

MID AND WEST WALES FIRE & RESCUE AUTHORITY



STATEMENT OF ACCOUNTS

2015/2016

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Narrative Report

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

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

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of Mid and West Wales Fire and Rescue Authority for the financial year 2015/16.

The statements and their purposes are as follows:

Statement of Responsibilities for the Statement of Accounts

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

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

Annual Governance Statement

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

The Core Financial Statements on pages 29 to 34 show the financial performance for the year commencing the 1st April 2015 and ending on the 31st March 2016 for the Mid and West Wales Fire and Rescue Authority.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance, and the Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Fire and Rescue Authority.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Fire Fighters Pension Fund Account

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

Notes to the Accounting Statements

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

SUMMARY OF THE FINANCIAL YEAR

The outturn for the year 2015/16

	Budget £000	Actual £000	Variance £000
Revenue			
Expenditure (including grants)	46,569	47,606	1,037
Income (including grants)	(2,800)	(4,111)	(1,311)
Net Expenditure (including grants)	43,769	43,495	(274)
Unitary Authority Contributions	(43,769)	(43,769)	0
(Surplus) /Deficit	0	(274)	(274)
Capital (including b/fwd slippage)	6,366	3,483	(2,883)

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

*Revenue Surplus	(274)
Accounting Adjustments	<u>14,667</u>
**Provision of Services	14,393

*detailed in 'The Outturn for the Year 2015/16

**detailed in the Comprehensive Income & Expenditure Statement

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 2015/16, the proportions were as follows:

	Values £000	Proportion %
Carmarthenshire County Council	9,067	20.7
Ceredigion County Council	3,666	8.4
Neath and Port Talbot County Borough Council	6,797	15.5
Pembrokeshire County Council	5,983	13.7
Powys County Council	6,483	14.8
City and County of Swansea Council	11,773	26.9
Total	43,769	100.0

Revenue Spending

The total net expenditure for the year was £43.495 million, compared with the net expenditure budget of £43.769 million. The under spend of £0.274 million was achieved by curtailing expenditure wherever possible to ease anticipated pressures in 2016/17 and maximising cost recovery opportunities.

Revenue Sources of Funding

2014/15 £000		2015/16 £000
42,917	Unitary Authority Contributions	43,769
2,574	Revenue Grants	2,668
5	Interest	27
655	Fees and Charges/Reimbursements	1,416

Capital Expenditure

Total capital expenditure in the year amounted to £3.483 million.

Restated 2014/15		2015/16
£000		£000
832	Property – Refurbishments, adaptations, new buildings	487
1,917	Vehicles and Plant	1,697
266	Operational and I.C.T. Equipment	274
130	Assets under Construction	991
48	Intangible Assets	34
3,193	Total Capital Expenditure	3,483

Capital Borrowing

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer deeming it to be prudent, sustainable and affordable. All loans are from the Public Works Loan Board (PWLb) with no other external facility in place at present. New external loans of £5.5 million were taken out in the year in respect of the capital funding requirement. The total principal outstanding as at 31 March 2016 is £20.746 million.

Pension liability

In 2015/16, twenty members of staff retired. The net cost of the Fire Fighters Pension Scheme to the revenue budget continues to grow, however the liability in terms of future pension commitments has fallen due to adjustments made by the Actuaries to their assumptions. The actuarially assessed liability as at 31 March 2016 was £382.55 million for Fire Fighters pension scheme and £9.426 million for the Local Government pension scheme.

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

Reserve Accounting

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2016/17. This is consistent with the accounting treatment of previous years, with the maintenance and utilisation of reserves forming a cornerstone of corporate financial stability and operational service planning in the short and medium term.

Capital Financing Costs

The charge made to the Service revenue accounts to reflect the cost of fixed assets used in the provision of services was £3.429 million. This is a notional charge for depreciation and an adjustment is made to the year end balance so the contributions required to fund the Service are not affected. The actual cost to the Service for financing capital is £950k loan and finance lease interest and £2.097 million Minimum Revenue Provision.

Impact of the Current Economic Climate

The national economic downturn together with the outcomes of the Comprehensive Spending Review, gave an indication of the level of cuts to Public Services expected in the coming years. However, the recent referendum result to leave the European Union makes the level of government spending and future settlements uncertain.

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

It is anticipated that after consideration of reserve prudence, the majority of savings generated in 2015/16 can be used for operational improvement at the discretion of the Fire and Rescue Authority.

Additional Information

Additional information about these accounts is available from the Head of Finance. Interested members of the public also have a statutory right to inspect the accounts before the audit is completed; availability of the accounts for inspection is advertised in the local press.

Acknowledgements

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

Chris Moore
S151 Officer

Dated

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 Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER

The Auditor General has completed the Audit of the Financial Statements for 2015/16 and has issued a qualified audit opinion due to the possible effects of the following matters:

- uncertainty over the accuracy of the classification of income and expenditure across the five "Cost of Service" components within the Comprehensive Income and Expenditure Statement;
- uncertainty over the classification in disclosure note 8 "Transfers to and from usable reserves";
- uncertainty over the accuracy of the expenditure classification in disclosure note 24 "Amounts reported for resource allocation decisions".

I therefore, with exception to the possible effects of the above matters which have been identified by the Auditor General, certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2016 and its income and expenditure for the year then ended.

Signature: _____ **Chief Financial Officer**
Chris Moore FCCA - Dated: 6 June 2018

CERTIFICATE OF THE CHAIR OF THE FIRE AUTHORITY

I confirm that these Accounts were approved by the Fire and Rescue Authority

Signature: _____ **Chair of the Fire Authority**
Councillor Rowland Rees-Evans - Dated: 6 June 2018

ANNUAL GOVERNANCE STATEMENT

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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 '*Delivering Good Governance in Local Government*'. A copy of the code can be found on our website www.mawwfire.gov.uk or can be obtained from Mid and West Wales Fire and Rescue Authority, Fire and Rescue Service Headquarters, Lime Grove Avenue, Carmarthen SA31 1SP.

During the year 2015/16 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 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 in the main these are adequate and operating effectively. There have been issues regarding the submission of VAT returns and a VAT Inspection has highlighted a lack of VAT expertise. These issues are being addressed via a series of action plans that have been implemented to ensure that the necessary expertise is available. A period of transition has occurred within the Resources Directorate following the retirement of the Head of Finance and the Director of Resources. The positions were filled temporarily to safeguard that qualified and competent individuals were available to ensure proper administration of the governance requirements of the Authority. In August 2017 a permanent Head of Finance was appointed, who acted as interim S151 officer for a short period whilst alternative arrangements were put in place. In January 2018 The Appointments Committee appointed a S151 Officer under a Service Level agreement with Carmarthenshire County Council. This statement should be read in conjunction with the attached report on Corporate Governance.

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, and are satisfied that steps taken to address the need for improvements identified in this year's review will be monitored.

Signed:

Date:.....

Councillor R Rees – Evans, Chair of the Fire Authority

Signed:

Date:.....

C. Davies, Chief Fire Officer

THE CODE OF CORPORATE GOVERNANCE

1. Background

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.

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.

These principles are reflected in the Authority’s mission, key objectives and core values which are regularly reviewed to ensure that they continue to reflect the needs of the Service and our communities.

In April 2008, the Authority approved and adopted a Code of Corporate Governance based on the CIPFA / SOLACE Framework **“*Delivering Good Governance in Local Government*”**. The principles and standards set out in the Code have been developed to help the Authority to improve its performance, give local people better local services and provide stronger leadership for its communities.

The Good Governance structure enables the Authority to pursue its vision effectively and underpins that vision with the mechanisms for the control and management of risk and the ensuring of probity.

2. The Authority’s Code of Corporate Governance

Having adopted a Code of Corporate Governance the Authority needs to be able to demonstrate that it is complying with the six core principles which are defined within the Framework and underpin the Code:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values for the Authority and demonstrating the values of good governance through upholding standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of Members and Officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

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

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 is imperative in conjunction with personal standards and professionalism of both staff employed within the Service and Members of the Mid and West Wales Fire and Rescue Authority.

Accountability

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

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

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

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

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

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

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

The Annual Governance Statement

The annual internal review process under the then new Code commenced in 2008/09, in advance of the statutory requirement, with the aim of determining how well the Authority met the demands of the adopted framework and to ascertain what actions were needed to ensure that the Authority could consistently demonstrate high standards of corporate governance. An organisational framework was established and has been in place since that time.

There are many examples of good governance arrangements in place, e.g. the business planning and performance management framework, the Improvement and Corporate Planning process and consultation. These, together with the development of service plans, the Constitution, an effective Committee structure, robust scrutiny, on-going and relevant training and relevant policies and procedures all support the positive governance arrangements within the Authority.

Detailed internal audits have been undertaken since that time, examining some of the areas of higher risk, as prioritised by the Director of Resources. These have included a Procurement and Partnerships audit, the examination and assessment of the Business Continuity arrangements within the organisation, the examination and assessment of the Business Risk arrangements within the organisation and the annual audit of the Authority's payroll, creditors and debtors systems. These audits have been positive, showing no fundamental weaknesses, and have been reported to the Authority's Performance, Audit and Scrutiny Committee.

Each year internal audits have been undertaken to ensure that systems and processes are working effectively and that they are being monitored. Particular emphasis has been placed on the Partnership Risk Management processes and governance issues, the publishing and operation of the Code of Conduct for Members and Officers, the maintenance of up to date Financial Procedure rules and protocols, the maintenance of a register of interests for Members and Senior Managers and the delivery of a Strategic Equality Plan and Annual Equality Report. The Head of Internal Audit's opinion for 2015/16 was *"that the Authority has a good control environment in operation in respect of fundamental financial systems. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."* The Code is continually updated, monitored and reviewed by the Corporate Communications and Members Support Team, reflecting the requirements of the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'*.

This year, in addition to the audits of financial systems, the internal audit service undertook a detailed audit of the implementation and current operation of the new Core HR/Payroll system, which went live in September 2015. This audit concluded that the project implementation was satisfactory, although there had been delays due to the

system providers. There were some recommendations which have been followed up and whilst challenging have now concluded. An even larger project undertaken during the year has been the continuation of the work undertaken on the Joint Control Project at Bridgend – this is the merging of the South Wales Police, South Wales Fire and Rescue and Mid and West Wales Fire and Rescue Control Rooms at the South Wales Police Headquarters. This project has encountered delays in relation to the implementation of the Command and Control system due to Capita not resourcing the project correctly. This resourcing has now been rectified and the go-live of the system and the transfer of staff to the joint control room was completed in October 2017.

