

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



**STATEMENT OF ACCOUNTS  
2010/2011**

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## **EXPLANATORY FOREWORD**

The following pages show the financial performance for the year commencing the 1st April 2010 and ending on the 31st March 2011 for the Mid and West Wales Fire and Rescue Authority.

The Authority's accounts for 2010/2011 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 Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income & Expenditure Statement (CIES) – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. This Authority raises a levy on the constituent unitary authorities to cover expenditure in accordance with regulations; this may be different from the accounting cost. The position is shown in the Movement in Reserves Statement.

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, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. These are unusable reserves.

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 levy 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

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activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

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

A statement of the responsibilities for this statement of accounts is given on page 8.

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 that give a better understanding of them.

**The Outturn for the year**

	<b>BUDGET £,000</b>	<b>ACTUAL £,000</b>	<b>VARIANCE £,000</b>
<b><u>REVENUE</u></b>			
EXPENDITURE	<b>45,622</b>	<b>45,151</b>	<b>(471)</b>
INCOME	<b>(1,223)</b>	<b>(3,402)</b>	<b>(2,179)</b>
USE OF RESERVES	<b>(580)</b>	<b>2,070</b>	<b>2,650</b>
SURPLUS /DEFICIT	<b>43,819</b>	<b>43,819</b>	<b>0</b>
UNITARY AUTHORITY CONTRIBUTIONS	<b>(43,819)</b>	<b>(43,819)</b>	<b>0</b>
<b>CAPITAL</b>	<b>3,640</b>	<b>5,632</b>	<b>1,992</b>

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**SPENDING REVIEW**

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 2010/11, the proportions were as follows:

	Proportion %
Carmarthenshire County Council	21
Ceredigion County Council	9
Neath and Port Talbot County Borough Council	16
Pembrokeshire County Council	13
Powys County Council	15
City and County of Swansea Council	26

***Revenue Spending***

The total net expenditure for the year was £41.749 million, compared with the net revenue budget of £44.399 million. The under spend of £2.650 million was achieved by curtailing expenditure wherever possible to ease anticipated pressures in 2011/12. The majority of the savings occurred on pay (as the authority did not recruit during 2010/11) and firefighter's pension related budgets.

***Capital Expenditure***

Total capital expenditure in the year amounted to £5.632 million.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
1,230	Property – Refurbishments, adaptations, new buildings	1,892
512	Vehicles and Plant	2,053
2,144	Operational and I.C.T. Equipment	1,687
<b>3,886</b>	<b>Total Capital Expenditure</b>	<b>5,632</b>

***Capital Receipts***

Assets with a net book value of £5k were disposed of during 2010-11 the proceeds were too small to be accounted for as capital receipts.

***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. Loans for £1.5 million were taken out in the year in respect of the capital programme bringing the total principal outstanding as at 31 March 2011 to £8.779 million. All of the outstanding loans are with the PWLB.

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***Revenue Sources of Funding***

<b>2009/10 £000</b>		<b>2010/11 £000</b>
47,534	Unitary Authority Contributions	43,819
2,820	Revenue Grants	1,771
10	Interest	6
576	Fees and Charges	555
5,096	Useable Reserves	6,834

***Capital Sources of Funding***

<b>2009/10 £000</b>		<b>2010/11 £000</b>
1,253	External Loans/ Cash holding	2,227
0	Reserves	3,090
1,318	Grants and Contributions	315
64	Direct Revenue Financing	0
1,251	Leases	0

***Material Additions to Non –Current Assets Acquired/Liabilities incurred***

<b>Scheme</b>	<b>2010/11 £000</b>
Gwaun Cae Gurwen	29
Llandrindod Wells	504
Pontardawe	78
Earlswood	777
Minor Works	368
Minerva Suite	136
Hydrant Installations	31
Vehicles	2,053
PPE	1,031
Furniture and Equipment	336
IT Equipment/ Command and Control	289
	<b><u>5,632</u></b>

***Pension Liability***

In 2010/11, 21 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 net liability as at 31 March 2011 was £331 million for Fire Fighters pension schemes and £29.4 million for the Local Government pension scheme.

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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.

***Significant changes***

Changes introduced by the 2010 Code of Practice that are applicable to the Statement of Accounts for Mid and West Wales Fire and Rescue Authority were;

***The significance of the move from a UK GAAP basis to an IFRS basis***

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Please refer to Note 1 to the Financial Statements for details of the impact of this change.

***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 Corporate Directors for their assistance and co-operation throughout this process.

***Signed by E. A. Aitken***  
***Director of Resources and Treasurer***  
***26<sup>th</sup> September 2011***



**STATEMENT OF RESPONSIBILITIES / CERTIFICATE OF THE  
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## **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 Fund Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the 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 set out on pages 2 to 95 gives a true and fair view of the financial position of the Authority as at the 31 March 2011 and its income and expenditure for the year then ended.

Signed by: E A Aitken  
Treasurer

Dated: 26th September 2011

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## **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](http://www.mawwfire.gov.uk) or can be obtained from Mid and West Wales Fire and Rescue Authority, Fire Brigade Headquarters, Lime Grove Avenue, Carmarthen SA31 1SP.

During the year 2010/11 the Authority has reviewed its management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. Specifically it has given the Clerk to the Authority the responsibility for overseeing the implementation and monitoring of the Code, reviewing its operation in practice and reporting annually to the Authority on compliance with the Code and any changes that may be necessary to maintain and ensure its effectiveness.

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

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

Signed: .....

Councillor Cheryl Philpott, Chair of the Fire Authority

Signed: .....

Richard Smith, Chief Fire Officer

## **THE CODE OF CORPORATE GOVERNANCE**

### **1 Introduction**

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

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

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

### **Our Vision**

1. To be a World Class Organisation.

### **Our Objectives**

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

### **Our Values**

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

## **Our Message**



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

### **Openness & Inclusivity**

Openness is required to ensure that stakeholders can have confidence in the decision-making and management processes of Mid and West Wales Fire and Rescue Authority, and in the approach of the individuals within it. An inclusive approach will also ensure that all stakeholders and potential stakeholders have the opportunity to engage effectively with the decision-making processes and actions of the Mid and West Wales Fire and rescue Authority.

### **Integrity**

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

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**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.



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

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

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

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

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

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<b>Principle 6 : Engaging stakeholders and making accountability real</b>		
<b>The principles of good governance that we have adopted are:-</b>	<b>What we will do to meet them.</b>	<b>How we will demonstrate compliance</b>
<p><b>Engage with the community we serve to ensure robust local public accountability:</b>  By:-</p> <ul style="list-style-type: none"> <li>• Engaging local people and stakeholders, including partners.</li> <li>• Taking an active and planned approach to consultation with the public and stakeholder groups to ensure effective and appropriate service delivery.</li> <li>• Taking an active and planned approach to meet responsibilities to staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Set out clearly the Authority's key accountabilities and the means by which these will be reported.</li> <li>• Maintain arrangements for communicating and consulting with the all sections of public and key stakeholders about the Authority's policies and services.</li> <li>• Maintain processes to consult with staff and their representatives</li> <li>• Ensure that feedback from the consultation process is incorporated into the development of future performance plans.</li> <li>• Publish an annual performance plan with quarterly performance updates setting out plans and performance, including financial performance.</li> <li>• Ensure that all Authority meetings and reports are accessible to the public except where legislation requires confidentiality to be preserved.</li> <li>• When working with partners ensure that the same principles are applied to the work of the partnership.</li> </ul>	<ul style="list-style-type: none"> <li>• Publish and deliver the corporate communications plan.</li> <li>• Meet regularly with union representatives to consult on both key policy and service delivery changes.</li> <li>• Identify in Authority reports where the results of consultation have influenced policy decisions.</li> <li>• Copies of annual reports, the Risk Reduction Plan and the Improvement Plan made available on the web site and libraries.</li> <li>• 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.</li> <li>• Include clear accountability and communication provisions within all partnership agreements.</li> </ul>

**INDEPENDENT AUDITORS 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 2011 under the Public Audit (Wales) Act 2004.

