at 31 March 2012 £000**
Personal Protective Equipment	**277**	277	0	**0**	0	0	**0**
Vehicle, Plant and Equipment replacements	**75**	75	285	**285**	0	458	**743**
Invest to save Fund	**200**	0	0	**200**	0	0	**200**
Sustainability and Environment Projects	**41**	1	1	**41**	1	1	**41**
Risk Management reserve	**150**	0	0	**150**	11	11	**150**
Consultancy and Process Change Projects	**50**	45	90	**95**	15	0	**80**
Operational Training	**831**	441	175	**565**	391	0	**174**
Software Modernisation and Development	**403**	143	190	**450**	50	210	**610**
Managing Change – employees and pensions	**1,055**	185	440	**1,310**	31	284	**1,563**
Managing Change – buildings and adaptions	**46**	46	810	**810**	547	647	**910**
Major Incidents reserve	**0**	0	500	**500**	25	0	**475**
Levy Equalisation Reserve	**1,968**	580	1000	**2,388**	1,480	0	**908**
Total	**5,096**	**1,793**	**3,491**	**6,794**	**2,551**	**1,611**	**5,854**

5. OTHER OPERATING EXPENDITURE

2010/11 £000		2011/12 £000
5	(Profit)/Loss on sale of Non current assets	(6)

6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £000		2011/12 £000
313	Interest paid on Finance Leases	313
357	Interest paid on Loans	340
18,680	Firefighters Pension Interest Cost	18,250
1,793	LGPS Pension Interest Cost	1,642
(1,257)	LGPS Expected return on pension assets	(1,481)
(6)	Interest received from investments	(8)
19,880		19,056

7. TAXATION AND NON SPECIFIC GRANT INCOME

2010/11 £000		2011/12 £000
(1,229)	Capital Grants received	(0)
(1,857)	Capital Contributions and Donations received	(2,847)
(43,819)	Levies from Constituent Authorities	(42,207)
(46,905)		(45,054)

8. PROPERTY, PLANT AND EQUIPMENT

Movement on Tangible Fixed Assets

2011/12	Land and Buildings £'000	Infrastructure £'000	Vehicles and Equipment £'000	Held for Sale £'000	Non Operational £'000	TOTAL £'000
Gross Book Values						
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 (to) from Held for Sale	(425)	0	0	425	0	0
At 31 March 2012	**60,720**	**305**	**28,302**	**425**	**5,097**	**94,849**
Accumulated Depreciation						
At 1 April 2011	(2,554)	(45)	(16,973)	0	0	(19,572)
Revaluations	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)**
Net Book Values						
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**

2010/11	Land and Buildings £'000	Infrastructure £'000	Vehicles and Equipment £'000	Non Operational £'000	TOTAL £'000
<u>Gross Book Values</u>					
At 1 April 2010	40,163	244	25,136	472	66,015
Revaluations	0	0	0	0	0
	40,163	244	25,136	472	66,015
Additions	1,359	31	2,003	533	3,926
Donated Assets	0	0	1,706	0	1,706
Disposals	0	0	(149)	0	(149)
At 31 March 2011	**41,522**	**275**	**28,696**	**1,005**	**71,498**
<u>Accumulated Depreciation</u>					
At 1 April 2010	(1,695)	(39)	(15,280)	0	(17,014)
Revaluations	0	0	0	0	0
Depreciation for year	(859)	(6)	(1,836)	0	(2,701)
Disposals	0	0	143	0	143
At 31 March 2011	**(2,554)**	**(45)**	**(16,973)**	**0**	**(19,572)**
<u>Net Book Values</u>					
At 1 April 2010	**38,468**	**205**	**9,856**	**472**	**49,001**
At 31 March 2011	**38,968**	**230**	**11,723**	**1,005**	**51,926**

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 and include a shared project in Llandrindod Wells. The shared project is shown at full cost; the other parties contribute to the financing costs of the project. Sums received in this respect are included in Grants and Contributions Deferred.

Properties were valued as at 1st April 2011, at £60.35m, by a suitably qualified and experienced Valuer in the employ of the Corporate Property Division, Carmarthenshire County Council and certified by Mr J Fearn BSc (Hons) MRICS, Head of Corporate Property, 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. Vehicles include those funded by finance lease.

Morriston administration building has been transferred from operational land and buildings to assets held for sale. As part of this transfer the property was revalued from an existing use based valuation to a market value. This resulted in the value falling from £2,500k to £425k, a impairment in value of £2,075k. Apart from this no diminution in value of individual assets was identified in the 2011/12 Impairment Review.

