

MID AND WEST WALES FIRE AND RESCUE AUTHORITY



STATEMENT OF ACCOUNTS

2008-2009

CONTENTS

	<u>PAGE</u>
<u>Introductory Statements</u>	
Director of Resources and Procurement's Introduction to the Statement of Accounts	4
Explanatory Foreword	5-8
Statement of Accounting Policies	9-16
<u>Core Financial Statements</u>	
Income and Expenditure Account	18
Statement of Movement on the General Fund Balance	19-20
Statement of Total Recognised Gains and Losses	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Core Financial Statements	23-45
<u>Other Financial Statements</u>	
Pension Fund Account	47-48
Notes to the Pension Fund Account	48
<u>Governance and Audit</u>	
Statement of Responsibilities for the Statement of Accounts	50
Code of Corporate Governance and Statement of Assurance	51-63
Independent Auditors' Report to the Mid and West Wales Fire and Rescue Authority	64-65

Introductory Statements

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

Explanatory Foreword

Statement of Accounting Policies

MID AND WEST WALES FIRE AND RESCUE AUTHORITY

STATEMENT OF ACCOUNTS

2008-2009

Director of Resources and Procurement's Introduction

This Report is produced in accordance with the requirements of the Local Government Act 2003, Public Audit (Wales) Act 2004 and, the Accounts and Audit (Wales) Regulations 2005. The Regulations prescribe the contents of the Statement of Accounts.

Certification and Approval

I hereby append my signature to the Statement of Accounts (pages 3-63 inclusive) as required by Regulation 9 (2) and certify that it presents fairly the financial position of the Mid and West Wales Fire and Rescue Authority as at 31st March 2009 and its income and expenditure for the year ended 31st March 2009.

Date: 28th September 2009

Signed by: E A AITKEN
DIRECTOR OF RESOURCES
AND PROCUREMENT

The Statement of Accounts was approved at a meeting of the Mid and West Wales Fire and Rescue Authority held on 29th June 2009.

Date: 28th September 2009

Signed by: CLLR. T E EVANS
CHAIR OF THE AUTHORITY

EXPLANATORY FOREWORD

1. Introduction and Content

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

These accounts have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in United Kingdom 2008 (A Statement of Recommended Practice)" known as the SORP, and the "Best Value Accounting Code of Practice". Both of these are published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Accounts for the year ended 31st March 2009 are set out on pages 9 to 63. They consist of:

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

- Notes supporting the above statements.
- The Statement of Responsibility for the Statement of Accounts – this sets out the responsibilities of the Authority and the Director of Resources and Procurement for the accounts.
- The Code of Corporate Governance and Statement of Assurance – this gives assurance that the Code of Corporate Governance adopted by the Authority is effective and is complied with.

2. Where the money comes from:

	<u>£'000</u>	<u>%</u>
Fees, Charges, Interest, Other Income	945	2
Revenue Grants	1,926	4
Contributions from Unitary Authorities	<u>41,123</u>	<u>94</u>
	43,994	100
	=====	=====

3. What the money is spent on:

	<u>£'000</u>	<u>%</u>
Employee Costs	34,264	78
Running Costs	8,962	20
Capital Financing Costs	<u>768</u>	<u>2</u>
	43,994	100
	=====	=====

4. Revenue Budget

The table below indicates the budgeted and actual expenditure and income for the year ended 31st March 2009.

	<u>BUDGET</u> £'000	<u>ACTUAL</u> £'000	<u>VARIATION</u> £'000
Service Expenditure	43,902	43,994	92
Service Income	(1,364)	(2,871)	(1,507)
(Surplus)/Deficit for the year	42,538	41,123	(1,415)
Unitary Authority Contributions	(42,538)	(41,123)	1,415
	0	0	0

The variation shown in the above comparisons are due to a much higher level of grants received than anticipated.