Internal Audit has reported each of its audits to the Performance Audit and Scrutiny Committee (PASC) and the Auditor gave her overall opinion as detailed above. The operational systems at Mid & West Wales Fire & Rescue Service were found to be good and there were no fundamental areas of concern identified by the review.

A specific external audit was undertaken several years ago by the Wales Audit Office on Corporate Governance. Although the findings were pleasing overall, there were some recommendations for improvement. These were (1) to ensure greater involvement of staff across the Authority (2) to place greater emphasis on Community Engagement (3) to ensure adequate comparisons of performance with other Improvement Authorities and (4) to better consider governance arrangements around partnerships and commissioning. As a result, there have been changes to process and structures to better reflect and address these recommendations. Corporate Governance is now reviewed by all relevant staff in the Authority, improvements have been made in terms of engagement with our Communities, a detailed Internal Audit has examined the Partnership arrangements and systems, which have undergone significant development since the audit, with positive outcomes. The comparisons of Performance with other Services is a fundamental part of the Service Review currently being undertaken.

The Wales Audit Office's Annual Improvement Report (AIR) issued in June 2016 was extremely positive, confirming that the Authority had effectively discharged its improvement reporting duties and had made arrangements to secure continuous improvements for 2015-16. There were some potential improvements highlighted, for example it outlined the need to develop a Reserves policy, to use comparative data, and develop a more transparent Medium Term Financial Planning process. It also referred to the need for project planning processes to be adopted for all projects. All of these recommendations have been addressed during the current financial year. WAO also examined the quality of the organisation's data, which was good.

The current years AIR issued in August 2016 was similarly positive and will be updated for the conclusion of the 2015/16 financial audit. During this year WAO undertook an audit of financial resilience in this organisation during these austere times, which concluded that the organisation's arrangements for achieving financial resilience are sound. WAO concluded that:-

- The Authority has reduced expenditure by 20 per cent compared to 2011-12 and levels of reserves are increasing.
- Financial planning is supported by a stable financial regime and key risks and challenges are well understood.

- Financial control is supported by effective budget monitoring and forecasting and the Authority has a good track record of managing budgets.
- Financial governance is effective and supported by clear challenge, accurate reporting and commitment at senior level.

WAO also undertook a review of Community Safety work, and the report recommended one proposal for improvement for the Authority and two proposals for improvement for implementation at national level, particularly as regards improving evaluation. These reports, together with the work of the internal Business Risk Management Group, and the Critical Incident Team, all ensure that risk is effectively managed in this Authority.

Examination by external and internal audit of the management information, financial procedure rules and financial instructions, contract standing orders, administrative arrangements (including segregation of duties) and management supervision have in the main given general assurance regarding the control and proper administration of the Authority's financial affairs. There were however shortcomings discovered in the delay of submission of VAT returns, which have now been addressed and specific issues on the level of expertise in VAT were picked up during a VAT inspection. These issues have been addressed via a series of action plans and training to ensure the necessary expertise is available.

The issue with the VAT returns together with some other important accounting issues have caused a significant delay to the closure of the Authority's 2015/16 accounts. To help prevent any future issues with closing the Authority accounts within the deadline the Authority has implemented Cipfa Closedown software and is in the process of implementing a Cipfa asset management system.

In October 2017 Wales Audit Office made recommendations under Section 25(2) of the Public Audit (Wales) Act 2004 with regard to the Audit of the 2015/16 financial statements. The recommendations were:

- R1 Mid and West Wales Fire and Rescue Authority must put clear and robust actions in place for the review of the updated financial statements, which should be undertaken in good time so that any amendments are identified early and can be corrected prior to the submission of the version 14 statements to the Wales Audit Office.
- R2 Mid and West Wales Fire Authority must prepare a quality-control document to support, evidence, and sign-off the review of the statements that are due to be submitted to the Wales Audit Office.
- R3 Mid and West Wales Fire Authority must provide the Wales Audit Office with a copy of its intended actions for the quality assurance review of the revised statements and supporting audit trail.

In response to the recommendations the Authority submitted a version 14 of the financial statements on 17th January 2018 together with the quality control documentation. Wales Audit Office acknowledged the considerable work and effort put into the revised financial statements but noted that there were still some omissions of

information. Since version 14 there have been three further versions of the financial statements, concluding with a final version 17. The Auditor General for Wales is scheduled to certify the final set of the financial statements on 7 June 2018.

A period of transition has occurred within the Resources Directorate following the retirement of the Head of Finance and the Director of Resources. The Director of Resources position has been filled temporarily and a newly appointed Head of Finance started in August 2017. For 2014/15, The Auditor General for Wales reported that the Authority had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Auditor General will report his 2015/16 opinion on economy, efficiency and effectiveness once he has certified the Authority's 2015/16 accounts.

It is the view of the Clerk and the Treasurer that for 2015/16, while the governance arrangements had not identified and addressed the VAT issue, the arrangements in the main had been satisfactory. We believe that the above checks have demonstrated that the Corporate Governance in this organisation is effective, existing arrangements are fit for purpose, and the Authority is well placed to meet its corporate aims, to achieve its intended outcomes for citizens and service users. The organisation operates in an economical, effective, efficient and ethical manner.

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

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

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

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

The Fire Fighters' Pension Fund's financial statements comprise the Fund Account, the Net Assets Statement, the related notes and a summary of significant accounting policies.

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 2015-16 based on International Financial Reporting Standards (IFRSs).

Qualified opinion on the financial statements of Mid and West Wales Fire and Rescue Authority

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, Mid and West Wales Fire and Rescue Authority's financial statements:

- give a true and fair view of the financial position of Mid and West Wales Fire and Rescue Authority as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the financial statements of the Fire Fighters' Pension Fund

In my opinion the Fire Fighters' Pension Fund's financial statements:

- give a true and fair view of the financial position of the Fire Fighters' Pension Fund as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Basis for Qualified Opinion

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 requires Mid and West Wales Fire and Rescue Authority to disclose the 'Cost of Services' within the Comprehensive Income and Expenditure Statement. These disclosures are classified by 'Gross expenditure' (£46,592,000), 'Gross income' (£4,083,000) and 'Net expenditure' (£42,509,000). They are also classified across five 'Cost of Services' components ('Fire Fighting & Rescue Operations', 'Community

Safety', 'Fire Service Emergency Planning', Corporate and democratic core', and 'Non-distributed costs').

While the 'Gross expenditure', 'Gross income' and 'Net expenditure' totals are truly and fairly stated, there is uncertainty over the accuracy of the classification of income and expenditure across the five 'Cost of Services' components. The impact of the uncertainties in classification cannot be quantified. Also, while 'Total Authority Expenditure' of £43,495,000 in Note 24 of 'Net Revenue Expenditure' at page 72, is truly and fairly stated, there is uncertainty over the accuracy of the expenditure classification making up that figure.

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 also requires Mid and West Wales Fire and Rescue Authority to disclose its earmarked usable reserves within the financial statements. The disclosure of the reserves includes the balances brought forward, in-year movements, and year-end balances (Note 8). There is uncertainty over the accuracy of the classifications of earmarked reserves of £8,768,000 disclosed within Note 8.

The uncertainties within the Comprehensive Income and Expenditure Statement, Note 24 and Note 8 have arisen as the Authority has not maintained adequate accounting records and is not able to provide satisfactory explanations for the classifications presented in the accounts.

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

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

Except for the matters described in the Basis for Qualified Opinion section of my report, in my opinion:

- adequate accounting records have been kept;
- the financial statements are in agreement with the accounting records and returns; and
- I have received all the information and explanations I require for 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 Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts (set out on page 9), the responsible financial officer is responsible for the preparation of the statement of accounts, including the Fire Fighters' Pension Fund, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Under Schedule 10(3) of the Accounts and Audit (Wales) Regulations 2014, the responsible finance officer is required to re-certify the financial statements as being true and fair prior to their presentation to the Authority for approval. The responsible finance officer has re-certified the financial statements at page 9 and in doing so has provided a statement drawing attention to my qualified opinion in this report.

Auditor's responsibilities for the audit of the financial statements

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

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

The maintenance and integrity of Mid and West Wales Fire and Rescue Authority's website is the responsibility of the Authority. The work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
7 June 2018

24 Cathedral Road
Cardiff
CF11 9LJ

CORE FINANCIAL STATEMENTS

The core financial statements comprise of:

The Movement in Reserves Statement – showing the movement in the year on the different reserves held by the Authority, analysed into usable reserves (those that can be applied to fund expenditure) and other unusable reserves held for financial accounting purposes.

The Comprehensive Income and Expenditure Statement – showing 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 (Unitary Authority contributions).

The Balance Sheet – setting out the financial position on 31st March in terms of the value of assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority.

The Cash Flow Statement – showing the changes in cash and cash equivalents held by the Authority during the reporting period. It summarises the inflows and outflows of cash and cash equivalents with third parties arising from revenue and capital transactions.

All the core financial statements and associated disclosure notes have been restated for 2014/15 to correct errors in prior year financial statements regarding non-current assets and other areas.