9. INTANGIBLE ASSETS

Purchased Software Licences 2010/11 £'000		Purchased Software Licences 2011/12 £'000
	Gross Book Value	
88	Opening balance at 1 April	88
0	Revaluations	0
88		88
0	Additions during year	0
0	Disposals during year	0
88	Closing balance at 31 March	88
	Accumulated Amortisation	
(13)	At 1 April	(22)
(9)	Amortisation during year	(16)
0	Disposals during year	0
(22)		(38)
	Net Book Value	
75	Opening balance at 1 April	**66**
66	Closing balance at 31 March	**50**

10. FINANCIAL INSTRUMENTS

10.01 Financial Instruments Balances

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

£000s	Long-Term			Current		
	31 March 2010	31 March 2011	31 March 2012	31 March 2010	31 March 2011	31 March 2012
Borrowing						
Financial liabilities (principal amount)	7,280	6,934	6,614	345	1,845	320
+ Accrued Interest	0	0	0	21	21	18
Total borrowings	**7,280**	**6,934**	**6,614**	**366**	**1,866**	**338**
Finance lease liabilities	**6,031**	**5,261**	**5,553**	**763**	**814**	**950**
Creditors						
Financial liabilities at amortised cost	**0**	**0**	**0**	**3,957**	**4,849**	**6,558**
Investments						
Loans and receivables (principal amount)	0	0	0	0	0	0
+ Accrued interest	0	0	0	0	0	0
Loans and receivables at amortised cost (1)						
Total investments	**0**	**0**	**0**	**0**	**0**	**0**
Total debtors	**130**	**124**	**117**	**3,203**	**6,731**	**3,456**

Note 1 – Under accounting requirements the carrying value of the financial instrument value is 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.

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.

10.02 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				
	2010/11		2011/12	
	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	(670)	0	(653)	0
Total expense in Surplus or Deficit on the Provision of Services	**(670)**	**0**	**(653)**	**0**
Interest income	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(670)**	**0**	**(653)**	**0**

10.03. 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
- ✓ as provided by PWLB;
- ✓ 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:

	31 March 2010		**31 March 2011**		**31 March 2012**	
£000s	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
PWLB debt	7,625	7,921	8,779	9,228	6,934	8,374
Non-PWLB debt	0	0	0	0	0	0
Total debt	**7,625**	**7,921**	**8,779**	**9,228**	**6,934**	**8,374**

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of long dated fixed rate loans. When calculating the fair value of these loans a high discount rate has been applied to measure the changing value of money.

11. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2011 and 31 March 2012 is shown below.

	General, Personal Protective Equipment & Uniforms		Vehicle Maintenance spares		Petrol & Diesel		Other		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance outstanding at start of year	214	367	67	58	26	41	29	13	336	479
Purchases	155	465	0	56	15	141	0	46	170	708
Recognised as an expense in the year	0	(515)	(9)	(6)	0	(144)	(16)	(5)	(25)	(670)
Written off balances	(2)	0	0	0	0	0	0	0	(2)	0
Balance outstanding at year-end	367	317	58	108	41	38	13	54	479	517

12. DEBTORS

At 31.3.10	At 31.3.11		At 31.3.12
£000	£000		£000
2,444	3,332	Central Government Bodies	1,031
143	1,328	Other Local Authorities	7
15	53	NHS Bodies	213
0	228	Public Corporations and Trading Funds	343
135	129	Other Entities and Individuals	231
474	1,669	Payments in Advance	1,732
(8)	(8)	Provision for irrecoverable debts	(8)
3,203	**6,731**	**Total**	**3,549**

At 31.3.10	At 31.3.11		At 31.3.12
£000	£000		£000
130	**124**	Long Term Debtors	**117**

13. CASH & CASH EQUIVALENTS

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

At 31.3.10	At 31.3.11		At 31.3.12
£000	£000		£000
3	3	Cash held by the Authority	3
1,674	1,014	Bank Current Accounts	2,292
1,677	**1,017**		**2,295**

14. CREDITORS

At 31.3.10	At 31.3.11		At 31.3.12
£000	£000		£000
17	667	Central Government Bodies	2,842
120	196	Other Local Authorities	268
3	1,030	Public Corporations and Trading Funds	3
3,213	2,295	Other Entities and Individuals	2,792
6	18	Capital Donations Unapplied	27
598	643	Receipts in Advance	867
3,957	**4,849**		**6,799**

15. PROVISIONS

	Software Develop ment £000	Water £000	Total £000
Balance as at 31st March 2010	**28**	**57**	**85**
Additional Provision made in 2010/11	0	37	37
Balance as at 31st March 2011	**28**	**94**	**122**
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**

15.01 Software Development
The provision relates to the cost of further development and related training of the financial management system, and for the introduction of the transport management system. This provision has now been fully appied.

15.02 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 can not 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.