5. Capital Expenditure

During 2008/09 the Authority spent £2.419 million on capital projects (£1.881 million in 2007/08). Capital expenditure is analysed below:

2007/08 £'000		2008/09 £'000
1,092	Refurbishment, Adaptations and New Buildings	908
103	Operational, Communications and Computer Equipment	1,132
686	Vehicles	379
1,881	Total Capital Expenditure	2,419

6. Capital Borrowing

Capital expenditure is financed mainly by loans from the Public Works Loan Board. The Authority has no other borrowing facilities. In accordance with the Treasury Management Policy, no new loans were raised during 2008/09 to meet the estimated capital financing requirement. Raising the loans has been delayed while the financial markets stabilise. Temporarily internal funds have been used; this has reduced the funds available for external investment. The total of loans outstanding at 31st March 2009 was £7.991m, comprised entirely of fixed interest, fixed term loans.

The 2008-09 capital expenditure is being financed by capital grants, capital receipts, direct revenue funding and, temporarily, by internal funds.

7. Balances and Reserves

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

8. Pensions Liability

Financial Reporting Standard 17 (FRS 17) requires employers to report the full cost of pension benefits as they are earned, regardless of whether they have been paid for. The Authority's pension's liability is recognised in full in the Balance Sheet and the appropriate charges in respect of current and past service costs and interest, for Firefighters' and Local Government Pensions, are made to the Income and Expenditure Account. The Authority's total pensions liability is estimated at £226.892m at 31st March 2009; this is split between the Local Government Pension Scheme (£6.502m) and the Firefighters' Pension Scheme (£220.39m). The Firefighters pension liability includes both the Firefighters' Pension Scheme 1992 and the New Firefighters' Scheme 2006.

9. Pension Fund Account

The Financial Statements now include a separate section for the Pension Fund Account in line with the 2008 SORP. Under the new pension funding arrangements each, Fire and Rescue Authority in Wales is required by legislation to operate a Pension Fund, and the amounts that must be paid into and out of the fund are specified by regulation.

10. Further Information

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

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

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

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. ACCRUALS OF INCOME AND EXPENDITURE

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

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

3. PROVISIONS

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

Provisions are charged to the appropriate Service Revenue Account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant Service Revenue Account.

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

4. RESERVES

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

5. GRANTS AND CONTRIBUTIONS (REVENUE)

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

6. RETIREMENT BENEFITS

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

Firefighters' Pension Scheme

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

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

Local Government Pension Scheme

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

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

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 7.1%. This has been calculated as a weighted average of “spot yields” on AA rated corporate bonds.
- The assets of the Dyfed Pension Fund attributable to 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 pension liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
 - Contributions paid to the Dyfed Pension Fund – cash paid as employers contributions to the pension fund.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

7. VALUE ADDED TAX

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between the users in proportion to the benefits received, with the exception of:

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

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

9. INTANGIBLE FIXED ASSETS

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

10. TANGIBLE FIXED ASSETS

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

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

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

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

Net current replacement cost is assessed as:

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

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

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

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

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

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

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

Receipts from disposals are categorised as capital receipts. Capital receipts are required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new

capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against the contributions from the constituent Unitary Authorities, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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

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

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

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

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

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

11. CHARGES TO REVENUE FOR FIXED ASSETS

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

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

The Authority is not required to raise contributions to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. LEASES

Finance Leases

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

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

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

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

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Relevant Service Account on a straight-line

basis over the term of the lease, generally meaning that rentals are charged when they become payable.

13. FINANCIAL LIABILITIES

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

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

14. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

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

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

15. STOCKS AND WORKS IN PROGRESS

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

Core Financial Statements

Income and Expenditure Account

Statement of Movement on the General Fund Balance

Statement of Total Recognised Gains and Losses

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31ST MARCH 2009

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

<u>2007-2008</u> Net Expenditure £'000		<u>2008-2009</u> Gross Expenditure £'000	<u>2008-2009</u> Gross Income £'000	<u>2008-2009</u> Net Expenditure £'000
5,000	Community Safety	5,927	(922)	5,005
36,063	Fire Fighting and Rescue Operations	34,788	(1,131)	33,657
352	Fire Service Emergency Planning and Civil Defence	900	(612)	288
487	Corporate and Democratic Core	489	0	489
266	Non Distributed Costs	144	0	144
42,168	Net Cost of Service	42,248	(2,665)	39,583
367	Interest Payable and similar charges			382
(263)	Interest and Investment Income			(205)
0	Gain on Disposal of Fixed Assets			(6)
14,703	Pensions Interest Cost and Expected Return on Pensions Assets			16,605
56,975	Net Operating Expenditure			56,359
	Unitary Authority Contributions:			
(8,180)	Carmarthenshire			(8,438)
(3,594)	Ceredigion			(3,657)
(6,227)	Neath and Port Talbot			(6,494)
(5,395)	Pembrokeshire			(5,558)
(6,039)	Powys			(6,215)
(10,394)	City and County of Swansea			(10,761)
17,146	Deficit For The Year			15,236