MOVEMENT IN RESERVES STATEMENT (Restated)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	0	(7,568)	(48)	(7,616)	361,238	353,622
Movement in Reserves during 2014/15						
(Surplus) or Deficit on the provision of services	17,122	0	0	17,122	0	17,122
Other Comprehensive Income and Expenditure	0	0	0	0	30,273	30,273
Total Comprehensive Income and Expenditure	17,122	0	0	17,122	30,273	47,395
Adjustments between accounting basis & funding basis under regulations (note 7)	(18,048)	0	(531)	(18,579)	18,579	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(926)	0	(531)	(1,457)	48,852	47,395
Transfers to/(from) Earmarked Reserves (note 8)	926	(926)	0	0	0	0
(Increase)/Decrease in 2014/15	0	(926)	(531)	(1,457)	48,852	47,395
Balance at 31 March 2015 carried forward	0	(8,494)	(579)	(9,073)	410,090	401,017

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015 Restated	0	(8,494)	(579)	(9,073)	410,090	401,017
Movement in Reserves during 2015/16						
(Surplus) or Deficit on the provision of services	14,393	0	0	14,393	0	14,393
Other Comprehensive Income and Expenditure	0	0	0	0	(68,240)	(68,240)
Total Comprehensive Income and Expenditure	14,393	0	0	14,393	(68,240)	(53,847)
Adjustments between accounting basis & funding basis under regulations (note 7)	(14,667)	0	579	(14,088)	14,088	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(274)	0	579	305	(54,152)	(53,847)
Transfers to/(from) Earmarked Reserves (note 8)	274	(274)	0	0	0	0
(Increase)/Decrease in 2015/16	0	(274)	579	305	(54,152)	(53,847)
Balance at 31 March 2016 carried forward	0	(8,768)	0	(8,768)	355,938	347,170

Comprehensive Income and Expenditure Statement (CIES)
for year ending 31st March 2016

2014/15 Restated				2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
35,833	(1,471)	34,362	Fire Fighting & Rescue Operations	37,609	(1,817)	35,792
6,036	(1,119)	4,917	Community Safety	6,435	(1,452)	4,983
1,603	(805)	798	Fire Service Emergency Planning	1,562	(793)	769
817	(25)	792	Corporate and democratic core	986	(21)	965
524	0	524	Non distributed costs	0	0	0
44,813	(3,420)	41,393	Cost of Services	46,592	(4,083)	42,509
		40	Other operating expenditure (note 9)			12
		18,606	Financing and investment income and expenditure (note 10)			15,801
		(42,917)	Taxation and non-specific grant income (note 11)			(43,929)
		17,122	(Surplus) or Deficit on Provision of Services			14,393
			<i>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</i>			
		30,168	Re-measurement of the net defined benefit liability/(asset) and transfers in (note 20)			(72,729)
		105	Loss on revaluation of non-current assets (note 20)			4,489
		30,273	Other Comprehensive (Income) and Expenditure			(68,240)
		47,395	Total Comprehensive Income and Expenditure			(53,847)

Balance Sheet as at 31st March 2016

01 April 2014 Restated £000	31 March 2015 Restated £000		31 March 2016 £000	Notes
66,007	64,557	Property, Plant & Equipment	57,831	12
0	130	Assets Under Construction	1,122	12
166	193	Intangible Assets	206	13
105	148	Long-Term Debtors	298	16
66,278	65,028	Long-Term Assets	59,457	
425	0	Assets held for sale	0	12
399	400	Inventories	520	15
7,164	12,525	Short-Term Debtors	7,176	16
1,928	1,826	Cash and Cash Equivalents	10,342	17
9,916	14,751	Current Assets	18,038	
(314)	(308)	Short-Term Borrowing	(4,349)	14
(5,225)	(6,383)	Short-Term Creditors	(4,785)	18
(923)	(872)	Other Short-Term Liabilities	(998)	31
(6,462)	(7,563)	Current Liabilities	(10,132)	
(12,026)	(15,246)	Long-Term Borrowing	(16,770)	14
(4,989)	(5,430)	Other Long-Term Liabilities	(5,787)	31
(406,339)	(452,557)	Liability related to defined benefit pension schemes	(391,976)	34
(423,354)	(473,233)	Long-Term Liabilities	(414,533)	
(353,622)	(401,017)	Net Liabilities	(347,170)	
(7,616)	(9,073)	Usable Reserves	(8,768)	8 & 19
361,238	410,090	Unusable Reserves	355,938	20
353,622	401,017	Total Reserves	347,170	

Cash Flow Statement as at 31st March 2016

2014/15 Restated £000		2015/16 £000
17,122	Net (surplus) or deficit on the provision of services	14,393
(16,038)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 21)	(20,362)
(40)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(12)
1,044	Net cash flows from Operating Activities	(5,981)
2,662	Investing Activities (note 22)	3,472
(3,604)	Financing Activities (note 23)	(6,007)
102	Net (increase) or decrease in cash and cash equivalents	(8,516)
1,928	Cash and cash equivalents at the beginning of the reporting period	1,826
1,826	Cash and cash equivalents at the end of the reporting period (note 17)	10,342

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require the Annual Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 supported by International Financial Reporting Standards (IFRS).

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

1.2 ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest 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 debts may not be settled, the balance of debtors is

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

1.3 CASH AND CASH EQUIVALENTS

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

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

1.4 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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The Authority is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund

Balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 EMPLOYEE BENEFITS

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave, and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Local Government Pension Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council.
- The Firefighter Pension Scheme, administered by the Dyfed Pension Fund, Carmarthenshire County Council on behalf of the Authority.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the local Government Scheme is funded through the ownership of assets, the Firefighter Pension Scheme is unfunded.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a funded defined benefits scheme:

- The liabilities of the Dyfed Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payment that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.6% (based on the on the indicative rate of return on high quality corporate bonds).
- The assets of the Dyfed Pension Fund attributable the Authority are included in the Balance Sheet at their fair value
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

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

- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Dyfed Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

The Firefighter Pension Scheme

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

- The liabilities of the Fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payment that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.55% (based on Government bond yields of appropriate duration plus an additional margin).

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

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

- Re-measurements comprising:
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

Discretionary Benefits

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

1.7 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.

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

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

1.8 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

Available-for-Sale Assets

The Authority does not hold any Available-for-sale assets.

The effective interest rate is the rate that exactly discounts estimated future cash

1.9 FOREIGN CURRENCY TRANSLATION

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

1.10 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.

1.11 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

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

1.12 INVENTORIES AND LONG-TERM CONTRACTS

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

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

1.13 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, they do not appear in the Balance Sheet. The liability to pay future rental charges is similarly excluded, but a separate note is annexed to the Balance Sheet.

1.14 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 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

1.15 PROPERTY, PLANT AND EQUIPMENT

Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- the cost of the individual asset is at least £5,000;
- the items form a group of assets which collectively have a cost of at least £5,000, where the assets are functionally interdependent, they broadly have simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; and
- the items form part of the initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or

collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

Useful Economic Life of Assets

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

Buildings	10-80 years
Infrastructure	5-40 years
Vehicles, Plant & Equipment	3-15 years
Intangible Assets	3-15 years

Measurement

Valuation

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

All assets are measured subsequently at fair value.

Land and property assets are valued every 5 years. The 5 yearly and any interim revaluations are carried out by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Properties identified as operational are valued on either Depreciated Replacement Cost (DRC) or Existing Use Value (EUV) depending on whether or not the asset is of a specialised nature. Reviews are conducted using the most appropriate information available at the date of the review. A revaluation was carried out as at 1 April 2015.

Assets in the course of construction are valued at invoice/historic cost. They are subsequently revalued when satisfying the conditions of being available for use.

Subsequent expenditure

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

Depreciation

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

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

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

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

Component Accounting

A component of property, plant and equipment is an item that has a cost that is significant in relation to the total cost of the asset. Component should be depreciated individually over their useful lives.

Revaluation and impairment

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

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

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

Disposals of Non-Current Assets

Receipts from the disposal of non-current assets in excess of £10k 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. Receipts of £10k or less from the disposal of non-current assets are treated as revenue income.

1.16 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.17 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

1.18 VALUE ADDED TAX (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. PRIOR YEAR ADJUSTMENTS

When reviewing the revaluation of non-current assets at 1 April 2015 it was noted that there were errors in the previous revaluations:

Valuations

It was noted that the 2011/12 valuations using the depreciated replacement cost method (DRC) included a figure for the cost of capital. Since 2010/11 the 'Instant Build' approach should have been used when using DRC, this assumes a single payment for the build so valuations should not include cost of capital. This resulted in the gross book value at 31 March 2015 being overstated, cost of capital was not included in the 2015/16 revaluation. In addition, the assets reported in the asset register and previous years accounts were overstated due to duplicate assets included in the asset register. There were a number of adjustments made to the accounts as a direct consequence of this.

Building descriptions

Different building descriptions used in the valuations resulted in downward valuations not being properly matched to balances held in the Revaluation Reserve. This led to incorrect charges to the Revaluation Reserve and the Capital Adjustment Account. In one site consisting of several buildings duplication in values for the site were found.

Leased asset

It was noted that a leased asset had not been accounted for correctly, in that the proportion of the asset leased out had been included within the Authority's asset register. This resulted in the gross book value at 31 March 2015 being overstated.

A number of other adjustments have been made to the comparative information to correct errors in the 2014/15 financial statements.

The adjustments made to the 2014/15 Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement are shown below.

Movement in Reserve Statement	2014/15 Published			Movement			2014/15 Restated		
	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Bal 31 March 2014	-7,865	352,473	344,608	249	8,765	9,014	-7,616	361,238	353,622
Movements: (Surplus) / Deficit on provision of services	16,658	0	16,658	464	0	464	17,122	0	17,122
Other CIES	0	30,309	30,309	0	-36	-36	0	30,273	30,273
Total CIES	16,658	30,309	46,967	464	-36	428	17,122	30,273	47,395
Adjs accounting & funding	-17,961	17,961	0	-618	618	0	-18,579	18,579	0
Net (Inc) / Dec before res tfr	-1,303	48,270	46,967	-154	582	428	-1,457	48,852	47,395
Tfs To / (From) Res	0	0	0	0	0	0	0	0	0
(Inc) / Dec in 2014/15	-1,303	48,270	46,967	-154	582	428	-1,457	48,852	47,395
Bal 31 March 2015	-9,168	400,743	391,575	95	9,347	9,442	-9,073	410,090	401,017

Comprehensive Income and Expenditure Statement	2014/15 Published Net Expenditure £000	Movement Net Expenditure £000	2014/15 Restated Net Expenditure £000
Cost of Services	40,830	563	41,393
Other Operating Expenditure	139	(99)	40
Financing and investment Income	18,606	0	18,606
Taxation & non-specific grant income	(42,917)	0	(42,917)
(Surplus) or Deficit on Provision of Services	16,658	464	17,122
<i>Items not reclassified to the (Surplus) or Deficit on the Provision of services:</i>			
Remeasurement of the pension liability	30,168	0	30,168
Revaluation & Impairments of non-current assets	141	(36)	105
Other Comprehensive Income and Expenditure	30,309	(36)	30,273
Total Comprehensive Income and Expenditure	46,967	428	47,395