16. USABLE RESERVES
The Authority holds the following earmarked reserves;

16.01 Vehicle, Plant and Equipment

After the announcement of the public sector spending cuts a full review was carried out of the way the Service operates was carried out. The aim of the review was to identify areas that could be modernised and result in better service delivery, while not increasing costs, and in some areas reducing costs. This Service review revealed that some areas needed an investment in resources in order to increase efficiency and reduce future revenue costs.

One of the areas identified as needing investment was the operational fleet of vehicles. This reserve was set up to fund the modernisation of the fleet in order to increase efficiencies and reduce future revenue costs.

16.02 Invest to Save Fund

Departments in the Authority are encouraged to identify projects which will lead to improved services and reduced revenue costs. Often these projects need front end funding before efficiencies and savings can be made. This reserve is 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.

16.03 Sustainability and the Environment Projects

The Authority is committed embedding sustainability concepts into the way the Service develops. This small reserve is to help improve sustainability through the Service.

16.04 Risk Management Reserve

This is another “invest to save” fund, but is aimed specifically at projects that will result in reductions to the Services’ insurance costs.

16.05 Consultancy and Process Change Projects

This 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.

16.06 Operational Training

This reserve is to ensure that there are sufficient funds to ensure that the operational Firefighters are trained to the highest standards.

16.07 Software Modernisation and Development

The 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.

16.08 Managing Change

Two separate reserves have been set aside under this heading, one for employees and pensions, and one for buildings and adaptations. The Service is currently going through much change. This change is partly due to the findings of the full Service Review carried out as a response to the announced public spending cuts, and partly due to changes in employment legislation particularly around part-time workers and equal pay. These changes will have an impact on pay, pensions and the way some buildings are used. These reserves provide a pool of funds to support these changes.

16.09 Major Incidents Reserve

This is a pool of funds to help meet the costs of dealing with any major incidents where the costs can not be dealt with through the normal Fire Fighting and Rescue Operations budget.

16.10 Levy Equalisation Reserve

This 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.

17. UNUSABLE RESERVES

31 March 2011	31 March 2011		31 March 2012
£000	£000		£000
(8,095)	(8,003)	Revaluation Reserve (note 17.01)	(28,167)
(23,408)	(26,310)	Capital Adjustment Account (note 17.02)	(29,205)
362,221	326,702	Pensions Reserve (note 17.03)	365,672
659	610	Accumulated Absences Account (note 17.04)	619
331,377	**292,999**	**Total Unusable Reserves**	**308,919**

17.01. 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:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation , or
- disposed of and the gains are realised.

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

2010/11		2011/12
£000		£000
(8,095)	**Balance at 1 April**	(8,003)
0	Revaluation of assets adjustment	(20,733)
92	Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	569
(8,003)	**Balance at 31 March**	**(28,617)**

17.02. 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.

The following table provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

2010/11 £000		2011/12 £000	
(23,408)	**Balance at 1 April**		**(26,310)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,701	▪ Charges for depreciation and impairment of non-current assets	4,032	
9	▪ Amortisation of intangible assets	16	
5	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	
2,715		4,048	
(92)	Adjusting amounts written out of the Revaluation Reserve	(569)	

2,623	Net written out amount of the cost of non-current assets consumed in the year		3,479
	Capital financing applied in the year:		
(372)	▪ Use of Earmarked Reserves to finance new capital expenditure	(547)	
(3,086)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,829)	
(2,067)	▪ Statutory provision for the financing of capital investment charged against the General Fund.	(2,072)	
0	Capital expenditure charged against the General Fund	(926)	
(5,525)			(6,374)
(26,310)	**Balance at 31 March**		**(29,205)**

17.03. PENSION RESERVE

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

2010/11 Restated		2011/12
£'000		**£'000**
362,221	**Balance at 1 April**	**326,702**
(15,498)	Actuarial gains or losses on pensions & liabilities	14,674
(8,268)	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	28,476
(11,753)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,180)
326,702	**Balance at 31 March**	**365,672**

17.04. 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.

2010/11			2011/12
£000			**£000**
659	**Balance at 1 April**		**610**
(659)	Settlement or cancellation of accrual made at the end of the preceding year	(610)	
610	Amounts accrued at the end of the current year	619	

(49)	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	9
610	**Balance at 31 March**	**619**

18. CASHFLOW STATEMENT

18.01 CASH FLOW STATEMENT – OPERATING ACTIVITIES

2010/11 £000	Includes	2011/12 £000
(6)	Interest received	(8)
357	Interest paid – loans	340
313	Interest paid – finance leases	313
664		645

18.02 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010/11 £000		2011/12 £000
(5,632)	Purchase of property, plant and equipment, investment property and intangible assets	(6,330)
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21
0	Proceeds from short-term and long-term investments	0
(5,632)	**Net cash flows from investing activities**	(6,309)