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

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

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

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

<u>2007-08</u> <u>£000's</u>		<u>2008-09</u> <u>£000's</u>
17,146	Deficit for the Year on the Income and Expenditure Account	15,236
(17,146)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(15,236)
0	Increase in General Fund Balance for the Year	0
0	General Fund Balance brought forward	0
0	General Fund Balance carried forward	0

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

<u>2007-08</u> £000's		<u>2008-09</u> £000's
	Amounts within the Income and Expenditure account which need to be excluded from it to calculate the movement in the General Fund Balance	
(3)	Amortisation of intangible fixed assets (note 29b)	(2)
(1,422)	Depreciation and impairment of fixed assets (note 29b)	(1,441)
71	Amortisation of Government Grants deferred (note 29b)	85
0	Gain on Disposal of Fixed Assets	6
(25,150)	Net FRS17 adjustments	(24,437)
(26,504)		(25,789)
	Amounts not included in the Income and Expenditure Account which need to be included within it to calculate the movement in the General Fund Balance	
351	Statutory Minimum Revenue Provision (note 29b)	377
191	Capital expenditure financed from Revenue (note 29b)	9
8,816	Contributions paid to pension funds (note 34)	10,167
(17,146)	Net additional amount required to be credited to the General Fund Balance for the year	(15,236)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE
YEAR ENDED 31ST MARCH 2009

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

<u>2007-08</u> £000's		<u>2008-09</u> £000's
17,146	Deficit for the Year on the Income and Expenditure Account	15,236
(20)	(Surplus) arising on revaluation of fixed assets (note 29a)	(8,281)
(47,331)	Actuarial (Gains) on Pension Fund assets/liabilities	(31,052)
(30,205)	Total Recognised (Gains) for the year	(24,097)
3,937	Prior Year adjustments (see note below)	0
(26,268)	Total Gains and Losses recognised since published Statement of Accounts 2007/2008	(24,097)

The prior year adjustment of £3,937k noted in the 2007-08 column above relates to reserves that had been built up in the years before 2007-08 to smooth out the variable impact of pension costs on future Unitary Authority contributions. As a result of a legal opinion obtained by the Wales Audit office, the balance on Reserves was transferred to Creditors in the balance sheet, requiring a prior year adjustment in the STRGL.

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
BALANCE SHEET
AS AT 31st MARCH 2009

<u>31st Mar 08</u> Restated (see note 34)			<u>31st Mar 09</u>	<u>31st Mar 09</u>
£'000		Note	£'000	£'000
20	<u>Fixed Assets:</u> Intangible Assets	14		84
30,047	Operational Assets	15		
151	- Land and Buildings		38,413	
2,192	- Infrastructure		171	
137	- Vehicles and Equipment		2,999	
	Non-operational Assets	15	<u>156</u>	41,739
142	Long-Term Debtor	20		136
32,689	TOTAL LONG TERM ASSETS			41,959
224	<u>Current Assets:</u> - Stocks	21	251	
1,764	- Debtors	22	3,892	
3,000	- Short-Term Investments	23	1,000	
1,651	- Bank Balance		1,474	
3	- Cash and Bank Imprests		<u>3</u>	6,620
39,331	TOTAL ASSETS			48,579
0	<u>Current Liabilities:</u> - Bank Overdraft		0	
(7,687)	- Creditors and Provisions	24 & 28	(8,747)	
(388)	- Borrowing repayable within one year	25	<u>(366)</u>	(9,113)
31,256	TOTAL ASSETS LESS CURRENT LIABILITIES			39,466
(7,970)	Borrowing repayable in more than one year	25	(7,625)	
(1,120)	Grants and Contributions Deferred	27	(2,360)	
(243,674)	Pensions Liability	34	<u>(226,892)</u>	(236,877)
(221,508)	TOTAL ASSETS LESS LIABILITIES			(197,411)
0	<u>EQUITY:</u> Revaluation Reserve	29a	8,188	
22,166	Capital Adjustment Account	29b	21,293	
0	Usable Capital Receipts Reserve	29c	0	
(243,674)	Pensions Reserve	34	<u>(226,892)</u>	
(221,508)	TOTAL EQUITY			(197,411)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
CASH FLOW STATEMENT 2008-2009