Balance Sheet	2013/14			2014/15		
	31 March 2014 Published £000	Movement £000	31 March 2014 Restated £000	31 March 2015 Published £000	Movement £000	31 March 2015 Restated £000
Property, Plant & Equipment	75,090	-9,083	66,007	74,129	-9,572	64,557
Assets Under Construction	0	0	0	0	130	130
Intangible Assets	166	0	166	193	0	193
Long Term Debtors	105	0	105	148	0	148
Long Term Assets	75,361	-9,083	66,278	74,470	-9,442	65,028
Assets Held for Sale	356	69	425	0	0	0
Inventories	399	0	399	400	0	400
Short Term Debtors	7,164	0	7,164	12,525	0	12,525
Cash and Cash Equivalents	1,928	0	1,928	1,826	0	1,826
Current Assets	9,847	69	9,916	14,751	0	14,751
Short Term Borrowing	-314	0	-314	-308	0	-308
Short Term Creditors	-5,225	0	-5,225	-6,383	0	-6,383
Other Short Term Liabilities	-923	0	-923	-872	0	-872
Current Liabilities	-6,462	0	-6,462	-7,563	0	-7,563
Long Term Borrowing	-12,026	0	-12,026	-15,246	0	-15,246
Other Long Term Liabilities	-4,989	0	-4,989	-5,430	0	-5,430
Liability related to defined benefit pension schemes	-406,339	0	-406,339	-452,557	0	-452,557
Long Term Liabilities	-423,354	0	-423,354	-473,233	0	-473,233
Net Liabilities	-344,608	-9,014	-353,622	-391,575	-9,442	-401,017
Usable Reserves	-7,865	249	-7,616	-9,168	95	-9,073
Unusable Reserves	352,473	8,765	361,238	400,743	9,347	410,090
Total Reserves	344,608	9,014	353,622	391,575	9,442	401,017

Cash Flow Statement	2014/15 Published £000	Movement £000	2014/15 Restated £000
Net (surplus) or deficit on the provision of services	16,658	464	17,122
Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 21)	(45,559)	29,521	(16,038)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30,309	(30,349)	(40)
Net cash flows from Operating Activities	1,408	(364)	1,044
Investing Activities (note 22)	2,298	364	2,662
Financing Activities (note 23)	(3,604)	0	(3,604)
Net (increase) or decrease in cash and cash equivalents	102	0	102
Cash and cash equivalents at the beginning of the reporting period	1,928	0	1,928
Cash and cash equivalents at the end of the reporting period (note 17)	1,826	0	1,826

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The following Accounting Standards have been issued by the International Accounting Standards Body (IASB) but not yet adopted. These Standards will come into effect for the 2016/17 Statements but the impact is not expected to be material.

IAS 19 Employee Benefits – This standard has been amended to more clearly disclose employee contributions.

Annual Improvements to IFRSs – The issues included are:

IFRS 3: Business combinations;

IFRS 8: Reconciling assets reported segmentally to those reported for the entity;

IFRS 13: Fair value measurement of short-term receivables and payables;

IAS 16: Treatment of accumulated depreciation when revaluing noncurrent tangible assets;

IAS 24: Clarifying that management entities should be included in related party disclosures;

IAS 38: Treatment of accumulated depreciation when revaluing intangible assets;

IFRS 5: guidance on the classification of non-current assets;

IFRS 7: Service contracts to be included when reporting financial instruments; and

IAS 19: Clarification on the use of different regional discount rates in the pension fund.

IFRS 11 Joint Arrangements – Amendment to accounting for acquisitions of interest in joint operations.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of acceptable methods of depreciation and amortisation.

IAS 1 Presentation of Financial Statements – A disclosure initiative called “Telling the Story” to explain the story behind the accounts more clearly.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on 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.

5. 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 2016 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 and 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 £80k every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and, for the Local government pension Scheme, the expected returns on pension fund assets. Consulting Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £43.29 million.</p> <p>However, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pensions liability had decreased by £13.02 million as a result of estimates being corrected as a result of experience and decreased by £58.33 million attributable to updating of the assumptions.</p>

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Treasurer on 6 June 2018. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Adjustments between accounting basis and funding basis under regulations

2014/15 Restated				2015/16		
General Fund Balance and Earmarked Reserve £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000		General Fund Balance and Earmarked reserves £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000
			Adjustments to Revenue Resources			
			Amounts included in Total Comprehensive Income & Expenditure required by regulation to be excluded to arrive at funding position:			
(3,422)	0	3,422	Charges for depreciation	(3,407)	0	3,407
(792)	0	792	Impairments of non-current assets	(21)	0	21
0	0	0	Revaluation Losses & Gains	(1,243)	0	1,243
(21)	0	21	Amortisation of intangible assets	(21)	0	21
(40)	(531)	571	Disposal of non-current assets	(12)	(11)	23
0	0	0	Capital grants and contributions applied	160	0	(160)
0	0	0	Capital receipts Applied	0	590	(590)
(3)	0	3	Miscellaneous	(3)	0	3
			Amounts excluded in Total Comprehensive Income & Expenditure required by regulation to be included to arrive at funding position:			
2,284	0	(2,284)	Statutory provision for the financing of capital investment	2,097	0	(2,097)
(1,994)	(531)	2,525		(2,450)	579	1,871
			Adjustments primarily involving the Pension Reserve:			
(31,132)	0	31,132	Reversal of items relating to retirement benefits	(27,238)	0	27,238
15,082	0	(15,082)	Employer's pension contributions and direct payment to pensioner's payable in the year	15,090	0	(15,090)
(16,050)	0	16,050		(12,148)	0	12,148
			Adjustments primarily involving the Accumulated Absences Reserve:			
(4)	0	4	Employee Benefits – Leave Accrual	(69)	0	69
(18,048)	(531)	18,579	TOTAL ADJUSTMENTS:	(14,667)	579	14,088

8. TRANSFERS TO AND FROM USABLE RESERVES

This note sets out the amounts set aside from the General Fund in earmarked and capital reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

Restated Balance at 1 April 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Restated Balance at 31 March 2015 £000		Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
(260)	260	(335)	(335)	Vehicle, Plant and Equipment Replacement	55	(72)	(352)
(1,103)	0	(502)	(1,605)	Invest to Save Fund	357	0	(1,248)
(41)	1	(1)	(41)	Sustainability and Environment Projects	0	(1)	(42)
(1,371)	557	(336)	(1,150)	Risk Management Reserve	336	(36)	(850)
(50)	0	(153)	(203)	Consultancy and Process Change Projects	0	0	(203)
(110)	0	(20)	(130)	Operational Training	0	0	(130)
(1,021)	383	(360)	(998)	Software and Communication Modernisation and Development	272	(938)	(1,664)
(1,426)	253	(500)	(1,673)	Managing Change - Employees and Pensions	412	(700)	(1,961)
(828)	1	(17)	(844)	Managing Change – Buildings and Adaptions	425	(81)	(500)
(302)	48	(69)	(323)	Major Incidents/Budget Protection Reserve	0	(77)	(400)
(56)	0	(136)	(192)	Fundraising & Miscellaneous Ring-Fenced Income	11	(407)	(588)
(1,000)	865	(865)	(1,000)	Levy Equalisation Reserve	170	0	(830)
(7,568)	2,368	(3,294)	(8,494)	Total Earmarked Reserves	2,038	(2,312)	(8,768)
(48)	0	(531)	(579)	Capital receipts Reserve	590	(11)	0
(7,616)	2,368	(3,825)	(9,073)	Total Usable Reserves	2,628	(2,323)	(8,768)

9. OTHER OPERATING EXPENDITURE

Restated 2014/15 £000		2015/16 £000
40	(Profit)/Loss on sale of Non-current assets	12
0	Deficit on revaluation of non-current assets	0
40		12

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000		2015/16 £000
288	Interest paid on Finance Leases	297
496	Interest paid on Loans	653
17,827	Net Pension Interest Cost	14,878
(5)	Interest received from investment	(27)
18,606		15,801

11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2014/15 £000		2015/16 £000
0	Capital Contributions and Donations received	(160)
(42,917)	Levies from Constituent Authorities	(43,769)
(42,917)		(43,929)

12. PROPERTY, PLANT AND EQUIPMENT

Movements on balances

<u>Non-Current Assets 2015/16</u>	Land & Buildings	Infrastructure	Vehicles & Equipment	PPE TOTAL	Assets Under Construction
	£000	£000	£000	£000	£000
<u>Gross Book Value</u>					
At 1 April 2015	60,294	317	29,033	89,644	130
Additions	486	0	1,971	2,457	992
Revaluation increases/(decreases)	(10,002)	0	0	(10,002)	0
Impairment	(21)	0	0	(21)	0
Derecognition - disposals	0	0	(3,212)	(3,212)	0
At 31 March 2016	50,757	317	27,792	78,866	1,122
<u>Accumulated Depreciation</u>					
At 1 April 2015	(4,272)	(76)	(20,739)	(25,087)	0
Depreciation for year	(1,167)	(8)	(2,232)	(3,407)	0
Depreciation write-off re Revaluation	4,270	0	0	4,270	0
Depreciation write-off re Disposals	0	0	3,189	3,189	0
At 31 March 2016	(1,169)	(84)	(19,782)	(21,035)	0
<u>Net Book Values</u>					
At 1 April 2015 restated	56,022	241	8,294	64,557	130
At 31 March 2016	49,588	233	8,010	57,831	1,122

<u>Restated</u> <u>Non-Current Assets 2014/15</u>	Land & Buildings £000	Infrastructure £000	Vehicles & Equipment £000	PPE TOTAL £000	Assets Under Construction £000	Assets Held for Sale £000
<u>Gross Book Value</u>						
At 1 April 2014	60,618	317	27,583	88,518	0	425
Additions	832	0	2,183	3,015	130	0
Impairment	(358)	0	0	(358)	0	0
Impairment – non-enhancing exp.	(73)	0	0	(73)	0	0
Derecognition – demolition	(579)	0	0	(579)	0	0
Derecognition – disposals	(146)	0	(733)	(879)	0	(425)
At 31 March 2015	60,294	317	29,033	89,644	130	0
<u>Accumulated Depreciation</u>						
At 1 April 2014	(3,240)	(68)	(19,203)	(22,511)	0	0
Depreciation for year	(1,145)	(8)	(2,269)	(3,422)	0	0
Depreciation write-off re Impairment	64	0	0	64	0	0
Depreciation write-off re Demolition	49	0	0	49	0	0
Depreciation write-off re disposals	0	0	733	733	0	0
At 31 March 2015	(4,272)	(76)	(20,739)	(25,087)	0	0
<u>Net Book Values</u>						
At 1 April 2014	57,378	249	8,380	66,007	0	425
At 31 March 2015	56,022	241	8,294	64,557	130	0

The Land and Buildings disposal relates to the sale of a building in Llandrindod Wells, and the Asset Held for Sale disposal to a building in Morriston.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – 10-80 years
- Vehicles, Plant, Furniture and Equipment – 3-15 years
- Infrastructure – 5-40 years
- Intangible assets – 3-15 years

Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property in 2016/17 and future years budgeted to cost £745k. Similar commitments at 31 March 2015 were £1,795k. The major commitments are:

- Aberystwyth Fire Station - £745k

Revaluations

The Authority revalues its Land and Buildings at least once every five years, the last valuation being carried out as at 1 April 2015.