18.03 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/11 £000		2011/12 £000
1,500	Cash receipts of short and long-term borrowing	0
0	Other receipts from financing activities	1,327
(719)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(899)
(346)	Repayments of short and long-term borrowing	(1,830)
435	**Net cash flows from financing activities**	(1,402)

19. AMOUNTS REPORTED FOR RESOURCE ALLOCATION

BUDGET MONITORING REPORT 2011/12

2010/11				2011/12		
Approved Budget £000	**Total Expenditure £000**	**Variance £000**		**Approved Budget £000**	**Total Expenditure £000**	**Variance £000**
			Operational			
22,029	21,215	(814)	Employees – Full time	21,038	20,408	(630)
5,717	5,128	(589)	Employees - Retained	5,776	5,245	(531)
690	634	(56)	Employees – Other Costs	618	610	(8)
1,744	1,952	208	Premises	1,886	1,630	(256)
1,426	1,696	270	Transport	1,467	1,741	274
295	302	7	Insurance	310	318	8
3,123	4,393	1,270	Supplies and Services	3,036	3,437	401
2,703	638	(2,065)	Leasing	2,683	698	(1,985)
37,727	**35,958**	**(1,769)**	**Gross Operational Costs**	**36,814**	**34,087**	**(2,727)**
(1,222)	(3,402)	(2,180)	Income			
			Grants	(10)	(1022)	(1,012)
			Contribution to employee costs	(595)	(595)	0
			Other Income	(703)	(814)	(111)
(1,222)	**(3,402)**	**(2,180)**	**Income**	**(1,308)**	**(2,431)**	**(1,123)**
36,505	**32,556**	**(3,949)**	**Net Operational Costs**	**35,506**	**31,656**	**(3,850)**
1,527	1,472	(55)	Control Room	1,513	1,508	(5)
4,037	4,058	21	Admin and Technical Services	4,325	4,408	83
318	314	(4)	Manual	249	299	50
179	194	15	Central Support	213	210	(3)
816	411	(405)	Pension	816	527	(289)
6,877	**6,449**	**(428)**	**Total Non-Operational Costs**	**7,116**	**6,952**	**(164)**
1,017	2,904	1,887	Capital Financing	1,065	4,539	3,474
44,399	**41,909**	**(2,490)**	**Total Authority Expenditure**	**43,687**	**43,147**	**(540)**

(43,819)	(43,819)	0	Levy's	(43,207)	(42,207)	1,000
(580)	1,910	2,490	To/ from Earmarked Reserves	(480)	(940)	(460)
(44,399)	**(41,909)**	**2,490**	**Total Funding**	**(43,687)**	**(43,147)**	**540**

RECONCILIATION BETWEEN BUDGET MONITORING REPORT AND COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

2010/11		2011/12	
£000		**£000**	**£000**
41,909	**Total Expenditure on Budget Monitoring**		**43,147**
(43,819)	less: Contributions from Constituent Authorities		(42,207)
(1,910)	**Included in Comprehensive Income and Expenditure Statement**		940
	Items not included in Budget Monitoring report		
2,701	depreciation and impairment of assets	3,607	
9	Amortisation of Intangibles	16	
5	Loss on disposal of assets	0	
(49)	Accumulated absences adjustment	9	
(160)	Correction to accounts after budget monitoring	0	
2,506			3,632
	Items not included in Comprehensive Income and Expenditure Statement		
(2,067)	Minimum Revenue Provision	(2,072)	
0	Direct Revenue Funding	(1,473)	
(20,021)	Transfer to Pension Reserve	24,295	
(1,229)	Capital Grants	0	
(1,857)	Capital Donations and receipts	(2,853)	
(25,174)			17,897
(24,578)	**Surplus on Provision of Services**		**22,469**

20. MEMBERS ALLOWANCES

During 2011/2012, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

2010/11		**2011/12**
9,603	Chair	9,603
7,380	Vice Chair	7,380
1,129	Member	1,129
45,992	Total of members' allowances	**46,730**
14,007	Total of members' expenses	**14,931**