<u>2007-2008</u> £'000		<u>2008-2009</u> £'000	<u>2008-2009</u> £'000
	<u>Revenue Activities:-</u>		
1,785	Net Revenue Cash Inflow/(Outflow) before Servicing of Finance (note 35(a))		(526)
	<u>Servicing of Finance:</u>		
	<u>Cash Outflows:</u>		
(367)	Interest paid	(382)	
	<u>Cash Inflows:</u>		
263	Interest received	205	
			(177)
1,681	Net Cash Inflow/(Outflow) from Revenue Activities		(703)
	<u>Capital Activities:-</u>		
	<u>Cash Outflows:</u>		
(1,880)	Purchase of Fixed Assets	(2,452)	
	<u>Cash Inflows:</u>		
20	Sale of Fixed Assets	19	
317	Capital grants and contributions received	1,326	
			(1,107)
	Net Cash Inflow/ (Outflow) before Financing (note 35(b))		(1,810)
138			
	<u>Management of Liquid Resources</u>		
700	(Increase)/decrease in Short-Term Investments		2,000
	<u>Financing :-</u>		
	<u>Cash Outflows:</u>		
(367)	Repayments of amounts borrowed	(367)	
	<u>Cash Inflows:</u>		
965	New loans raised	0	
			(367)
1,436	INCREASE/(DECREASE) IN CASH (note 35(c))		(177)

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Acquired and Discontinued Operations

No operations have been acquired or discontinued during the year.

2 Prior Year Adjustments

In accordance with FRS17, *Retirement Benefits*, the securities held as assets in the Local Government Pension Scheme are now valued at bid price rather than at mid-market value. Further details of this change and the effect on the accounts can be found in note 34.

3 Outstanding Undischarged Items

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

4 Trading Operations

The Authority has no trading operations.

5 Section 137 Local Government Act 1972

(as amended by the Local Government and Housing Act 1989)

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

In 2008-09 the Authority incurred no such expenditure.

6 Publicity

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

	<u>2008-2009</u>	<u>2007-2008</u>
	£'000	£'000
Recruitment Advertising	13	31
Other Advertising	22	40
	<u>35</u>	<u>71</u>

7 Local Authority (Goods and Services) Act 1970

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

8 Members Allowances

The following allowances were paid by the Authority to Fire and Rescue Authority Members for the financial years 2008-09 and 2007-08.

	<u>2008-2009</u> <u>£'000</u>	<u>2007-2008</u> <u>£'000</u>
Chairperson's Allowance	9	10
Vice Chairperson's Allowance	7	8
Members' Allowances (Basic and Care Allowances)	26	24
	<u>42</u>	<u>42</u>

9 **Employee Details**

9.1 **Numbers Employed: -**

	<u>31st Mar 09</u>	<u>31st Mar 08</u>
<i><u>Firefighters:-</u></i>		
Whole-time role of Station Manager and above	107	98
Whole-time below the role of Station Manager	337	344
Retained Firefighters	734	711
	<u>1,178</u>	<u>1,153</u>
<i><u>Control Room and Civilian Support Staff:-</u></i>		
Full-time	179	171
Part-time	42	38
	<u>221</u>	<u>209</u>

9.2 **Remuneration Received: -**

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

<u>Remuneration Band</u>	<u>2008-2009</u>	<u>2007-2008</u>
£60,000 - £69,999	2	6
£70,000 - £79,999	3	0
£80,000 - £89,999	3	1
£90,000 - £99,999	0	1
£100,000 - £109,999	0	1
£110,000 - £119,999	0	0
£120,000 - £129,999	1	1

10 **Related Party Transactions**

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

None of the Authority Members or relevant Officers, or parties related to them, has undertaken any material transactions with the Mid and West Wales Fire and Rescue Authority in 2008-09.