The revaluation was carried out by a member of the Royal Institution of Chartered Surveyors employed by Carmarthenshire County Council. The revaluation was carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

The Authority does not have material surplus assets.

Impairments and Asset Under Construction

During the 2014/15 the Aberystwyth Fire Station was demolished and work commenced on building a new Fire Station on the same site. An impairment was charged to the Comprehensive Income and Expenditure Statement to reduce the carrying value of the asset to the valuation of the land. The land value was retained within Land & Buildings under Property, Plant & Equipment.

Construction work on the new fire station is reported as an Asset Under Construction.

13. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible asset comprises of purchased licenses and the suppliers set up consultancy charges.

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation £21k is absorbed as an overhead across all the service headings in the Cost of Services. The amount attributable to each service heading was:

- Fire Fighting and Rescue Operations - £18.5k
- Community Safety - £1.5k
- Fire Service Emergency Planning - £0.5k
- Corporate and democratic core - £0.5k

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

2014/15 £000	Purchased Software Licences	2015/16 £000
	Gross Book Value	
222	Opening balance at 1 April	270
48	Additions during year	34
270	Closing balance at 31 March	304
	Accumulated Amortisation	
(56)	At 1 April	(77)
(21)	Amortisation during year	(21)
(77)	Closing balance at 31 March	(98)
	Net Book Value	
166	Opening balance at 1 April	193
193	Closing balance at 31 March	206

14. FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the Balance Sheet:

	Long-Term		Current	
	31 March 2015 Restated £000	31 March 2016 £000	31 March 2015 Restated £000	31 March 2016 £000
Total investments	0	0	0	0
Total debtors	148	298	12,525	7,469
Borrowings:				
Financial liabilities (principal amount)	(15,246)	(16,770)	(280)	(4,280)
Accrued Interest	0	0	(28)	(69)
Total borrowings	(15,246)	(16,770)	(308)	(4,349)
Finance lease liabilities	(5,430)	(5,787)	(872)	(998)
Creditors:				
Financial liabilities carried at contract amount	0	0	(6,383)	(5,078)

Financial instruments Gains and Losses

	2014/15		2015/16	
	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables
	£000	£000	£000	£000
Interest expense	784	0	950	0
Total expense in Surplus or Deficit on the Provision of Services	784	0	950	0
Interest income	0	(5)	0	(27)
Total income in Surplus or Deficit on the Provision of Services	0	(5)	0	(27)
Net gain/(loss) for the year	784	(5)	950	(27)

Fair Value of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
£000	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	15,526	19,748	20,746	25,371
Non-PWLB debt	0	0	304	n/a
Total debt	15,526	19,748	21,050	25,371

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

15. INVENTORIES

	General, Personal Protective Equipment & Uniforms		Vehicle Maintenance spares		Petrol & Diesel		Other		Total	
Restated 2014/15	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance outstanding at start of year	341	343	4	4	33	28	21	25	399	400
Purchases	305	472	0	0	180	47	15	4	500	523
Recognised as an expense in the year	(281)	(364)	0	0	(185)	(45)	(7)	(20)	(473)	(429)
Transfer of Stock between stores	4	0	0	0	0	0	(4)	0	0	0
Stock Adjustment	(26)	26	0	0	0	0	0	0	(26)	26
Balance outstanding at year end	343	477	4	4	28	30	25	9	400	520

16. DEBTORS

Restated At 31 March 2015 £000	Short-Term Debtors	At 31 March 2016 £000
8,885	Central Government Bodies	6,928
424	Other Local Authorities	174
108	NHS Bodies	21
2,904	Other Entities and Individuals	105
214	Payments in Advance	36
(10)	Provision for irrecoverable debts	(88)
12,525	Total	7,176

At 31 March 2015 £000	Long-Term Debtors	At 31 March 2016 £000
98	Other Local Authorities	98
50	Other Entities and Individuals	200
148	Total	298

17. CASH AND CASH EQUIVALENTS

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

At 31 March 2015 £000		At 31 March 2016 £000
3	Cash held by the Authority	2
1,823	Bank Current and Deposit Accounts	10,340
1,826	Total	10,342

18. CREDITORS

Restated At 31 March 2015 £000		At 31 March 2016 £000
(779)	Central Government Bodies	(1,399)
(258)	Other Local Authorities	(750)
(4,818)	Other Entities and Individuals	(2,636)
(528)	Receipts in Advance	0
(6,383)	Total	(4,785)

19. USABLE RESERVES

Capital Receipts

These are capital receipts which are available for financing capital expenditure at 31 March 2016 all capital receipts had been applied.

Earmarked Reserves

The Authority holds the following earmarked reserves totalling £8.768 million (see note 8 for movements):

- A Vehicle, Plant and Equipment reserve established as a result of a Service review in order to assist in the modernisation of the fleet in order to increase efficiencies and reduce future revenue costs.
- An Invest to Save Fund set up to provide a pool of funds that departments can borrow from to 'kick start' an invest to save scheme. Departments have to repay the sums borrowed out of future savings in order to maintain the pool of available funding.
- A Sustainability and the Environment Projects reserve. The Authority is committed to embedding sustainability concepts into the way the Service develops. This small reserve is to help improve sustainability throughout the Service.
- The Risk Management Reserve provides a pool of funds to meet potential changes in the way that risks are insured against and to fund projects that will reduce the Services' insurance costs.
- The Consultancy and Process Change Projects reserve is to enable the Service to take advice from Consultants on increasingly complex regulations and economic conditions, particularly around procurement, tax and treasury management.
- An Operational Training reserve set up to provide security that there are sufficient funds to ensure that the operational Firefighters are trained to the highest standards.
- A Software and Communication Modernisation and Development reserve set up after a full Service Review identified that efficiency could be improved by developing and modernising some of the Service's computer software, particularly for internal communication, asset management and central support. This reserve will also be used for the development of a new mobile communication system. This reserve has been combined with the Airwave reserve. Airwave is a communications project partly funded by the Welsh Government. The Government funding is released at a constant yearly rate when the funded elements of the costs vary. The reserve is used to reduce the impact of the variable costs.
- The two Managing Change reserves, one for employees and pensions, and one for buildings and adaptations, were set up to help fund adaptations to buildings to meet current needs and to meet changes in employment regulations, particularly around part-time workers and equal pay.
- The Major Incidents reserve is a pool of funds to help meet the costs of dealing with any major incidents where the costs cannot be dealt with through the normal Fire Fighting and Rescue Operations budget.
- The Miscellaneous Ring-Fenced Income Reserve holds surpluses generated by various schemes such as the Car Salary Sacrifice Scheme and money raising events and/or donations for specific purposes, for example, money donated locally to support the Co responder schemes. The balances are held specifically for future expenditure on those schemes.
- The Levy Equalisation reserve can be used to reduce the changes in the levy charged each year to each of the constituent Unitary Authorities.

20. UNUSABLE RESERVES

Restated 31 March 2014 £000	Restated 31 March 2015 £000		31 March 2016 £000
(21,497)	(20,960)	Revaluation Reserve	(16,078)
(24,179)	(22,086)	Capital Adjustment Account	(20,608)
406,339	452,557	Pensions Reserve	391,976
575	579	Accumulated Absences Account	648
361,238	410,090	Total Unusable Reserves	355,938

Revaluation Reserve

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

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

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

Restated 2014/15 £000		2015/16 £000
(21,497)	Balance at 1 April	(20,960)
0	Upward revaluation of assets	(4,751)
105	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	9,240
105	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	4,489
416	Difference between fair value depreciation and historical cost depreciation	393
16	Accumulated gains on assets sold or scrapped	0
432	Amount written off to the Capital Adjustment Account	393
(20,960)	Balance at 31 March	(16,078)

Capital Adjustment Account

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

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

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

Restated 2014/15 £000	Capital Adjustment Account	2015/16 £000
(24,179)	Balance as at 1 April	(22,086)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
4,214	Charges for depreciation, and impairment of non-current assets	3,428
0	Revaluation losses on Property, Plant & Equipment	1,243
21	Amortisation of intangible assets	21
571	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.	23
3	Miscellaneous	3
4,809		4,718
(432)	Adjusting amounts written out of the Revaluation Reserve	(393)
4,377	Net written out amount of the cost of non-current assets consumed in the year	4,325
	<i>Capital financing applied in the year:</i>	
0	Use of Capital receipts Reserve to finance new capital expenditure	(590)
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(160)
(2,284)	Statutory provision for the financing of loan repayment	(2,097)
(2,284)		(2,847)
(22,086)	Balance as at 31 March	(20,608)

Pensions Reserve

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

2014/15		2015/16
£000		£000
406,339	Balance at 1 April	452,557
30,168	Remeasurements of the net defined benefit liability/(asset)	(72,789)
31,132	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	27,238
0	Transfers into Firefighter Pension Fund	60
(15,082)	Employer's pensions contributions and direct payments to pensioner's payable in the year	(15,090)
452,557	Balance at 31 March	391,976

Accumulated Absences Account

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

2014/15 £000		2015/16 £000
575	Balance at 1 April	579
(575)	Settlement or cancellation of accrual made at the end of the preceding year	(579)
579	Amounts accrued at the end of the current year	648
4	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.	69
579	Balance at 31 March	648