21. OFFICERS REMUNERATION

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

2011/2012

Post Holder Information	Note	Salary (including fees & allowances)	Bonuses	Expense Allowances	Benefits in kind (lease car allowance)	Total Remuneration (excluding pension contributions)	Pension Contributions	Total Remuneration (including pension contributions)
		£	£	£	£	£	£	£
Chief Fire Officer		131,759	1,922	203	2,907	136,791	0	**136,791**
Deputy Chief Fire Officer		106,768	2,898	402	711	110,779	22,742	**133,521**
Assistant Chief Fire Officer (1)		97,378	0	62	1,405	98,845	20,742	**119,587**
Assistant Chief Fire Officer (2)		88,055	0	0	0	88,055	18,756	**106,811**
Assistant Chief Fire Officer (3)	1	87,459	2,525	776	7,996	98,756	13,993	**112,749**
Temporary Assistant Chief Fire Officer (1)	2	73,295	0	20	875	74,190	1,556	**75,746**
Temporary Assistant Chief Fire Officer (2)	3	24,083	0	0	69	24,152	5,170	**29,322**
Clerk		21,022		678	0	21,700	3,364	**25,064**
		629,819	**7,345**	**2,141**	**13,963**	**653,268**	**86,323**	**739,591**

Notes
1. Unlike the other Senior Officers ACFO (3) is required to purchase car fuel for business mileage and then claim back expenses. Also, tax on benefits in kind is calculated on a different basis to the other Senior Officers. This results in a much higher expenses and benefits in kind figure.
2. TACFO (1) Left the post on 2nd January 2012 at an annualised £97,377
3. TACFO (2) Started in the post on 3rd Jan 2012 at an annualised salary £97,377

2010/2011

Post Holder Information	Note	Salary (including fees & allowances)	Bonuses	Expense Allowances	Benefits in kind (lease car allowance)	Total Remuneration (excluding pension contributions)	Pension Contributions	Total Remuneration (including pension contributions)
		£	£	£	£	£	£	£
Chief Fire Officer (1)	1	117,416	1,922	201	2,299	121,838	14,051	**135,889**
Chief Fire Officer (2)	1	10,674	0	0	59	10,733	0	**10,733**
Deputy Chief Fire Officer (1)	2 & 3	85,109	5,905	44	589	91,647	182	**91,829**
Deputy Chief Fire Officer (3)	2	7,331	0	0	620	7,951	1,224	**9,176**
Deputy Chief Fire Officer (2)	3	8,539	0	0	43	8,582	1,819	**10,401**
Assistant Chief Fire Officer (1)	4	88,062	2,843	29	469	91,403	19,363	**110,766**
Assistant Chief Fire Officer (2)	-	96,068	2,843	21	784	99,716	21,068	**120,784**
Assistant Chief Fire Officer (3)	5	76,806	2,843	542	6,824	87,015	13,301	**100,316**
Assistant Chief Fire Officer (4)	6	8,006	0	0	0	8,006	1,705	**9,711**
Temporary Assistant Chief Fire Officer (5)	7	30,215	0	0	0	30,215	6,436	**36,651**
		528,226	**16,356**	**837**	**11,687**	**557,106**	**79,149**	**636,255**

Notes

1. Chief Fire Officer (CFO) (1) had a break in service from 1st October 2010 to 31st October 2010, the annualised salary was £128,090. CFO (1) was replaced by CFO (2) from 1st October 2010 to 31st October 2010 at an annualised salary of £128,090.

2. Deputy Chief Fire Officer (DCFO) (1) left this post on 28th February 2011 at an annualised salary of £102,472, and was replaced by DCFO (3) at an annualised salary of £102,472 on 1st March 2011

3. DCFO (1) temporarily left this post to become CFO (2) from 1st October 2010 to 31st October 2010, and was replaced by DCFO (2) at an annualised salary of £87,977 from 1st October 2010 to 31st October 2010.

4. Assistant Chief Fire Officer (ACFO) (1) left this post on 28th February 2011 at an annualised salary of £96,068, to become DCFO (3)

5. ACFO (3) temporarily left this post at an annualised salary of £83,788, to become DCFO (2) from 1st October 2010 to 31st October 2010. Unlike the other Senior Officers ACFO (3) is required to purchase car fuel for business mileage and then claim back expenses. Also, tax on benefits in kind is calculated on a different basis to other Senior Officers. This results in a much higher expenses and benefits in kind figure.

6. ACFO (4) started in this post on 1st March 2011 at an annualised salary of £96,068.

7. Temporary ACFO (5) started in this post on 4th October 2010 to 9th January 2011and again from 14th March 2011 to date at an annualised salary of £96,068.

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

Number 2010/11	Bracket	Number 2011/12
2	£60,000 to £64,999	1
2	£65,000 to £69,999	1
0	£70,000 to £74,999	1
1	£75,000 to £79,999	1
0	£80,000 to £84,999	0
0	£85,000 to £89,999	0
0	£90,000 to £94,999	0
0	£95,000 to £99,999	0

Remuneration in regards to the above table includes gross salary (including allowances i.e. CPD payments) and lease car allowances.

The ratio of the highest paid salary to the median salary of £28,199 is 4.16:1.

22. TERMINATION BENEFITS

There were no termination benefits payable by the Authority during 2011-12

23. 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.