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

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 2010/11 based on International Financial Reporting Standards (IFRS's).

**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 8, 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

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



**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**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 2011 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 2010/11.

**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 Firefighters' Pension Fund during the year ended 31 March 2011 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 2010/11.

**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  
**Appointed Auditor**  
**Wales audit Office,**  
**24 Cathedral Road,**  
**Cardiff,**  
**CF11 9LJ**  
**26<sup>th</sup> September 2011**

***MID AND WEST WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

***MID AND WEST WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

**FINANCIAL STATEMENTS**

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**MOVEMENT IN RESERVES STATEMENT**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	0	0	0	(206,655)	(206,655)
<b>Movement in reserves during 2009/10</b>					
Surplus or (deficit) on the provision of services	(6,229)	0	(6,229)	0	(6,229)
Other Comprehensive Income and Expenditure	0	0	0	(113,397)	(113,397)
<b>Total Comprehensive Income and Expenditure</b>	(6,229)	0	(6,229)	(113,397)	(119,626)
Adjustments between accounting basis & funding basis under regulations (note 3)	11,325	0	11,325	(11,325)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	5,096	0	5,096	(124,722)	(119,626)
Transfers to/(from) Earmarked Reserves (note 15)	(5,096)	5,096	0	0	0
<b>Increase/(Decrease) in 2009/10</b>	0	5,096	5,096	(124,722)	(119,626)
<b>Balance at 31 March 2010 carried forward</b>	0	5,096	5,096	(331,377)	(326,281)

**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010 brought forward</b>	0	5,096	5,096	(331,377)	(326,281)
<b>Movement in Reserves during 2010/11</b>					
Surplus or (deficit) on the provision of services	24,578	0	24,578	0	24,578
Other Comprehensive Income and Expenditure	0	0	0	4,638	4,638
<b>Total Comprehensive Income and Expenditure</b>	24,578	0	24,578	4,638	29,216
Adjustments between accounting basis & funding basis under regulations (note 3)	(22,508)	0	(22,508)	22,508	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	2,070	0	2,070	27,146	29,216
Transfers to/(from) Earmarked Reserves (note 15)	(2,070)	1,698	(372)	372	0
<b>Increase/(Decrease) in 2010/11</b>	0	1,698	1,698	27,518	29,216
<b>Balance at 31 March 2011 carried forward</b>	<b>0</b>	<b>6,794</b>	<b>6,794</b>	<b>(303,859)</b>	<b>(297,065)</b>

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**COMPREHENSIVE INCOME AND EXENDITURE STATEMENT**  
**FOR YEAR ENDING 31<sup>ST</sup> MARCH 2011**

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
5,891	(1,220)	4,671	Community Safety	6,375	(1,173)	5,202
33,874	(1,269)	32,605	Fire Fighting & Rescue Operations	35,715	(1,235)	34,480
1,278	(908)	370	Fire Service Emergency Planning	1,056	(699)	357
504	0	504	Corporate and democratic core	615	(6)	609
0	0	0	Non distributed costs (note 31.2)	(38,206)	0	(38,206)
41,547	(3,397)	38,150	<b>Cost of Services</b>	5,555	(3,113)	2,442
		4	Other operating expenditure (note 4)			5
		16,927	Financing and investment income and expenditure (note 5)			19,880
		(48,852)	Taxation and non-specific grant income (note 6)			(46,905)
		6,229	<b>(Surplus) or Deficit on Provision of Services</b>			(24,578)
		113,397	Actuarial gains/losses on pension assets / liabilities			(4,638)
		113,397	<b>Other Comprehensive Income and Expenditure</b>			(4,638)
		119,626	<b>Total Comprehensive Income and Expenditure</b>			(29,216)

**BALANCE SHEET AS AT 31<sup>st</sup> March 2011**

<b>1 April 2009 £000</b>	<b>31 March 2010 £000</b>		<b>Notes</b>	<b>31 March 2011 £000</b>
47,477	49,001	Property, Plant & Equipment	7	51,926
84	75	Intangible Assets	8	66
136	130	Long Term Debtors	-	124
<b>47,697</b>	<b>49,206</b>	<b>Long Term Assets</b>		<b>52,116</b>
1,000	0	Short Term Investments	-	0
251	336	Inventories	10	479
3,892	3,203	Short Term Debtors	11	6,731
1,477	1,677	Cash and Cash Equivalents	12	1,017
<b>6,620</b>	<b>5,216</b>	<b>Current Assets</b>		<b>8,227</b>
(366)	(366)	Short Term Borrowing	9	(1,866)
(8,771)	(3,957)	Short Term Creditors	13	(4,849)
(727)	(763)	Other Short Term Liabilities	29	(814)



**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

(613)	(85)	Provisions	14	(122)
(10,477)	(5,171)	<b>Current Liabilities</b>		(7,651)
(7,625)	(7,280)	Long Term Borrowing	9	(6,934)
(5,588)	(6,031)	Other Long Term Liabilities	29	(5,261)
(237,282)	(362,221)	Net Pension Liability	31	(337,562)
(250,495)	(375,532)	<b>Long Term Liabilities</b>		(349,757)
(206,655)	(326,281)	<b>Net Assets</b>		(297,065)
0	5,096	Usable Reserves	15	6,794
(206,655)	(331,377)	Unusable Reserves	16	(303,859)
(206,655)	(326,281)	<b>Total Reserves</b>		(297,065)

**CASH FLOW STATEMENT**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
6,229	Net (surplus) or deficit on the provision of services	(24,578)
(9,777)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	20,041
<b>(3,548)</b>	<b>Net cash flows from Operating Activities (Note 17.1)</b>	<b>(4,537)</b>
2,869	Investing Activities (note 17.2)	5,632
479	Financing Activities (note 17.3)	(435)
<b>200</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(660)</b>
 1,477	 Cash and cash equivalents at the beginning of the reporting period	 1,677
<b>1,677</b>	<b>Cash and cash equivalents at the end of the reporting period (note 12)</b>	<b>1,017</b>

**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
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## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

The Authority's accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting for United Kingdom 2010/11 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). The accounting principles used are as disclosed below.

### **INCOME AND EXPENDITURE**

#### **Revenue**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and consumption; they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **CASH AND CASH EQUIVALENTS**

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

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

## **CHARGES TO REVENUE FOR NON CURRENT ASSETS**

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

Depreciation charges are calculated using the straight-line method. For assets acquired by purchase, depreciation is charged from the year following acquisition to the year of disposal, based on the following estimated useful lives:-

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

Assets financed by finance lease are depreciated from the year they are acquired and over the shorter of the lease period or their useful life.

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

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

## **REDEMPTION OF DEBT AND EXTERNAL INTEREST**

In accordance with the Local Government Act 2003 the Authority implemented the Minimum Revenue Provision (MRP) guidance and will assess their MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Act.

The major proportion of the MRP will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with *option 1* of the guidance. Certain expenditure reflected within the debt liability will under delegated powers be subject to MRP under *option 3*, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Interest charged on external borrowing and also interest receivable on investments, is accrued and accounted for in the period to which it relates.

## **EMPLOYEE BENEFITS**

### **A 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.

### **B 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.

### **C Post Employment Benefits**

#### **Pensions**

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

#### **1. The Fire-Fighters Pension Scheme**

This is an unfunded scheme meaning that there are no investment assets built to meet pension liabilities. Cash has to be generated by the Authority to meet actual pension payments as they fall due. Employees and employers contributions are based on the percentage of pensionable pay set nationally by the Welsh Government and subject to triennial revaluation by the Government Actuarial Department. Any difference between the benefits payable and contributions receivable is met by a top up grant from the Welsh Government.