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Restated* 2014/15 £000		2015/16 £000
(5)	Interest received	(27)
497	Interest Paid - loans	612
288	Interest Paid – finance leases	297

* Adjusted to exclude accruals

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

Restated 2014/15 £000		2015/16 £000
(3,422)	Depreciation	(3,407)
(792)	Impairments	(21)
0	Revaluation Losses/Gains	(1,243)
(21)	Amortisation	(21)
(1,158)	Increase/decrease in creditors	1,598
5,404	Increase/decrease in debtors	(5,199)
1	Increase/decrease in inventories	120
(16,050)	Movement in pension liability	(12,148)
0	Other items charged to the Net Surplus or Deficit on the provision of services	(41)
(16,038)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(20,362)

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

Restated 2014/15 £000		2015/16 £000
(40)	Gain/Loss on Sale of PPE	(12)
(40)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(12)

22. CASH FLOW STATEMENT – INVESTING ACTIVITIES

Restated 2014/15 £000		2015/16 £000
3,193	Purchase of property, plant and equipment, investment property and intangible assets	3,483
(531)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11)
2,662	Net cash flows from investing activities	3,472

23. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £000		2015/16 £000
(3,500)	Cash receipts of short and long-term borrowing	(5,804)
(1,379)	Other receipts from financing activities	(1,427)
989	Cash payments for the reduction of the outstanding liabilities relating to finance leases	944
286	Repayments of short and long-term borrowing	280
(3,604)	Net cash flows from financing activities	(6,007)

24. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- the Fire Authority budget reporting is based on a subjective analysis of expenditure and income e.g. Employee costs, Premises, Transport etc. rather than on the objective basis that is reported in the accounts e.g. Community Safety, Fire Fighting and Rescue Operations, Fire Service Emergency Planning.
- in 2014/15 the budget report used was the last budget report produced before the final year end accounting adjustments and allocation of grant transactions. The adjusted figures for 2014/15 and the 2015/16 figures are the final figures after year end accounting adjustments.

The income and expenditure recorded in the budget reports for the year is as follows:

2014/15	NET REVENUE EXPENDITURE	2015/16
Restated £000		£000
	Operational	
19,111	Employees – Full time	19,029
6,448	Employees - Retained	6,475
437	Employees – Other costs	824
1,733	Premises	1,898
1,827	Transport	2,445
647	Insurance	647
4,529	Supplies and Services	5,871
34,732	Gross Operational Costs	37,189
(2,889)	Contribution to operational costs	(250)
(449)	Other income	(1,166)
	Interest Received	(27)
	Grants	(2,668)
(3,338)	Income	(4,111)
31,394	Net Operational Costs	33,078
1,397	Control Room	1,421
4,513	Admin and Technical Services	4,657
249	Manual	253
44	Members	61
155	Central Support	159
107	Pension	819
6,465	Total Non-Operational Costs	7,370
4,132	Capital Financing and leasing	3,047
41,991	Total Authority Expenditure	43,495
(42,917)	Levy's	(43,769)
926	To/from Earmarked Reserves	274
(41,991)	Total Funding	(43,495)

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

Restated 2014/15 £000	RECONCILIATION	2015/16 £000
41,991 (42,917)	Total Expenditure on Budget Monitoring Less: Contributions from Constituent	43,495 (43,769)
(926)	Included in Comprehensive Income and Expenditure Statement	(274)
	Items not included in Budget Monitoring report:	
3,422	Depreciation	3,407
792	Impairment	21
0	Revaluation Losses / Gains	1,243
21	Amortisation of Intangible	21
40	Gain on disposals of assets	12
4	Accumulated absences adjustment	69
0	Capital Grants	(160)
3	Other items	2
4,282		4,615
	Items not included in Comprehensive Income and Expenditure Statement	
(2,284)	Minimum Revenue Provision	(2,097)
16,050	Transfer to Pension Reserve	12,149
13,766		10,052
17,122	Deficit on Provision of Services	14,393

25. MEMBERS ALLOWANCES

During the year, the Fire Authority agreed to pay the following annual rates to elected Members:

2014/15 £		2015/16 £
10,400	Chair	10,400
Nil	Deputy Chair	Nil
1,700	Member	1,700

The Authority paid the following amounts to our elected Members during the year;

2014/15 £		2015/16 £
43,299	Total of Members' Salaries	61,540
16,550	Total of Members' Expenses	12,559

26. OFFICERS REMUNERATION

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

	Note	Year	Salary	Performance Related Pay	Expenses	Benefit in Kind (leased car)	Compensation for loss of Office	Pension	Total including Pension
Title		Year	£	£	£	£	£	£	£
Chief Fire Officer 1	-	2014/15	13,103	0	0	1,713	0	2,772	17,588
		2015/16	0	0	0	0	0	0	0
Chief Fire Officer 2	-	2014/15	118,814	0	102	795	0	25,096	144,807
		2015/16	144,229	3,953	108	1,319	0	37,786	187,395
Deputy Chief Fire Officer 1	3	2014/15	95,695	0	0	15,654	0	20,172	131,521
		2015/16	4,376	0	0	0	0	1,116	5,492
Deputy Chief Fire Officer 2	4	2014/15	0	0	0	0	0	0	0
		2015/16	106,837	0	0	2,034	0	27,197	136,068
Temporary Deputy Chief Officer 1	1,2	2014/15	49,356	0	854	6,179	0	7,872	64,261
		2015/16	11,345	2,747	408	827	0	2,218	17,545
Assistant Chief Fire Officer 1	-	2014/15	12,962	3,009	100	87	0	3,402	19,560
		2015/16	0	0	0	0	0	0	0
Assistant Chief Fire Officer 2	-	2014/15	98,613	6,048	0	2,105	0	22,079	128,845
		2015/16	0	0	0	0	0	0	0
Assistant Chief Officer 3 (Director of Resources)	1,5	2014/15	43,499	2,624	783	5,447	0	7,321	59,674
		2015/16	85,504	0	715	10,973	0	13,717	110,909
Assistant Chief Fire Officer 4	-	2014/15	86,027	0	0	288	0	18,077	104,392
		2015/16	106,686	2,630	252	6,675	0	27,821	144,064
Assistant Chief Officer 5	1,6	2014/15	46,445	0	573	3,211	0	7,406	57,635
		2015/16	13,930	1,421	213	596	0	2,435	18,595
Clerk to the Authority	-	2014/15	19,781	0	580	0	0	3,115	23,476
		2015/16	19,817	0	683	0	0	3,171	23,671

Notes:

1. Unlike the other Senior Officers, Assistant Chief Officer 3 (Director of Resources), Assistant Chief Officer 5 and Temporary Deputy Chief Officer 1 are 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.
2. The Temporary Deputy Chief Officer left the post on 30 April 2015 at an annualised salary of £101,398.
3. The Deputy Chief Fire Officer 1 left the post on 3 April 2015 at annualised salary of £116,549.
4. The Deputy Chief Fire Officer 2 started in post on 1 May 2015 at annualised salary of £116,549.
5. The Assistant Chief Officer 3 (Director of Resources) recommenced the post on 1 May 2015 at an annualised salary of £93,277.
6. The Assistant Chief Officer 5 left the post on 17 May 2015 at an annualised salary of £93,277.

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

Bracket	Number 2014/15	Number 2015/16
£60,000 to £64,999	5	2
£65,000 to £69,999	2	3
£70,000 to £74,999	3	0
£75,000 to £79,999	0	2
£80,000 to £84,999	1	0
£85,000 to £89,999	0	0

In 2015/16 the ratio of the highest paid salary to the median full time equivalent salary of £29,345 is 4.91:1 (In 2014/15 the median full time equivalent salary was £29,054 and the ratio was 4.54:1).

One exit package was agreed in 2015/16 (none in 2014/15). The package was an agreed departure and falls within the £20,001 to £40,000 cost band.

27. 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. The fees for other services relate to a review of Information Security.

2014/15 £000		2015/16 £000
50	Estimated fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor for the year	50
24	Fees payable in respect of other services provided by the appointed auditor	0

28. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000		2015/16 £000
	Revenue	
931	Community Risk Reduction	1,169
804	New Dimensions and USAR Funding	784
60	Water Bourne Rescue Equipment	0
592	Fire Link	592
146	JIGSO	35
0	Joint Emergency Services Group	58
41	Other *	30
2,574		2,668
	Capital	
0	Other *	160
0		160

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

All grants, contributions and donations received have been recognised in the Comprehensive Income and Expenditure Statement as any attached conditions have been met. The grant figure includes grants received on behalf of South Wales Fire and Rescue Service and North Wales Fire and Rescue Service. These grants are recorded as payments when transferred to the other Services. Mid and West Wales Fire Authority acted as banker for the three Services under this arrangement.

29. RELATED PARTIES

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

Welsh Government

Welsh Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides some funding in the form of grants. The grants received from government departments are set out in note 28.

Members

Members of the Fire and Rescue Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in note 25.

Officers

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

Other Public Bodies

The Authority receives the majority of its revenue funding by charging a levy, based on population, to the six Unitary County Councils in its area. Details of the amounts received by way of levy are shown on page 6.

The Authority is the Administering Authority for the Firefighter Pension Fund. Details of the Firefighter Pension Fund are shown in note 34 and the Firefighter Pension Fund accounts are on pages 91 to 93.

Entities Influenced by the Authority

Rescue 365 is a Community Interest Company limited by Guarantee set up to provide prevention, protection and response services to the community in Mid and West Wales. Surpluses generated from the company's activities will be applied to provide prevention, protection and response services to our communities. These prevention, protection and response services aim to compliment the statutory and non-statutory prevention, protection and response services provided by Mid & West Wales Fire & Rescue Authority". The Company directors have the ability to apply some or all of the surpluses in furtherance of Rescue 365's objects and community purpose. As the community purpose is aligned with that of the Authority, the directors may pass some or all of the surpluses to the Authority.