2010/2011		2011/2012
£000		£000
43	Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	43
12	Fees payable to the Auditor General for Wales in respect of Statutory inspection	12
1	Fees payable in respect of other services provided by the appointed auditor	1

The fees for other services payable relate to a review of Information Security and the participation in the National Fraud Initiative 2011-12

24. GRANT INCOME (Revenue)

2010-11 £'000		2011-12 £'000
709	Community Risk Reduction	1,183
478	New Dimensions & USAR Funding	843
0	Major Disaster Recovery Fund	732
0	Fire link	593
0	DEFRA	170
84	Operational Assurance	8
276	Arson Reduction Team	0
75	Wales Arson Co-ordinator	0
149	Other	30
1,771		**3,559**

25. 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 council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to bargain freely with the Authority.

Related Party Transactions

The Mid and west Wales Fire and Rescue Authority have a number of links with the constituent authorities:

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

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

	Receipts	Payments
	£'000s	£'000s
Carmarthenshire County Council	8,764	725
Cyngor Sir Ceredigion	3,701	108
Neath Port Talbot CBC	6,617	273
Pembrokeshire County Council	5,669	230
Powys County Council	6,357	307
City & County of Swansea	11,230	419
Welsh Government	2,697	0
Dyfed Pension Fund	0	1136
South Wales Fire Service	273	75
North Wales Fire Service	26	1
Dyfed Powys Police	1,239	117
South Wales Police	5	85
North Wales Police	8	0
Gwent Police	6	0
NHS/Ambulance	76	0

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

Related Party Organisation	Nature of relationship	Number of transactions	Payments in year £
Firebrake	Trustee	1	£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.

Members and senior officers of the Authority were asked to declare any third party transactions during the year. Apart from member's allowances and expenses no other transactions were identified.

26. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2010/11 £000		2011/12 £000
10,316	*Opening Capital Financing Requirement*	10,795
	Capital Investment	
5,632	Property, Plant & Equipment (see below)	7,803
	Sources of finance	
0	Capital receipts	0
(3,086)	Government grants and other contributions	(2,847)
0	Direct revenue contributions (note 27)	(926)
(2,067)	MRP/loans fund principal	(2,072)
10,795	*Closing Capital Financing Requirement*	12,753
	Explanation of movements in year	
479	Increase in underlying need to borrowing (unsupported by government financial assistance)	631
0	Assets acquired under finance leases	1,327
479	*Increase/(decrease) in Capital Financing Requirement*	1,958

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

Capital expenditure during the year was as follows:

Scheme	£000
Llandrindod Wells	3,855
Pontardawe	747
Carmarthen campus	293
Morriston campus	270
Gwaun Cae Gurwen	237
Talgarth	107
Minor Works	329
Vehicles	1,769
IT Equipment/ Command and Control	133
Furniture and Equipment	33
Hydrant Installations	30
	7,803

27. FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

2010/2011 £000		2011/2012 £000
2,174	External loans/ Cash holding	2,135
372	Reserves	547
3,086	Grants and Contributions	2,847
0	Capital Receipts	21
0	Direct Revenue Financing	926
0	Lease	1,327
5,632	**Total**	**7,803**

28. CAPITAL COMMITMENTS

The Authority is committed to capital expenditure in following years arising from contracts entered into at the balance sheet date. The estimate of capital expenditure committed at 31st March 2012 and to be made in 2012/13 is £1.75 million. This expenditure relates to a number of projects the main ones being the new Llandrindod Wells and Gwaun Cae Gurwen sites and also the decommissioning of the Morriston Administration site.

29. LEASES

Authority as a Lessee

29.01. 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 2011	31 March 2012
	£000	£000
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	5,332	5,707
	5,332	5,707

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property 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 2011	31 March 2012
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):	6,075	6,502
Finance costs payable in future years	1,011	1,008
Minimum lease payments	7,086	7,510

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

	Minimum Lease Payment		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Not later than one year	1,076	1,213	814	950
Later than one year and not later than five years	3,792	4,002	3,177	3,396
Later than five years	2,218	2,295	2,084	2,156
	7,086	7,510	6,075	6,502

29.02. Operating Leases

Un-discharged obligations under operating leases amounted to £133,396 as at 31st March 2012.

The authority is committed to operating lease payments during the next financial year of £109,282.

	At 31 March 2011	At 31 March 2012
Operating leases which expire:	£000	£000
Within 1 year	0	0
2 - 5 years	268	133
Over 5 years	0	0

30. PFI

The Authority had no PFI Schemes during 2011-12.

31. <u>PENSION SCHEMES (IAS 19)</u>

31.01 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 three pension schemes; all the schemes are defined benefit schemes:

The Firefighters Pension Scheme 1992 and the New Firefighter Pension Scheme 2006 – these are both unfunded schemes, 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 the Welsh Government top-up grant. The two schemes are combined in the rest of these notes.