**2. Support and Control Room Staff – The Local Government Pension Scheme.**

These officers contribute to the Dyfed Pension Fund which is administered by Carmarthenshire County Council. This is a funded scheme with the pension paid from underlying investment funds managed by the Dyfed pension Fund. 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.

**EVENTS AFTER THE REPORTING PERIOD**

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

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

**EXCEPTIONAL ITEMS**

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

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

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

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

**FINANCIAL INSTRUMENTS**

***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.



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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 cash flows 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', Loans and receivables.

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

**Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'**

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are also categorised as held for trading unless they are designated as hedges.

Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the Comprehensive Income and Expenditure Statement.

**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'.

**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
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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 Comprehensive Income and Expenditure Statement.

**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 Balance Sheet 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.

**Determination of fair value**

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from discounted cash flow analysis.

**Impairment of financial assets**

At the Balance Sheet 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.

**INVESTMENTS**

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

**FOREIGN CURRENCY TRANSLATION**

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

## **GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

## **INVENTORIES AND LONG TERM CONTRACTS**

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

## **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 Comprehensive Income and Expenditure Statement.

### **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.

## **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 2010/11* (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:

<sup>33\*</sup> Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.

<sup>33\*</sup> Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
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These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

**PROPERTY PLANT AND EQUIPMENT**

**Recognition**

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential 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.

**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 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 30 April 2008.

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.

Property, plant and equipment which has been 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 trust, 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 Comprehensive Income and Expenditure Statement 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.

## **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.

## **DISPOSAL FIXED ASSETS**

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

## **PROVISIONS, CONTINGENT LIABILITIES 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.

## **CONTINGENT LIABILITIES**

IAS 37 defines contingent liabilities as either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or a present obligation that arises from past events but is not recognised because
  - a) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - b) the amount of the obligation cannot be measured with sufficient reliability.

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

## **RESERVES**

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

## **VALUE ADDED TAX**

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

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

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements 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.

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

**STATEMENT OF ACCOUNTS 2010-2011**

**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 2011 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.	<p>If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £22k for every year that useful lives had to be reduced.</p>

**EVENTS AFTER BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Treasurer on 12<sup>th</sup> September 2011. 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 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted as there were no events after the balance sheet date.

**2. RESTATEMENT OF OPENING BALANCES**

**CHANGE FROM UK GAAP TO IFRS**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transaction, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.



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**2.1 Short Term Accumulating Compensated Absences**

Short-term accumulating compensated absences refers to benefits that employees received as part of their contract of employment, entitlement to which is built up as they provide services to the authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the authority is required to accrue for any annual leave earned but not taken at 31<sup>st</sup> March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Creditors	(8,747)	(637)
Accumulated Absences Account	0	637

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Creditors	(3,383)	(659)
Accumulated Absences Account	0	659

**2009/10 Comprehensive Income and Expenditure Statement**

**Cost of Services (Net)**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Community Safety	4,635	3
Fire Fighting and Rescue Operations	32,171	17
Fire Service Emergency Planning	318	2
Corporate and Democratic Core	504	0
Non Distributed Costs	500	0

**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
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**2.2 Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the asset which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Government Grants Deferred Account	(2,360)	2,360
Capital Adjustment Account	(21,293)	(2,360)

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Government Grants Deferred Account	(3,426)	3,426
Grants Unapplied Account (liabilities)	0	0
Capital Adjustment Account	(20,620)	(3,426)
Capital Grants Unapplied Account (reserves)	0	0

**2009/10 Comprehensive Income and Expenditure Statement**

Cost of Services (Net)

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Community Safety	4,635	27
Fire Fighting and Rescue Operations	32,171	179
Fire Service Emergency Planning	318	46
Corporate and Democratic Core	504	0
Non Distributed Costs	500	0

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

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**2.3 Leases**

The definition of Finance Leases and Operating Leases under the Code has changed which has resulted in a number of assets that were previously classified as Operating leases being re-classified as Finance leases. These changes are effective from the date the lease was entered into.

As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The fair value of the assets leased and accumulated depreciation from the lease date has been added to Property, Plant and Equipment in the opening 1 April 2009 Balance Sheet.
- The outstanding liability on the lease has been taken to the Balance Sheet as a Long Term liability in the opening 1 April 2009 Balance Sheet. The difference between the value of the outstanding liability and net assets is recorded in the Capital Adjustment Account.
- The rentals paid under the operating lease arrangements have been reversed in the Comprehensive Income and Expenditure Statement and replaced with a charge for interest only and depreciation. The difference between the charges has been set against Reserves.

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Property, Plant and Equipment	41,739	5,738
Other Short Term Liabilities	0	(727)
Other Long Term Liabilities	0	(5,588)
Capital Adjustment Account	(21,293)	577

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Property, Plant and Equipment	43,974	5,027
Other Short Term Liabilities	0	(763)
Other Long Term Liabilities	(1,175)	(4,856)
Capital Adjustment Account	(20,620)	639
Reserves	(5,049)	(47)

**2009/10 Comprehensive Income and Expenditure Statement**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Fire Fighting and Rescue Operations	32,171	(215)
Financing and Investment Income	415	187
Deficit for year	6,637	(28)

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**2.4 Firefighters Pension Fund**

Under the requirements of IAS19, the Government Actuary's Department have valued expected injury awards for active members. This is a change from previous practice and has required:

- An additional Pension Liability and Reserve to be added to the opening 1 April 2009 Balance Sheet.
- Adjustment to Fire Fighting and Rescue Operations (for current service cost) ,Non Distributable Costs (for past service cost) and Financing and Investment Income (for interest on increased liability)

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Net Pension Liability	(226,892)	(10,390)
Unusable Reserves	197,411	10,390

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Net Pension Liability	(344,561)	(17,660)
Unusable Reserves	315,845	17,660

**2009/10 Comprehensive Income and Expenditure Statement**

	<b>2009/10 Statements £000</b>	<b>Adjustments made £000</b>
Fire Fighting and Rescue Operations	32,171	420
Non Distributable Costs	500	(500)
Financing and Investment Income	415	700

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**2.5 Summary of Changes**

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10</b>	<b>Absences</b>	<b>Grants</b>	<b>Leases</b>	<b>Pensions</b>
	<b>Statements</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment	41,739	0	0	5,738	0
Creditors	(8,747)	(637)	0	0	0
Deferred Grants	(2,360)	0	2,360	0	0
Short Term Liabilities	0	0	0	(727)	0
Long Term Liabilities	0	0	0	(5,588)	0
Pension Liability	(26,892)	0	0	0	(10,390)
Unusable Reserves	197,411	637	(2,360)	577	10,390

**31 March 2010 Balance Sheet**

	<b>2009/10</b>	<b>Absences</b>	<b>Grants</b>	<b>Leases</b>	<b>Pensions</b>
	<b>Statements</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment	43,974	0	0	5,027	0
Creditors	(3,383)	(659)	0	0	0
Deferred Grants	(3,426)	0	3,426	0	0
Short Term Liabilities	0	0	0	(763)	0
Long Term Liabilities	(1,175)	0	0	(4,856)	0
Pension Liability	(344,561)	0	0	0	(17,660)
Unusable Reserves	315,845	659	(3,426)	639	17,660
Usable Reserves	(5,049)	0	0	(47)	0

**2009/10 Comprehensive Income and Expenditure Statement**

	<b>2009/10</b>	<b>Absences</b>	<b>Grants</b>	<b>Leases</b>	<b>Pensions</b>
	<b>Statements</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community Safety	4,635	3	27	0	0
Fire Fighting and Rescue Operations	32,171	17	179	(215)	420
Fire Service Emergency Planning	318	2	46	0	0
Corporate and Democratic Core	504	0	0	0	0
Non Distributable Costs	500	0	0	0	(500)
Financing and Investment Income	415	0	0	187	700

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**3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS**