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

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

all of whom are likely to consider making grants of surpluses to the Authority or to Authority identified projects as being an effective way of furthering Rescue 365's community purpose and the intention at the outset was that surpluses would be applied to support services provided by the Authority. In total the Authority has made a loan of £260k to rescue 365 of which £200k was outstanding at the year end. In addition, the Authority seconded staff and rented accommodation to Rescue 365 which was charged and the balance due at the year end was £58.5k inclusive of VAT.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Restated 2014/15 £000	Capital Financing Requirement	2015/16 £000
20,922	Opening Capital Financing Requirement	21,831
	<i>Capital Investment</i>	
3,145	Property, Plant & Equipment	3,449
48	Intangible assets	34
	<i>Sources of finance</i>	
0	Capital receipts	(590)
0	Government grants and other contributions	(160)
(2,284)	MRP/loans fund principal	(2,097)
21,831	Closing Capital Financing Requirement	22,467
	Explanation of movements in year	
909	Increase in underlying need to borrow or lease	636

31. 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.

Property Plant and Equipment	31 March 2015	31 March 2016
	£000	£000
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	5,630	6,156
	5,630	6,156

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

Finance lease liabilities (net present value of minimum lease payments):	31 March 2015	31 March 2016
	£000	£000
- Current	872	998
- Non-current	5,430	5,787
Finance costs payable in future years	1,144	1,220
Minimum lease payments	7,446	8,005

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

	Minimum Lease Payment		Finance Lease Liabilities	
	31 March	31 March	31 March	31 March
	2015	2016	2015	2016
	£000	£000	£000	£000
Not later than one year	1,115	1,241	872	998
Later than one year and not later than five years	3,595	3,474	3,017	2,868
Later than five years	2,736	3,290	2,413	2,919
	7,446	8,005	6,302	6,785

Operating Leases

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

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

Operating Leases	At 31 March 2015 £000	At 31 March 2016 £000
Operating leases which expire:		
Not later than one year	18	29
Later than one year and not later than five years	2,123	2,257
Later than five years	193	0
Total	2,334	2,286

32. IMPAIRMENT LOSSES

In 2014/15 the Aberystwyth Fire Station was demolished and work commenced on building a new Fire Station on the same site. An impairment was charged to the Comprehensive Income and Expenditure Statement to reduce the carrying value of the asset to the valuation of the land. The land value was retained within Land & Buildings under Property, Plant & Equipment.

In 2015/16 there were no impairment charges.

33. TERMINATION BENEFITS

The Authority terminated the contract of one employee in 2015/16 through voluntary retirement incurring a liability of £38k.

34. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

- The Fire Fighters Pension Scheme (FPS) – this is an unfunded defined benefit scheme meaning that no investments are held to fund the liabilities. Contributions, at a rate set by the Welsh Government, made by the employer and employees are held in a pension fund account, benefits paid are charged to the account with any balance on the account being received from, or paid to, the Welsh Government (see page 91).
- The Local Government Pension Scheme (LGPS), the Authority participates in the Dyfed Pension Fund administered by Carmarthenshire County Council - this is a funded defined benefit scheme, meaning that the Authority and employees pay contribution into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The principal risks to the Authority of the schemes are the longevity assumptions, statutory changes to the schemes, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the LGPS. These are mitigated to a certain extent by the statutory requirement to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make to our Constituent Authorities is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/15		Transactions within the Comprehensive Income and Expenditure Statement and the General Fund	2015/16	
FPS	LGPS		FPS	LGPS
£000	£000		£000	£000
		<i>Service cost comprising:</i>		
11,780	974	- Current Service Cost	11,150	1,182
20	172	- Past Service Cost	0	0
0	27	- Administration expenses	0	28
0	332	- (gain) / loss from settlements	0	0
		<i>Financing and Investment Income and Expenditure</i>		
17,630	197	Net Interest expense	14,550	328
29,430	1,702	<i>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	25,700	1,538
		<i>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
		<i>Remeasurement of the net defined benefit liability comprising:</i>		
0	(1,421)	- Return on plan assets	0	1,497
(39,540)	0	- Actuarial gains or losses due to demographic changes	(5,990)	0
64,880	7,884	- Actuarial gains or losses due to financial assumption changes	(36,860)	(2,936)
(19,100)	0	- Experience gains or losses	(13,020)	0
19,100	0	- Retained settlement assumptions	(15,480)	0
54,770	8,165	Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(45,650)	99
		Movement on Reserve Statement		
(29,430)	(1,702)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(25,700)	(1,538)
		Actual Amount Charged against the General Fund Balance for pensions in the year		
	912	Employer Contributions payable to scheme		930
14,170		Retirement benefits payable to pensioners	14,160	

Following the Pension Ombudsman's decision in the case of Milne v GAD, additional lump sums and interest payments were made in 2015/16. GAD was found to have been at fault by not reviewing and maintaining the commutation factors during the period 1999 and 2006. The Ombudsman ordered a payment to be made to individuals affected by the error to reflect the recalculated commutation lump sum including interest on the back-payment. £1.590m was paid to the pensioners that were affected, and HM Treasury settled the tax liability due on the payments of £1.061m. These figures are not included in the table above. The payments were made through the FFPF and the additional costs were reimbursed by WG through the top up grant.

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

2014/15 £000 FPS	2014/15 £000 LGPS		2015/16 £000 FPS	2015/16 £000 LGPS
(442,301)	(45,827)	Present value of the defined benefit obligation	(382,550)	(45,064)
0	35,571	Fair value of plan assets	0	35,638
(442,301)	(10,256)	Net liability arising from defined benefit obligation	(382,550)	(9,426)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2014/15 £000	LGPS Assets	2015/16 £000
30,766	Opening fair value of assets	35,571
1,421	Interest income	1,216
3,176	Remeasurement gain/(loss)	(1,497)
(27)	Administration expenses	(28)
912	Contributions from employer	930
358	Contributions from employees into the scheme	370
(1,035)	Benefits paid	(924)
35,571	Closing fair value of scheme assets	35,638

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2014/15 £000 FPS	2014/15 £000 LGPS	Liabilities	2015/16 £000 FPS	2015/16 £000 LGPS
(401,581)	(35,524)	Opening balance at 1 April	(442,301)	(45,827)
(11,780)	(974)	Current Service cost	(11,150)	(1,183)
(120)	0	Transfers in	(60)	0
(17,630)	(1,618)	Interest cost	(14,550)	(1,544)
0	(358)	Contributions from scheme members	0	(370)
		<i>Remeasurement (gains)/losses</i>		
39,540	(7,884)	Actuarial gains/losses arising from changes in demographic assumptions	5,990	2,936
(64,880)	0	Actuarial gains/losses arising from changes in financial assumptions	36,860	0
0	0	Other	28,501	0
14,170	1,035	Benefits Paid	14,160	924
(20)	(172)	Past Service Cost	0	0
0	(332)	Losses/(gains) on curtailment	0	0
0	0	Liabilities extinguished on settlements	0	0
(442,301)	(45,827)	Closing balance at 31 March	(382,550)	(45,064)

Local Government Pension Scheme assets comprised:

2014/15 £000	Fair Value of LGPS Assets	Quoted (Y/N)	2015/16 £000
	Equities		
8,391	UK Quoted	Y	8,498
7,043	Overseas pooled funds	N	7,388
178	US	Y	3,774
4,080	Canada	Y	135
1,241	Japan	Y	1,418
1,064	Pacific	N	998
2,305	Emerging markets	N	2,416
24,302	<i>Sub – total equity</i>		24,627
	Bonds		
3,774	UK Government indexed	Y	3,403
3,575	UK Corporate	N	3,489
7,349	<i>Sub-total bonds</i>		6,892
	Property		
0	UK	N	0
0	Overseas – quoted	Y	0
0	Overseas	N	0
3,656	Property Funds	N	3,970
3,656	<i>Sub-total – property</i>		3,970
	Cash and cash equivalents		
18	Cash instruments	Y	0
139	Cash accounts	Y	71
107	Net current assets	N	78
264	<i>Sub-total Cash</i>		149
35,571	Total assets		35,638

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years' dependent on assumptions about mortality rates, salary levels, etc.

The Fire Fighters' Scheme has been valued by the Government Actuary's Department and the LGPS Pension Fund liabilities have been valued by Mercers, an independent firm of actuaries. Estimates for the Dyfed Pension Fund the LGPS) are based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuaries have been:

	Firefighters' Scheme		LGPS Fund	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners (in years):				
a. Men	22.5	22.3	23.3	23.4
b. Women	22.5	22.3	25.5	25.9
Longevity at 65 for future pensioners (in years):				
c. Men	24.8	24.6	25.5	25.7
d. Women	24.8	24.6	28.1	28.2
Rate of inflation – CPI	2.2%	2.2%	2.1%	2.0%
Rate of increase in Salaries	4.2%	4.2%	3.6%	3.5%
Rate of Increase in Pensions	2.2%	2.2%	2.1%	2.0%
Rate for discounting Scheme Liabilities	3.3%	3.5%	3.4%	3.6%

The estimated weighted average duration of the defined benefit obligation is 19 years for the Firefighter scheme and 21 years for the Local Government Pension scheme.

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

Firefighter Pension Schemes – Sensitivity Analysis as at 31 March 2016						
Defined Benefit Obligation	As Reported	Discount Rate on Liabilities	Increase in Salaries	Life Expectancy	Increase in Pensions	Retiring Earlier Than Expected
		0.5% Decrease	0.5% Increase	1-year Increase	0.5% Increase	One Year
	£000	£000	£000	£000	£000	£000
1992 Scheme	(343,590)	(377,590)	(345,590)	(352,590)	(371,590)	(343,590)
Injury Awards	(10,330)	(10,330)	(10,330)	(10,330)	(10,330)	(10,330)
2007 Scheme	(24,660)	(28,660)	(25,560)	(25,160)	(27,160)	(24,960)
2015 Scheme	(3,970)	(4,770)	(4,270)	(4,070)	(4,370)	(4,070)
Total	(382,550)	(421,350)	(385,750)	(392,150)	(413,450)	(382,950)

LGPS – Sensitivity Analysis as at 31 March 2016					
	As Reported	Discount Rate	Inflation	Pay Growth	Life Expectancy
		0.1% Increase	0.1% Increase	0.1% Increase	1-year Increase
	£000	£000	£000	£000	£000
Liabilities	(45,064)	(44,126)	(46,022)	(45,366)	(45,903)
Assets	35,638	35,638	35,638	35,638	35,638
(Deficit)/Surplus	(9,426)	(8,488)	(10,384)	(9,728)	(10,265)
Projected Service Cost for next year	1,231	1,192	1,271	1,231	1,258
Projected Net Interest Cost for next year	323	297	358	334	354

Impact on the Authority's Cash Flows

The objectives of the schemes are to keep employers' contributions at as constant a rate as possible.