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 pension's liabilities with investment assets.

31.02 Transactions Relating to Retirement Benefits

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 Schemes £'000s		Local Government Pension Scheme £'000s	
	2011/12	2010/11	2011/12	2010/11
Comprehensive Income and Expenditure Account				
Net Cost of Services				
Current Service Cost	(9,190)	(9,760)	(866)	(962)
Past Service Costs	0	36,430	(6)	1,796
Curtailments	0	0	(3)	0
Net Operating Expenditure				
Interest Cost	(18,250)	(18,680)	(1,642)	(1,793)
Expected Return on Assets in the Scheme	0	0	1,481	1,257
Net Charge to the Income and Expenditure Account	(27,440)	7,990	(1,036)	298
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with IAS 19	27,440	(7,990)	1,036	(298)
Actual amount charged against the General Fund Balance for pensions in the year				
Retirement benefits payable to pensioners	9,370	11,780		
Employers contributions payable to the scheme			866	853

31.03 Actuarial Gains and Losses

Actuarial gains and losses arise where actual events have not coincided with previous actuarial assumptions (experience gains or losses) or the actuarial assumptions have been changed. They result from increases or decreases in either the present value of a defined benefit liability or the fair value of any related planned assets. As actuarial gains and losses are changes in future liabilities they are not credited or charged to the Comprehensive Income Account but taken directly to the Pension Liability Account.

31.04 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Firefighters Pension Schemes £'000s		Local Government Pension Scheme £'000s	
	31 March 2012	31 March 2011 Restated	31 March 2012	31 March 2011
1 April	(320,100)	(350,700)	(29,424)	(30,968)
Current service cost	(9,190)	(9,760)	(866)	(962)
Transfer Values Received	(50)	(880)	0	0
Interest cost	(18,250)	(18,680)	(1,642)	(1,793)
Contributions by scheme participants and employers adjustment	(6,005)	0	(329)	(325)
Past service cost	0	36,430	(6)	1,796
Actuarial gains and losses	(12,360)	11,710	(1,294)	2,503
Curtailments	0	0	(3)	0
Benefits paid	9,370	11,780	347	325
31 March	(356,585)	(320,100)	(33,217)	(29,424)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £'000s	
	31 March 2012	31 March 2011
1 April	22,822	19,447
Expected rate of return	1,481	1,257
Actuarial gains and losses	(1,020)	1,265
Employer contributions	866	853
Contributions by scheme participants	329	325
Benefits paid	(347)	(325)
31 March	24,131	22,822
Actual Return	461	6,602

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.

31.05 Scheme History

	2007/08 As restated	2008/09 As restated	2009/10	2010/11 As restated	2011/12
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities					
Firefighters Pension Schemes	(235,870)	(230,780)	(350,700)	(320,100)	(356,585)
Local Government Pension Scheme	(23,887)	(20,024)	(30,968)	(29,424)	(33,217)
Total Liabilities	(259,757)	(250,804)	(381,668)	(349,524)	(389,802)
Fair Value of assets in the Local Government Pension Scheme	16,083	13,522	19,447	22,822	24,131
Surplus/(deficit) in the Schemes					
Firefighters Pension Schemes	(235,870)	(230,780)	(350,700)	(320,100)	(356,585)
Local Government Pension Scheme	(7,804)	(6,502)	(11,521)	(6,602)	(9,086)
- Total deficit	(243,674)	(237,282)	(362,221)	(326,702)	(365,671)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total gross liability of £389.802m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £365.671m in the pension reserve and £304.137m in total equity.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy;

- finance is only required to be raised to cover Firefighter Pensions when the pensions are actually paid.
- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made in the Fire Fighters Pension Schemes by the Authority in the year to 31 March 2013 are £3,314k. Expected contributions for the Local Government Pension Scheme in the year to 31 March 2013 are £866k.

31.06 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 Pension Schemes 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 31 March 2010.

The principal assumptions used in their calculations have been:

	Firefighter Pension Schemes		Local Government Pension Scheme	
	2011/12	2010/11	2011/12	2010/11
Long term expected rate of return on assets in the scheme:				
Equity investments	-	-	7.0%	7.5%
Government bonds	-	-	3.1%	4.4%
Other bonds	-	-	4.1%	5.1%
Property	-	-	6.0%	6.5%
Cash/Liquidity	-	-	0.5%	0.5%
Mortality assumptions				
Longevity at 65 for current pensioners:				
Men	23.4	23.4	22.0	21.9
Women	25.3	25.3	24.6	24.5
Longevity at 65 for future pensioners:				
Men	26.5	26.3	23.4	23.3
Women	28.3	28.0	26.1	26.1
Rate of CPI inflation	2.5%	3.0%	2.5%	2.9%
Rate of increase in salaries	4.7%	5.3%	4.25%	4.65%
Rate of increase in pensions	2.5%	3.9%	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.7%	4.9%	5.5%
Take-up of option to convert annual pension into retirement lump sum	-	-	50%	50%

The Firefighters Pension Schemes have no assets to cover its liabilities. The Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held by the Fund.