2010/11	General Fund Balance £000	<u>Usable Reserves</u> Total Usable Reserves £000	Movement in Unusable Reserves £000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>			
Charges for depreciation and impairment of non-current assets	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)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>			
Statutory provision for the financing of capital investment	(2,067)	(2,067)	2,067
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(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
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(49)	(49)	49
<b>TOTAL ADJUSTMENTS</b>	<b>(22,508)</b>	<b>(22,508)</b>	<b>22,508</b>

**MID AND WEST WALES FIRE & RESCUE AUTHORITY**  
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2009/10	Usable Reserves		Movement in Unusable Reserves £000
	General Fund Balance £000	Total Usable Reserves £000	
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>			
Charges for depreciation and impairment of non-current assets	2,347	2,347	(2,347)
Amortisation of intangible assets	8	8	(8)
Capital grants and donations applied	(1,299)	(1,299)	1,299
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	4	4	(4)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>			
Statutory provision for the financing of capital investment	(1,235)	(1,235)	1,235
Capital expenditure charged against the General Fund	(64)	(64)	64
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	23,297	23,297	(23,297)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,755)	(11,755)	11,755
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	22	22	(22)
<b>TOTAL ADJUSTMENTS</b>	<b>11,325</b>	<b>11,325</b>	<b>(11,325)</b>

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**4. OTHER OPERATING EXPENDITURE**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
<u>4</u>	Loss on sale of Non current assets	<u>5</u>

**5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
248	Interest paid on Finance Leases	313
364	Interest paid on Loans	357
15,760	Firefighters Pension Interest Cost	18,680
1,441	LGPS Pension Interest Cost	1,793
(876)	LGPS Expected return on pension assets	(1,257)
<u>(10)</u>	Interest received from investments	<u>(6)</u>
<u>16,927</u>		<u>19,880</u>

**6. TAXATION AND NON SPECIFIC GRANT INCOME**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(1,318)	Capital Grants received	(1,229)
0	Capital Donations received	(1,857)
<u>(47,534)</u>	Levies from Constituent Authorities	<u>(43,819)</u>
<u>(48,852)</u>		<u>(46,905)</u>



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**7. PROPERTY, PLANT AND EQUIPMENT**

**Movement on Tangible Fixed Assets**

<b>2010/11</b>	<b>Land and Buildings</b>	<b>Infrastructure</b>	<b>Vehicles and Equipment</b>	<b>Non Operational</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Gross Book Values</u></b>					
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	5,632
Donated Assets	0	0	1,706	0	1,706
Disposals	0	0	(149)	0	(149)
<b>At 31 March 2011</b>	<b>41,522</b>	<b>275</b>	<b>28,696</b>	<b>1,005</b>	<b>71,498</b>
<b><u>Accumulated Depreciation</u></b>					
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
<b>At 31 March 2011</b>	<b>(2,554)</b>	<b>(45)</b>	<b>(16,973)</b>	<b>0</b>	<b>(19,572)</b>
<b><u>Net Book Values</u></b>					
<b>At 1 April 2010</b>	<b>38,468</b>	<b>205</b>	<b>9,856</b>	<b>472</b>	<b>49,001</b>
<b>At 31 March 2011</b>	<b>38,968</b>	<b>230</b>	<b>11,723</b>	<b>1,005</b>	<b>51,926</b>

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<b>2009/10</b>	<b>Land and Buildings</b>	<b>Infrastructure</b>	<b>Vehicles and Equipment</b>	<b>Non Operational</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Gross Book Values</u></b>					
At 1 April 2009	39,249	206	22,549	156	62,160
Revaluations	0	0	0	0	0
	39,249	244	22,549	156	62,160
Additions	914	38	3,869	316	3,886
Disposals	0	0	(32)	0	(32)
<b>At 31 March 2010</b>	<b>40,163</b>	<b>244</b>	<b>16,282</b>	<b>472</b>	<b>66,014</b>
<b><u>Accumulated Depreciation</u></b>					
At 1 April 2009	(836)	(35)	(13,812)	0	(14,683)
Revaluations	0	0	0	0	0
Depreciation for year	(859)	(4)	(1,484)	0	(2,347)
Disposals	0	0	17	0	17
<b>At 31 March 2010</b>	<b>(1,695)</b>	<b>(39)</b>	<b>(15,279)</b>	<b>0</b>	<b>(17,013)</b>
<b><u>Net Book Values</u></b>					
<b>At 1 April 2009</b>	<b>38,413</b>	<b>171</b>	<b>8,737</b>	<b>156</b>	<b>47,477</b>
<b>At 31 March 2010</b>	<b>38,468</b>	<b>205</b>	<b>9,856</b>	<b>472</b>	<b>49,001</b>

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 30<sup>th</sup> April 2008, at £38.36m, by Mr C Davies MRICS, Chartered Surveyor.

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.

No diminution in value of individual assets was identified in the 2010/11 Impairment Review.

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**8. INTANGIBLE ASSETS**

<b>Purchased Software Licences 2009/10 £'000</b>		<b>Purchased Software Licences 2010/11 £'000</b>
	<b>Gross Book Value</b>	
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
	<b>Accumulated Amortisation</b>	
(5)	At 1 April	(13)
(8)	Amortisation during year	(9)
0	Disposals during year	0
(13)		(22)
	<b>Net Book Value</b>	
84	Opening balance at 1 April	75
75	Closing balance at 31 March	66

Intangible fixed assets are valued at amortised historic cost.

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**9. FINANCIAL INSTRUMENTS**

(1) Financial Instruments Balances

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

£000s	Long-Term			Current		
	31 March 2011	31 March 2010	31 March 2009	31 March 2011	31 March 2010	31 March 2009
Financial liabilities	6,934	7,280	7,265	1,845	345	367
+ Accrued Interest	0	0	0	21	21	21
Financial liabilities at amortised cost (1)	6,934	7,280	7,265	1,866	366	388
<b>Total borrowings</b>	<b>6,934</b>	<b>7,280</b>	<b>7,265</b>	<b>1,866</b>	<b>366</b>	<b>388</b>
Finance lease liabilities	5,261	6,031	5,588	814	763	727
<b>Total other long term liabilities</b>	<b>5,261</b>	<b>6,031</b>	<b>5,588</b>	<b>814</b>	<b>763</b>	<b>727</b>
Financial liabilities at amortised cost	0	0	0	4,849	3,957	8,771
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,615</b>	<b>3,957</b>	<b>8,771</b>
Loans and receivables	124	130	136	6,739	3,211	3,900
<b>Total debtors</b>	<b>124</b>	<b>130</b>	<b>136</b>	<b>6,723</b>	<b>3,195</b>	<b>3,900</b>

**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.

**Note 2** – Fair value has been measured by:

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

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**Note 3** – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Authority has made no such guarantees

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.

**Unusual Movements**

There were no unusual movements.

**(2) Financial instruments Gains/Losses**

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

<b>Financial Instruments Gains and Losses 2010/11</b>					
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s (1)	Fair value through the I&E £000s (2)	Total £000s
Interest expense	(670)	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(670)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>(670)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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<b>Financial Instruments Gains and Losses 2009/10</b>					
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s (1)	Fair value through the I&E £000s (2)	Total £000s
Interest expense	(612)	0	0	0	0
<b>Net gain/(loss) for the year</b>	<b>(612)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Available for Sale Assets**

None are held by the Authority

**Fair value of Assets and Liabilities carried at Amortised Cost**

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

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

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The fair values calculated are as follows:

£000s	31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	8,779	9,228	7,625	7,921
Non-PWLB debt	0	0	0	0
Total debt	8,779	9,228	7,625	7,921
Long term creditors	0	0	0	0
<b>Total Liabilities</b>	<b>8,779</b>	<b>9,228</b>	<b>7,625</b>	<b>7,921</b>

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

Money market loans	0	0	0	0
Bonds	0	0	0	0
Long term debtors	124	124	130	130
<b>Total Assets</b>	<b>124</b>	<b>124</b>	<b>130</b>	<b>130</b>