In the LGPS scheme, Carmarthenshire County Council have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

Both schemes have taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under this Act both schemes are transferred from final salary schemes to career average revalued earnings schemes. The change was effective from 1 April 2015 for the Firefighter scheme and from 1 April 2014 for the Local Government Pension Scheme.

The Authority anticipated to pay £3.67 million expected contributions to the scheme in 2016/17, The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2015/16 (20 years in 2014/15).

35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movement.

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

Credit Risk

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

This risk is minimised through the Annual Investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

The current strategy is to invest internally as far as possible, thus reducing the need to borrow and reducing the cash surplus available for investment and the period those surpluses are available. In addition, the Authority's banking contract requires investments to be placed through the Authority's bankers. With interest rates being at such a low level, this has resulted in surpluses being held in high interest deposit accounts.

The Authority's maximum exposure to credit risk is in relation to its investments with its bank. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

Liquidity Risk

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

	Approved minimum limits	Approved maximum limits	Actual 31 March 2015 £000s	31 March 2015	Actual 31 March 2016 £000s	31 March 2016
Less than 1 year	0%	20%	280	2%	4,280	20%
Between 1 and 2 years	0%	20%	280	2%	280	1%
Between 2 and 5 years	0%	50%	1,769	11%	2,020	10%
Between 5 and 10 years	0%	75%	3,232	21%	3,005	14%
More than 10 years	25%	90%	9,965	64%	11,465	55%
Total			15,526	100%	21,050	100%

During 2015/16 a number of short-term loans totalling £4,000k were raised to manage a cash flow pressure. These short-term loans can be repaid from a grant received from Welsh Government to meet these costs. If the £4 million is excluded, the table becomes:

	Approved minimum limits	Approved maximum limits	Actual 31 March 2015 £000s	31 March 2015	Actual 31 March 2016 £000s	31 March 2016
Less than 1 year	0%	20%	280	2%	280	2%
Between 1 and 2 years	0%	20%	280	2%	280	2%
Between 2 and 5 years	0%	50%	1,769	11%	2,020	12%
Between 5 and 10 years	0%	75%	3,232	21%	3,005	17%
More than 10 years	25%	90%	9,965	64%	11,465	67%
Total			15,526	100%	17,050	100%

Market Risk

Interest Rate Risk

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

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

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

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

Price Risk

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

Foreign Exchange Risk

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

36. CONTINGENT LIABILITY

For 2017 HMRC amended its guidance for Expenses and Benefits. This amendment triggered MAWWFRS to review its own Travel and Subsistence Procedure. During the review it was discovered that the Authority was not complying with HMRC guidance. As there is a potential significant impact on employees the Authority engaged consultants to review and refine its Use of Vehicle policy, check historic P11D calculations to ensure they are reported correctly, advise on how to proceed where under / or over payments of tax / Class 1A NIC have arisen, and deal with HMRC until the issue is resolved. It is expected that there will be a settlement to be made to HMRC but this has not been agreed. The Authority estimates that the total is unlikely to be material.

FIRE FIGHTERS PENSION FUND ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2016

Restated* 2014/15 £000		2015/16 £000
	Contributions receivable:	
	Employer:	
(3,150)	-Normal	(3,316)
(157)	-early retirements (ill health)	(481)
(2,376)	-members	(2,452)
(5,683)		(6,249)
(123)	Individual Transfers in from other schemes	(63)
(5,806)		(6,312)
	Benefits Payable	
9,684	-pension	10,196
3,194	-commutations and lump-sum retirement benefits	2,694
0	-additional benefits due to GAD v Milne	1,590
0	-lump sum death	5
12,878		14,485
	Payments to and on account of leavers:	
1,152	Individual transfers out to other schemes	1,236
14,030		15,721
8,224	Deficit for year before top-up grant receivables from the Welsh Government	9,409
(8,224)	Top up grant Receivable from the Welsh Government	(9,409)
0	Net amount payable/receivable for the year	0

NET ASSETS STATEMENT AS AT 31 MARCH 2016

Restated* 2014/15 £000		2015/16 £000
	Current Assets:	
0	Owed by General Fund	757
4,725	Owed by Welsh Government	0
4,725	Total Current Assets	757
	Current Liabilities:	
(4,725)	Amount owed to General Fund	0
0	Amount owed to Welsh Government	(757)
(4,725)	Total Current Liabilities	(757)

*Restated following reconciliation to ledger transactions.

NOTES TO THE FIREFIGHTERS PENSION FUND ACCOUNT

The Fund was established 1 April 2007 and covers the 1992, 2006, 2015 and the Modified Fire Fighters' Pension Schemes and is administered by the Authority. Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government and subject to triennial revaluations by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by Top Up Grants from the Welsh Government (WG).

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

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

At the beginning of the financial year an assessment is made of the amount of Top Up Grant required from Welsh Government and 80% of the estimate is paid in July. The 2015/16 estimate included as assessment of the number of fire fighters due to retire within the year based on age and years' service, from this an estimate can then be made of the commutation payments that would fall due and the additional pension payments.

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

Following the successful conclusion of the court case (GAD v Milne) in relation to the actuarial calculation used for commutation payments due to retiring firefighters dating back a number of years, £1.590 million was paid to those pensioners that were affected and HM Treasury settled the tax liability (£1,061k) due on the payments on behalf of the fund.

Contribution Rates

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

Pensionable Pay Band	2015/16 Contribution Rate %
Up to and including £27,000	10.0
More than £27,000 and up to and including £50,000	12.2
More than £50,000 and up to and including £142,500	13.5
More than £142,500	14.5

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

Pensionable Pay Band	2015/16 Contribution Rate %
Up to and including £15,150	8.5
More than £15,150 and up to and including £21,210	9.4
More than £21,210 and up to and including £30,300	10.4
More than £30,300 and up to and including £40,400	10.9
More than £40,400 and up to and including £50,500	11.2
More than £50,500 and up to and including £60,600	11.3
More than £60,600 and up to and including £101,000	11.7
More than £101,000 and up to and including £121,200	12.1
More than £121,200	12.5

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

Pensionable Pay Band	2015/16 Contribution Rate %
Up to and including £15,150	11.0
More than £15,150 and up to and including £21,210	12.2
More than £21,210 and up to and including £30,300	14.2
More than £30,300 and up to and including £40,400	14.7
More than £40,400 and up to and including £50,500	15.2
More than £50,500 and up to and including £60,600	15.5
More than £60,600 and up to and including £101,000	16.0
More than £101,000 and up to and including £121,200	16.5
More than £121,200	17.0

The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period end as this is the responsibility of the Authority. Details of the long-term pension obligations can be found in Note 33 to the core financial statements (£382.550m at 31 March 2016 and £442.301m at 31 March 2015).

GLOSSARY OF TERMS USED IN THE STATEMENT OF ACCOUNTS

This glossary of terms is designed to aid the understanding of the Authority's Statement of Accounts.

ACCOUNTING POLICIES

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

ACCRUALS

Accruals are amounts that are recognised in the accounts as they are earned or incurred not as money is received or paid. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

BALANCE SHEET

The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year-end. The Balance Sheet shows the values 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 reserves held by the Authority.

BUDGET

A statement of the Authority's spending plans for revenue and capital expenditure over a specified period of time.

CAPITAL EXPENDITURE

Capital expenditure is expenditure on the acquisition, construction or enhancement of non-current assets such as land, buildings, vehicles and equipment or expenditure which adds to and not merely maintains the value of the existing asset.

CAPITAL RECEIPTS

Income received from the sales of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within relevant legislation.

CARRYING AMOUNT

The balance sheet value recorded of either an asset or a liability.

CORPORATE DEMOCRATIC CORE

The corporate and democratic core comprises all activities that the Authority engages in specifically because it is an elected Authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITORS

Creditors are the amounts owed by the Authority for work done, goods or services received but for which payment has not been made by the balance sheet date.

CURRENT ASSETS

Current assets are assets which can be reasonably expected to be consumed or realised within the next 12 months e.g. stocks, debtors, cash.

CURRENT LIABILITIES

Current liabilities are amounts owed by the Authority and due for payment during the next 12 months e.g. short term borrowing, short term creditors and cash overdrawn.

DEBTORS

Debtors are entities who owe amounts to the Authority for work done, goods sold or services rendered for which income has not been received by the balance sheet date.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

DEPRECIATION

Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

EARMARKED RESERVES

The Authority holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable toward the purchase or use of the asset.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

GENERAL FUND

This is the main revenue fund to the Authority and includes the net cost of all services financed by local taxpayers and government grants.

IMPAIRMENT

Impairment is a reduction in the value of a non-current asset, below its carrying amount on the balance sheet.

INTANGIBLE FIXED ASSETS

These are fixed assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

INVENTORIES

Inventories are the amount of unused or unconsumed goods held in expectation for future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

LIABILITIES

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance sheet date.

LONG TERM ASSETS

Long term assets are assets that yield benefits to the Authority and the services it provides for a period of more than 12 months.

LONG TERM LIABILITIES

Long term liabilities are amounts owed by the Authority and due for payment at a time greater than 12 months.

MINIMUM REVENUE PROVISION (MPR)

The minimum revenue provision is the minimum amount that must be set aside from revenue towards the repayment of loan debt.

NET BOOK VALUE (NBV)

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

NET REALISABLE VALUE (NRV)

Net realisable value is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

NON CURRENT ASSETS

Assets that yield benefits to the Authority and the services it provides for a period of more than one year, Examples include land, buildings and vehicles.

POST BALANCE SHEET EVENTS

Post balance sheet events are those events that occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

A provision is an amount set aside to meet potential future liability but the exact amount and date on which the liability is due is uncertain.

REMUNERATION

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

RESERVES

Reserves are amounts set aside to meet future contingencies but whose use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account. This is a crucial distinction between provisions and reserves.

RETIREMENT BENEFITS

Retirement benefits are all forms of consideration given by the Authority in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either 1) the Authority's decision to terminate an employee's employment before the normal retirement date or 2) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE

Revenue expenditure is money spent on the day to day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

WELSH GOVERNMENT

Welsh Government is responsible for the national policy on local government and fire and rescue.