	31 March 2012 %	31 March 2011 %
Equity investments	69.2	70.5
Government Bonds	11.1	12.1
Other Bonds	11.2	11.2
Property	7.1	4.5
Cash/liquidity	1.4	1.7
Other assets	0.0	0.0
	100.0	100.0

31.07 History of Experience Gains and Losses

Firefighters Pension 1992 Scheme

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	0.0	0.0	0.0	0.0	0.0
Experience gains and losses on liabilities	1.7	1.4	153.1	2.1	0.6

Firefighters New Pension Scheme

	2008/09	2009/10	2010/11 as restated	2011/12
	%	%	%	%
Differences between the expected and actual return on assets	0.0	0.0	0.0	0.0
Experience gains and losses on liabilities	(59.8)	33.0	47.4	20.6

Local Government Pension Scheme

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(6.1)	(31.3)	22.0	5.5	4.2
Experience gains and losses on liabilities	(5.4)	0	0	4.0	0

32. 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 Firefighters are permitted to buy into the Uniformed Staff Pension Scheme. Where Retained Firefighters 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.

33. <u>NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS</u>

Disclosure of nature and extent of risk arising from Financial Instruments

Key risks. - 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 rates movements.

Overall procedures for managing risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services 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 CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury 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 to 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 Government guidance.

These are required to be reported and approved at or before the Authority's annual Authority Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Authority 7th February 2011. The key issues within the strategy were:

The Authorised Limit for 2011/12 was set at £19.5m. This is the maximum limit of external borrowings or other long term liabilities.

The Operational Boundary was expected to be £18m. This is the expected level of debt and other long term liabilities during the year.

The maximum amounts of fixed and variable interest rate exposure were set at 100% and 5% based on the Authority's net debt.

The maximum and minimum exposures to the maturity structure of debt are shown in the table on page 88.

The Authority maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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 full Investment Strategy for 2011/12 was approved by Full Authority on 7th February 2011.

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Collateral – During the reporting period the Authority held no collateral as security

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. 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 and investment 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 both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team 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
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits	Approved maximum limits	Actual 31 March 2011 £000s	Actual 31 March 2012 £000s	Average Interest Rates %
Less than 1 year	0%	20%	1,845	320	5.199
Between 1 and 2 years	0%	20%	320	304	5.123
Between 2 and 5 years	0%	50%	868	845	5.046
Between 5 and 10 years	0%	75%	1,276	1,192	4.993
More than 10 years	25%	90%	4,470	4,273	4.193
Total			8,779	6,934	4.552

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 Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk - The Authority, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

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.

Fire Fighters Pension Fund

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012

2010-11 £000's		2011-12 £000's	2011-12 £000's
	Contributions receivable		
	Employer:		
(3,367)	- normal	(3,314)	
(385)	- early retirements (ill health)	(453)	
(1,799)	- members	(1,762)	
(5,551)			(5,529)
(887)	Individual Transfers In from other schemes		(49)
	Benefits payable		
5,017	- pensions	5,323	
3,019	- commutations and lump sum retirement benefits	583	
81	- lump sum death benefits	0	
8,117			5,906
	Other		
522	Widows Pension	578	
24	Dependant Children	37	
2,350	Ill Health	2,465	
2,896			3,080
	Payments to and on account of leavers		
521	Individual transfers out to other schemes	128	
			128
5,096	**Deficit for year before top-up grant receivable from the Welsh Government**		3,536
(5,096)	**Top Up Grant Receivable from the Welsh Government**		(3,536)
0	**Net amount payable/receivable for the year**		0

NET ASSETS STATEMENT AS AT 31 MARCH 2012

2010-11 £000's		2011-12 £000's
	Current Assets:	
(3,643)	Top-up received from the Welsh Government	(8,112)
5,096	Top-up receivable from the Welsh Government	3,536
1,453		4,576
	Current Liabilities:	
(1,453)	Amount owed by/(to) General Fund	(4,576)
0	**Net amount payable/receivable for year**	0

NOTES TO THE PENSION FUND ACCOUNT

Introduction

The funding arrangements for the Firefighters 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 Government or by paying any surplus to the Welsh Government. Employees' and employers' contribution levels are based on percentages of pay set nationally by the Welsh 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.