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

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**10. INVENTORIES**

	Personal Protective Equipment & Uniforms		Vehicle maintenance spares		Petrol & Diesel		Other		Total	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	166	214	39	67	27	26	19	29	251	336
Purchases	48	155	28	0	0	15	10	0	86	170
Recognised as an expense in the year	0	0	0	9	1	0	0	16	1	25
Written off balances	0	2	0	0	0	0	0	0	0	2
<b>Balance outstanding at year-end</b>	214	367	67	58	26	41	29	13	336	479

**11. DEBTORS**

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Central Government Bodies	2,377	2,444	3,332
Other Local Authorities	82	143	1,328
NHS Bodies	20	15	53
Public Corporations and Trading Funds	0	0	228
Other Entities and Individuals	93	135	129
Payments in Advance	1,328	474	1,669
Provision for Irrecoverable Debts	(8)	(8)	(8)
	<b>3,892</b>	<b>3,203</b>	<b>6,731</b>

**12. CASH & CASH EQUIVALENTS**

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

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Cash held by the Authority	3	3	3
Bank Current Accounts	1,474	1,674	1,014
	<b>1,477</b>	<b>1,677</b>	<b>1,017</b>



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**13. CREDITORS**

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Central Government Bodies	651	17	667
Other Local Authorities	4,856	120	196
Public Corporations and Trading Funds	0	3	1,030
Other Entities and Individuals	2,733	3,213	2,295
Capital Donations Unapplied	0	6	18
Receipts in Advance	531	598	643
	<b>8,771</b>	<b>3,957</b>	<b>4,849</b>

**14. PROVISIONS**

	Software Development £000	Water £000	CPD £000	Commuted Pension Back Pay £000	Total £000
<b>Balance as at 1 April 2009</b>	<b>37</b>	<b>0</b>	<b>200</b>	<b>376</b>	<b>613</b>
Additional Provision made in 2009/10	0	57	0	0	57
Amounts used in 2009/10	(9)	0	(200)	(376)	(585)
<b>Balance as at 31st March 2010</b>	<b>28</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>85</b>
Additional Provision made in 2010/11	0	37	0	0	37
<b>Balance as at 31st March 2011</b>	<b>28</b>	<b>94</b>	<b>0</b>	<b>0</b>	<b>122</b>

**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.

**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.

**Other**

The provision for the additional payment to Firefighters for continuous professional development has now been applied in full with funding for future payments being included in the budget. The commuted pension back pay has now been paid in full.

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**15. USABLE RESERVES**

Usable Reserves consist of capital receipts unapplied (£39k) and earmarked reserves (£6,794k).

Capital receipts are available for financing capital expenditure but had not been applied for that purpose at 31st March 2011.

The Authority holds the following earmarked reserves;

	Balance at 1 April 2010 £000	Increases £000	Decreases £000	Balance at 31 March 2011 £000
Personal Protective Equipment	277	0	277	0
Vehicle , Plant and Equipment replacements	75	285	75	285
Invest to Save Fund	200	0	0	200
Sustainability and the Environment Projects	41	1	1	41
Risk Management Reserve	150	0	0	150
Consultancy and process change projects	50	90	45	95
Operational training	831	175	441	565
Software modernisation and development	403	190	143	450
Managing Change - employees and pensions	1,055	440	185	1,310
Managing Change - buildings and adaptations	46	810	46	810
Major Incidents Reserve	0	500	0	500
Levy Equalisation Reserve	1,968	1,000	580	2,388
	5,096	3,491	1,793	6,794

**Summary**

Opening Balance		5,096
Transfers in	2,082	
Movement between reserves	1,409	
		3,491
		8,587
Transfers out of Reserves	384	
Movement between reserves	1,409	
		1,793
		6,794

### **Personal Protective Equipment**

A review of Personal Protective Equipment used by Firefighters while on operational duties showed that while effective, needed to be replaced. This reserve has been used to part fund the replacement the Personal Protective Equipment.

### **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.

### **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.

### **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.

### **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.

### **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.

### **Operational Training**

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

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**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.

**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.

**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.

**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.

**16. UNUSABLE RESERVES**

<b>1 April 2009</b>	<b>31 March 2010</b>		<b>31 March 2011</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
(8,188)	(8,095)	Revaluation Reserve (note 16.1)	(8,003)
(23,076)	(23,408)	Capital Adjustment Account (note 16.2)	(26,310)
237,282	362,221	Pensions Reserve (note 16.3)	337,562
637	659	Accumulated Absences Account (note 16.4)	610
<b>206,655</b>	<b>331,377</b>	<b>Total Unusable Reserves</b>	<b>303,859</b>

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**16.1. REVALUATION RESERVE**

<b>2009/10</b>		<b>2010/11</b>	
<b>£000</b>		<b>£000</b>	
(8,188)	<b>Balance at 1 April</b>	(8,095)	
93	Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	92	
<hr/>		<hr/>	
<b>(8,095)</b>	<b>Balance at 31 March</b>	<b>(8,003)</b>	
<hr/>		<hr/>	

**16.2. CAPITAL ADJUSTMENT ACCOUNT**

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

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

The 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.

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**Capital Adjustment Account**

2009/10 £000		2010/11 £000
<b>(23,076)</b>	<b>Balance at 1 April</b>	<b>(23,408)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,347	▪ Charges for depreciation and impairment of non-current assets	2,701
8	▪ Amortisation of intangible assets	9
4	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5
<u>2,359</u>		<u>2,715</u>
	Adjusting amounts written out of the Revaluation Reserve	
<u>(93)</u>		<u>(92)</u>
<u>2,266</u>	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year:	2,623
0	▪ Use of Earmarked Reserves to finance new capital expenditure	(372)
(1,299)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,086)
(1,235)	▪ Statutory provision for the financing of capital investment charged against the General Fund.	(2,067)
<u>(64)</u>	Capital expenditure charged against the General Fund	<u>0</u>
<u>(2,598)</u>		<u>(5,525)</u>
<b>(23,408)</b>	<b>Balance at 31 March</b>	<b>(26,310)</b>

### **16.3. 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.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>237,282</b>	<b>Balance at 1 April</b>	<b>362,221</b>
113,397	Actuarial gains or losses on pensions & liabilities	(4,638)
23,297	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	(8,268)
(11,755)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,753)
<hr/>		<hr/>
<b>362,221</b>	<b>Balance at 31 March</b>	<b>337,562</b>

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**16.4. 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.

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
<b>637</b>	<b>Balance at 1 April</b>	<b>659</b>
(637)	Settlement or cancellation of accrual made at the end of the preceding year	(659)
<b>659</b>	Amounts accrued at the end of the current year	<b>610</b>
22	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	(49)
<b>659</b>	<b>Balance at 31 March</b>	<b>610</b>

**17. CASHFLOW STATEMENT**

**17.1 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

<b>2009/10</b>	<b>Includes</b>	<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(10)	Interest received	(6)
364	Interest paid – loans	357
248	Interest paid – finance leases	486



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**17.2 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(3,886)	Purchase of property, plant and equipment, investment property and intangible assets	(5,632)
17	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
1,000	Proceeds from short-term and long-term investments	0
<hr/>		<hr/>
(2,869)	<b>Net cash flows from investing activities</b>	(5,632)

**17.3 CASH FLOW STATEMENT – FINANCING ACTIVITIES**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
0	Cash receipts of short and long-term borrowing	1,500
2,164	Other receipts from financing activities	0
(727)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(719)
(958)	Repayments of short and long-term borrowing	(346)
<hr/>		<hr/>
479	<b>Net cash flows from financing activities</b>	435

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**18. AMOUNTS REPORTED FOR RESOURCE ALLOCATION**

**BUDGET MONITORING REPORT 2010/11**

2009/10				2010/11		
Approved Budget £000	Total Expenditure £000	Variance £000		Approved Budget £000	Total Expenditure £000	Variance £000
21,507	21,485	(22)	<b>Operational</b>			
			Employees –			
			Full time	22,029	21,215	(814)
5,590	6,111	521	Employees -			
			Retained	5,717	5,128	(589)
850	863	13	Employees –			
1,771	1,762	(9)	Other Costs	690	634	(56)
1,432	1,530	98	Premises	1,744	1,952	208
291	293	2	Transport	1,426	1,696	270
			Insurance	295	302	7
3,154	4,966	1,812	Supplies and			
2,543	2,093	(450)	Services	3,123	4,393	1,270
			Leasing	2,703	638	(2,065)
			<b>Gross</b>			
			<b>Operational</b>			
<b>37,138</b>	<b>39,103</b>	<b>1,965</b>	<b>Costs</b>	<b>37,727</b>	<b>35,958</b>	<b>(1,769)</b>
(1,379)	(3,648)	(2,269)	Income	(1,222)	(3,402)	(2,180)
			<b>Net</b>			
<b>35,759</b>	<b>35,455</b>	<b>(304)</b>	<b>Operational</b>	<b>36,505</b>	<b>32,556</b>	<b>(3,949)</b>
			<b>Costs</b>			
1,421	1,432	11	Control Room	1,527	1,472	(55)
			Admin and			
3,924	3,925	1	Technical			
310	312	2	Services	4,037	4,058	21
179	203	24	Manual	318	314	(4)
816	(14)	(830)	Central Support	179	194	15
			Pension	816	411	(405)
			<b>Total Non-</b>			
<b>6,650</b>	<b>5,858</b>	<b>(792)</b>	<b>Operational</b>	<b>6,877</b>	<b>6,449</b>	<b>(428)</b>
			<b>Costs</b>			
			Capital			
939	991	52	Financing	1,017	2,904	1,887
			General			
296	0	(296)	Contingency	0	0	0
			<b>Total Authority</b>			
<b>43,644</b>	<b>42,304</b>	<b>(1,340)</b>	<b>Expenditure</b>	<b>44,399</b>	<b>41,909</b>	<b>(2,490)</b>
(42,964)	(42,964)	0	Levy's	(43,819)	(43,819)	0
			To/ from			
(680)	660	1,340	Earmarked	(580)	1,910	2,490
<b>(43,644)</b>	<b>(42,304)</b>	<b>1,340</b>	<b>Reserves</b>			
			<b>Total Funding</b>	<b>(44,399)</b>	<b>(41,909)</b>	<b>2,490</b>

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

<b>2009/10</b>		<b>2010/11</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>42,304</b>	<b>Total Expenditure on Budget Monitoring</b>		<b>41,909</b>
<u>(42,964)</u>	less: Contributions from Constituent Authorities		<u>(43,819)</u>
<b>(660)</b>	<b>Included in Comprehensive Income and Expenditure Statement</b>		<b>(1,910)</b>
<b>Items not included in Budget Monitoring report</b>			
1,634	depreciation on assets	2,701	
9	Amortisation of Intangibles	9	
0	Loss on disposal of assets	5	
22	Accumulated absences adjustment	(49)	
(4,345)	Correction to accounts after budget monitoring	(160)	
<u>(28)</u>	IFRS Lease charge adjustment	0	
<u>(2,708)</u>			<b>2,506</b>
<b>Items not included in Comprehensive Income and Expenditure Statement</b>			
(563)	Minimum Revenue Provision	(2,067)	
(64)	Direct Revenue Funding		
11,542	Transfer to Pension Reserve	(20,021)	
0	Capital Grants	(1,229)	
0	Capital Donations	(1,857)	
<u>(1,318)</u>	IFRS adjustment to deferred grants and donations	0	
<u>9,597</u>			<u>(25,174)</u>
	<b>Surplus on Provision of Services</b>		
<u>6,229</u>			<u><b>(24,578)</b></u>

**19. MEMBERS ALLOWANCES**

During 2010/2011, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

	<b>2009/10</b>	<b>2010/11</b>
Chair	9,603	9,603
Vice Chair	7,380	7,380
Member	1,129	1,129
<b>Total of Members' Allowances</b>	<b>46,276</b>	<b>45,992</b>
<b>Total of Members' Expenses</b>	<b>15,174</b>	<b>14,007</b>

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**20. OFFICERS REMUNERATION**

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

**2010/2011**

<b>Post Holder Information</b>	<b>Note</b>	<b>Salary (including fees &amp; allowances) £</b>	<b>Bonuses £</b>	<b>Expense Allowances £</b>	<b>Benefits in kind (lease car allowance) £</b>	<b>Total Remuneration (excluding pension contributions) £</b>	<b>Pension Contributions £</b>	<b>Total Remuneration (including pension contributions) £</b>
Chief Fire Officer (1)	1	117,416	1,922	201	2,299	121,837	14,051	<b>135,888</b>
Chief Fire Officer (2)	1	10,674	0	0	59	10,733	0	<b>10,733</b>
Deputy Chief Fire Officer (1)	2 & 3	85,109	5,905	44	589	91,647	182	<b>91,829</b>
Deputy Chief Fire Officer (3)	2	7,331	0	0	620	7,952	1,224	<b>9,176</b>
Deputy Chief Fire Officer (2)	3	8,539	0	0	43	8,582	1,819	<b>10,401</b>
Assistant Chief Fire Officer (1)	4	88,062	2,843	29	469	91,403	19,363	<b>110,766</b>
Assistant Chief Fire Officer (2)	-	96,068	2,843	21	784	99,716	21,068	<b>120,784</b>
Assistant Chief Fire Officer (3)	5	76,806	2,843	542	6,824	87,015	13,301	<b>100,317</b>
Assistant Chief Fire Officer (4)	6	8,006	0	0	0	8,006	1,705	<b>9,711</b>
Temporary Assistant Chief Fire Officer (5)	7	30,215	0	0	0	30,215	6,436	<b>36,651</b>
		<b>528,226</b>	<b>16,356</b>	<b>838</b>	<b>11,687</b>	<b>557,106</b>	<b>79,149</b>	<b>636,256</b>

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Notes

1. Chief Fire Officer (CFO) (1) had a break in service from 1<sup>st</sup> October 2010 to 31<sup>st</sup> 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 2011 and again from 14th March 2011 to date at an annualised salary of £96,068.

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**2009/2010**

<b>Post Holder Information</b>	<b>Note</b>	<b>Salary (Including fees &amp; allowances)</b>	<b>Bonus</b>	<b>Expenses</b>	<b>Benefits in Kind (lease car allowance)</b>	<b>Total Remuneration (excluding Pension contributions)</b>	<b>Pension Contributions</b>	<b>Total Remuneration (including Pension contributions)</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Fire Officer (1)		126,648	3,827	272	2,299	133,046	27,791	<b>160,837</b>
Deputy Chief Fire Officer (1)		101,319	2,120	69	648	104,156	22,032	<b>126,188</b>
Assistant Chief Fire Officer (1)		94,987	2,058	194	511	97,750	20,670	<b>118,420</b>
Assistant Chief Fire Officer (2)		94,987	929	52	784	96,752	20,430	<b>117,182</b>
Assistant Chief Fire Officer (3)	1	82,845	2,445	944	7,445	93,679	13,135	<b>106,814</b>
		<b>500,786</b>	<b>11,379</b>	<b>1,531</b>	<b>11,687</b>	<b>525,383</b>	<b>104,058</b>	<b>629,441</b>

**Notes**

- 1 Unlike the other Senior Officers, Assistant Chief Fire Officer (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.

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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:

<b>Bracket</b>	<b>Number 2009/10</b>	<b>Number 2010/11</b>
£60,000 to £64,999	1	2
£65,000 to £69,999	0	2
£70,000 to £74,999	1	0
£75,000 to £79,999	1	1
£80,000 to £84,999	1	0
£85,000 to £89,999	0	0
£90,000 to £94,999	0	0
£95,000 to £99,999	0	0

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

## **21. 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.

	<b>2009/2010</b>	<b>2010/2011</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	45	43
Fees payable to the Auditor General for Wales in respect of Statutory inspection	10	12
Fees payable in respect of other services provided by the appointed auditor	7	1

The fees for other services payable relate to a review of Information Security and the participation in the National Fraud Initiative 2010-11

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**22. GRANT INCOME (Revenue)**

	<b>2010-11</b>	<b>2009-10</b>
	<b>£'000</b>	<b>£'000</b>
Community Risk Reduction	709	513
New Dimensions & USAR Funding	478	461
Grass Fire Initiative	0	57
Arson Reduction Team	276	266
Wales Arson Co-ordinator	75	77
Operational Assurance	84	0
Fire link	0	319
Water Bourne Rescue	0	600
Other	149	527
	<b>1,771</b>	<b>2,820</b>

**23. 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.

	<b>Receipts</b>	<b>Payments</b>
	<b>£'000s</b>	<b>£'000s</b>
Carmarthenshire County Council	9,220	382
Cyngor Sir Ceredigion	3,914	28
Neath Port Talbot CBC	6,892	114
Pembrokeshire County Council	5,946	99
Powys County Council	6,636	172
City & County of Swansea	11,488	146
Welsh Assembly Government	6,465	0
Dyfed Pension Fund	0	1,142
South Wales Fire Service	255	21
North Wales Fire Service	4	66
Dyfed Powys Police	83	278
Other Fire Authorities	290	0
NHS/Ambulance	132	0



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Members and senior officers of the Fire & Rescue Authority were also asked to declare any third party transactions during the year. There were no such declarations made during 2010-11. This note has been compiled in accordance with the current interpretation and understanding of IAS 24 and its applicability to the public sector.

**24. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

	2010/11	2009/10
	£000	£000
<i>Opening Capital Financing Requirement</i>	10,316	9,028
<i>Capital Investment</i>		
Property, Plant & Equipment	5,632	3,886
<i>Sources of finance</i>		
Government grants and other contributions	(3,086)	(1,299)
Direct revenue contributions	0	(64)
MRP/loans fund principal	(2,067)	(1,235)
<i>Closing Capital Financing Requirement</i>	10,795	10,316
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	479	37
Assets acquired under finance leases	0	1,251
<i>Increase/(decrease) in Capital Financing Requirement</i>	479	1,288

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
Gwaun Cae Gurwen	29
Llandrindod Wells	504
Pontardawe	78
Earlswood	777
Minor Works	368
Minerva Suite	136
Hydrant Installations	31
Vehicles	2,053
PPE	1,031
Furniture and Equipment	336
IT Equipment/ Command and Control	289
	<b>5,632</b>

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**25. FINANCING OF CAPITAL SPEND**

Capital expenditure in the year was financed as follows:

	<b>2009/2010</b>	<b>2010/2011</b>
	<b>£000</b>	<b>£000</b>
External loans/ Cash holding	1,253	2,231
Reserves	0	315
Grants and Contributions	1,318	3,086
Direct Revenue Financing	64	0
Lease	1,251	0
<b>Total</b>	<b>3,886</b>	<b>5,632</b>

**26. 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 31<sup>st</sup> March 2011 and to be made in 2011/12 is £5.558 million. This expenditure relates to the new Llandrindod Wells and Gwaun Cae Gurwen sites and also the major adaptations to the Pontardawe site.

**27. LEASES**

**Authority as a Lessee**

**Finance Leases**

The Authority has acquired a number of operational vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	<b>31 March 2010</b>	<b>31 March 2011</b>
	<b>£000</b>	<b>£000</b>
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	6,173	5,332
	<b>6,173</b>	<b>5,332</b>

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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.

	<b>31 March 2010</b>	<b>31 March 2011</b>
	<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments):	6,794	6,075
Finance costs payable in future years	1,369	1,011
Minimum lease payments	<b>8,163</b>	<b>7,086</b>

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

	<b>Minimum Lease Payment</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2010</b>	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	1,076	1,076	763	814
Later than one year and not later than five years	4,127	3,792	3,304	3,177
Later than five years	2,960	2,218	2,727	2,084
	<b>8,163</b>	<b>7,086</b>	<b>6,794</b>	<b>6,075</b>

## **Operating Leases**

Un-discharged obligations under operating leases amounted to £267,766 as at 31st March 2011.

The authority is committed to operating lease payments during the next financial year of £205,985.

	<b>At 31 March 2010</b>	<b>At 31 March 2011</b>
	<b>£000</b>	<b>£000</b>
Operating leases which expire:		
Within 1 year	165	0
2 - 5 years	474	268
Over 5 years	0	0

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During the year payments in relation to operating leases for vehicles amounted to £209,454 compared to £372,287 in 2009/10.

**28. PFI**

The Authority had no PFI Schemes during 2010-11.

**29. OTHER SHORT AND LONG TERM LIABILITIES**

The Authority's other short and long term liabilities relate to Finance lease funding. Other short term liabilities are finance lease liabilities due in less than one year and other long term liabilities are finance lease liabilities due in more than one year. (See note 27).

**30. TERMINATION BENEFITS**

There were no termination benefits payable by the Authority during 2010-11

**31. PENSION SCHEMES (IAS 19)**

**31.1 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.

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**31.2 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	
	2010/11	2009/10	2010/11	2009/10
<b>Comprehensive Income and Expenditure Account</b>				
<i>Net Cost of Services</i>				
Current Service Cost	(9,760)	(6,420)	(962)	(552)
Past Service Costs	36,410	0	1,796	(0)
<i>Net Operating Expenditure</i>				
Interest Cost	(18,680)	(15,760)	(1,793)	(1,441)
Expected Return on Assets in the Scheme	0	0	1,257	876
<i>Net Charge to the Income and Expenditure Account</i>	7,970	(22,180)	298	(1,117)
<b>Statement of Movement in the General Fund Balance</b>				
Reversal of net charges made for retirement benefits in accordance with IAS 19	(7,970)	22,180	(298)	1,117
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
Retirement benefits payable to pensioners	11,780	11,330		
Employers contributions payable to the scheme			853	775

The large Past Service Cost is due to a change in the measure used as a base for indexation of future benefits. Previously the retail price index (RPI) was used, in 2010/11 this was changed to the consumer price index (CPI). The reduction in benefit earned in previous years (past service cost) is taken to the Comprehensive Income and Expenditure Account as Non Distributable Costs.

**31.3 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 ant 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.

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**31.4 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 2011	31 March 2010 (Restated)	31 March 2011	31 March 2010
1 April	(350,700)	(230,780)	(30,968)	(20,024)
Current service cost	(9,760)	(6,420)	(962)	(552)
Transfer Values Received	(880)	(350)	0	0
Interest cost	(18,680)	(15,760)	(1,793)	(1,441)
Contributions by scheme participants	0	0	(325)	(310)
Past service cost	36,410	0	1,796	(0)
Actuarial gains and losses	870	(108,720)	2,503	(8,964)
Benefits paid	11,780	11,330	325	323
31 March	<u>(330,960)</u>	<u>(350,700)</u>	<u>(29,424)</u>	<u>(30,968)</u>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £'000s	
	31 March 2011	31 March 2010
1 April	19,447	13,522
Expected rate of return	1,257	876
Actuarial gains and losses	1,265	4,287
Employer contributions	853	775
Contributions by scheme participants	325	310
Benefits paid	<u>(325)</u>	<u>(323)</u>
31 March	<u>22,822</u>	<u>19,447</u>

Actual Return (6,602) 5,163

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.

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**31.5 Scheme History**

	2006/07*	2007/08 As restated	2008/09 As restated	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
<u>Present value of liabilities</u>					
Firefighters Pension Schemes	(266,400)	(235,870)	(230,780)	(350,700)	(330,960)
Local Government Pension Scheme	(19,679)	(23,887)	(20,024)	(30,968)	(29,424)
<u>Fair Value of assets in the Local Government Pension Scheme</u>					
	15,448	16,083	13,522	19,447	22,822
<u>Surplus/(deficit) in the Schemes</u>					
Firefighters Pension Schemes	(266,400)	(235,870)	(230,780)	(350,700)	(330,960)
Local Government Pension Scheme	(4,231)	(7,804)	(6,502)	(11,521)	(6,602)
- Total deficit	(270,631)	(243,674)	(237,282)	(362,221)	(337,562)

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

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total gross liability of £360.364m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £337.562m in the pension reserve and £297.052m 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 2011 are £3,367k. Expected contributions for the Local Government Pension Scheme in the year to 31 March 2012 are £811k.

**31.6 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.

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The principal assumptions used in their calculations have been:

	Firefighter Pension Schemes		Local Government Pension Scheme	
	2010/11	2009/10	2010/11	2009/10
<i>Long term expected rate of return on assets in the scheme:</i>				
Equity investments	-	-	7.5%	7.5%
Government bonds	-	-	4.4%	4.5%
Other bonds	-	-	5.1%	5.2%
Property	-	-	6.5%	N/A
Cash/Liquidity	-	-	0.5%	0.5%
<i>Mortality assumptions</i>				
Longevity at 65 for current pensioners:				
Men	23.4	23.2	21.9	21.2
Women	25.3	25.2	24.5	24.1
Longevity at 65 for future pensioners:				
Men	26.3	26.2	23.3	22.2
Women	28.0	28.0	26.1	25.0
Rate of RPI inflation	3.9%	3.9%	3.4%	3.5%
Rate of CPI inflation	3.0%	3.0%	2.9%	3.0%
Rate of increase in salaries	5.3%	5.4%	4.65%	5.25%
Rate of increase in pensions	3.9%	3.9%	2.9%	3.5%
Rate for discounting scheme liabilities	5.7%	5.8%	5.5%	5.7%
Take-up of option to convert annual pension into retirement lump sum	-	-	50%	50%

The negative past service cost due to the switch in benefit indexation from RPI to CPI is as follows:

Fire Fighters Pension Scheme 1992:

Pension payments	£32.98m
Injury Awards	£2.57m

Fire Fighters Pension Scheme 2006

Pension payments	£0.86m
------------------	--------

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 2011 %	31 March 2010 %
Equity investments	70.5	69.8
Government Bonds	12.1	14.6
Other Bonds	11.2	14.4
Property	4.5	0.0
Cash/liquidity	1.7	1.2
Other assets	0.0	0.0
	100.0	100.0



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**31.7 History of Experience Gains and Losses**

Firefighters Pension 1992 Scheme

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
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	6.1	1.7	1.4	153.1	2.1

Firefighters New Pension Scheme

	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.0	0.0	0.0
Experience gains and losses on liabilities	(59.8)	33.0	(46.6)

Local Government Pension Scheme

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.0	(6.1)	(31.3)	22.0	5.5
Experience gains and losses on liabilities	3.9	(5.4)	0	0	4.0

**32. CONTINGENT LIABILITIES**

The Part-Time Workers (Prevention of less favourable treatment) Regulations came into force on 1<sup>st</sup> July 2000. As a consequence of a court case under certain circumstances Retained Firefighters are permitted to buy into the Fire Fighter 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.

The Budget Report 2010 included an announcement that public service pensions would be increased in line with Consumer Price Index (CPI) rather than the Retail Price Index (RPI) from April 2011. There has been some debate around the accounting treatment of this change. In line with actuarial guidance a credit (income) of £38 million has been posted to 'Non distributed cost' in the Comprehensive Income and Expenditure statement as a reduction in future benefits due to past service because of the change, this has resulted in a surplus on the Provision of Services of £29 million rather than a deficit of £9 million. The decision to move from RPI to CPI is currently before the courts in judicial review proceedings.

### **33. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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 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.

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The annual treasury management strategy and the prudential indicators were approved by Authority on 8 February 2010. The key issues within the strategy and indicators were:

The Authorised Limit for 2010/11 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 £18.4m. 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 135% and 5% based on the Authority's net debt.

The maximum and minimum exposures to the maturity structure of debt are:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate		
	<b>Upper limit</b>	<b>Lower limit</b>
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	90%	25%

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 2010/11 was approved by Full Authority on 8 February 2010.

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

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

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**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 well as through a comprehensive cash flow management system, 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 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 Finance Department 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 loan debt is detailed below;

		<u>Loans</u> <u>Outstanding</u>	<u>Maturity</u> <u>Dates</u>
		£'000	
<b>31<sup>st</sup> Mar 11</b>	Public Works Loan Board	8,779	2011 – 2058
<b>31<sup>st</sup> Mar 10</b>	Public Works Loan Board	7,646	2011 – 2058

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**Analysis of loans by maturity: -**

	<u>Loans</u> <u>Outstanding</u> <u>31<sup>st</sup> Mar 11</u> <u>£'000</u>	<u>Loans</u> <u>Outstanding</u> <u>31<sup>st</sup> Mar 10</u> <u>£'000</u>
Repayable within:-		
1 year	1,845	345
1 - 2 years	320	345
2 - 5 years	868	908
5 - 10 years	1,276	1,330
More than 10 years	4,470	4,697
	<hr/> 8,779	<hr/> 7,625
Interest Owed	21	21
	<hr/> 8,800	<hr/> 7,646
Less: <b>Borrowing repayable within one year</b>	(1,845)	(345)
<b>Interest Owed</b>	(21)	(21)
	<hr/>	<hr/>
<b>Borrowing repayable in more than one year</b>	<b>6,934</b>	<b>7,280</b>
	<hr/> <hr/>	<hr/> <hr/>

**Market risk**

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

Borrowings at variable rates – the interest expense charged to the 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,

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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 Finance Department 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.

At 31 March 2011 the Authority held no investments and all loans were fixed rate. Changes in interest rates would have no effect.

**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**

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**PENSION FUND ACCOUNT FOR THE YEAR ENDED**  
**31<sup>ST</sup> MARCH 2011**

<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2010-11</u></b>
<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Contributions receivable</b>		
Employer:		
(3,445) - normal	(3,367)	
(430) - early retirements (ill health)	(385)	
(1,830) - members	(1,799)	
(5,705)		(5,551)
(350) Individual Transfers In from other schemes		(887)
<b>Benefits payable</b>		
5,147 - pensions	5,017	
1,517 - commutations and lump sum retirement benefits	3,019	
0 - lump sum death benefits	81	
6,664		8,117
<b>Other</b>		
437 Widows Pension	522	
15 Dependant Children	24	
2,062 Ill Health	2,350	
2,514		2,896
<b>Payments to and on account of leavers</b>		
1,916 Individual transfers out to other schemes	521	
		521
5,039		5,096
<b>Deficit for year before top-up grant receivable from the Welsh Government</b>		
(5,039) <b>Top Up Grant Receivable from the Welsh Government</b>		(5,096)
0		0
<b>Net amount payable/receivable for the year</b>		



**NET ASSETS STATEMENT AS AT 31 MARCH 2011**

<b><u>2009-10</u></b>		<b><u>2010-11</u></b>
<b><u>£000's</u></b>		<b><u>£000's</u></b>
	<b><u>Current Assets:</u></b>	
(4,143)	Top-up received from the Welsh Government	(3,643)
5,039	Top-up receivable from the Welsh Government	5,096
<u>896</u>		<u>1,453</u>
	<b><u>Current Liabilities:</u></b>	
(896)	Amount owed by/(to) General Fund	(1,453)
<u>0</u>	<b>Net amount payable/receivable for year</b>	<u>0</u>

**NOTES TO THE PENSION FUND ACCOUNT**

**Introduction**

The funding arrangements for the Firefighters pension scheme in Wales changed on 1<sup>st</sup> 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 1<sup>st</sup> 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.