The following payments to related parties are noted:

	Expenditure £'000s	Income £'000s
Carmarthenshire County Council	584	8,587
Cyngor Sir Ceredigion	31	3,724
Neath Port Talbot CBC	98	6,626
Pembrokeshire County Council	88	5,724
Powys County Council	162	6,319
City & County of Swansea	165	10,969
Dyfed Pension Fund	1,003	0
Welsh Assembly Government	1	4,788
ODPM	0	93
Public Works Loan Board	748	0
South Wales Fire Service	64	1
North Wales Fire Service	45	33
Dyfed Powys Police	55	2
South Wales Police	62	1
Other Police & Fire Authorities	2	34
Fire Service College	200	0
FBU	208	0
NHS/Ambulance	0	219
Other Local Authorities/Agencies	0	3
Trunk Road Agencies	0	35
	3,516	47,158

11 Euro Costs

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

12 Audit Costs

	<u>2008-2009</u>	<u>2007-2008</u>
	<u>£'000</u>	<u>£'000</u>
External audit services as appointed auditor	44	43
Statutory inspection	10	10
Other services – National Fraud Initiative	1	0
	<u>55</u>	<u>53</u>

13 Explanation of the significance of the Statement of Movement on the General Fund Balance

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

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

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

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

For ease of reference this reconciling note is included in the Core Statements immediately after the Statement of Movement on the General Fund Balance.

14 Intangible Fixed Assets

	Purchased Software Licences £'000
Gross Book Value	
At 1 April 2008	23
Revaluations	0
	23
Additions during year	66
Disposals during year	0
Balance at 31 March 2009	89
Accumulated Amortisation	
At 1 April 2008	(3)
Amortisation during year	(2)
Disposals during year	0
	(5)
Net Book Value	
At 1 April 2008	20
At 31 March 2009	84

Intangible fixed assets are valued at amortised historic cost.

15 Tangible Fixed Assets

Movement on Operational Fixed Assets

	Land and Buildings	Infrastructure	Vehicles and Equipment	Non Operational	TOTAL
	£'000	£'000	£'000	£'000	£'000
<u>Gross Book Values</u>					
At 1 April 2008	33,264	181	12,341	137	45,923
Revaluations	5,096	0	0	0	5,096
	38,360	181	12,341	137	51,019
Additions	889	25	1,420	19	2,353
Disposals	0	0	(65)	0	(65)
At 31 March 2009	39,249	206	13,696	156	53,307
<u>Accumulated Depreciation</u>					
At 1 April 2008	(3,218)	(30)	(10,150)	0	(13,398)
Revaluations	3,218	0	0	0	3,218
Depreciation for year	(836)	(5)	(600)	0	(1,441)
Disposals	0	0	53	0	53
At 31 March 2009	(836)	(35)	(10,697)	0	(11,568)
<u>Net Book Values</u>					
At 1 April 2008	30,046	151	2,191	137	32,525
At 31 March 2009	38,413	171	2,999	156	41,739

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

Properties were valued as at 30th April 2008, at £38.36m, by Mr C Davies MRICS, Chartered Surveyor.

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

No diminution in value of individual assets was identified in the 2008/09 Impairment Review.

16 Capital Expenditure and Financing

	2008/09 £'000	2007/08 £'000
Net Capital Expenditure	2,419	1,881
Financed as follows:		
Loan	1,078	1,353
Capital Receipts	6	20
Capital Grants and Contributions	1,326	317
Direct Revenue Financing	9	191
	2,419	1,881

As at 31 March 2009 of the available loan funding of £1,078k, no loans had actually been raised. In accordance with the Treasury Management Policy expenditure to be financed by loan has temporarily been funded by surplus cash holdings.

17 Significant Capital Commitments

	£'000
Fire Stations at Montgomery, Ammanford and Port Talbot - retention	15

18 Asset Structure

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

	<u>31st Mar 09</u>	<u>31st Mar 08</u>
Brigade Headquarters	1	1
Other HQ Buildings	4	4
Fire Stations and Houses	62	62
Vehicles	102	101

The above figures exclude leased vehicles.

19 Assets Held Under Leases

The Authority uses appliances, vans and cars financed under terms of an operating lease. The amount paid under these arrangements in 2008/09 amounted to £1,652,513 (£1,799,257 in 2007/08). A small amount of equipment inherited from the predecessor Authorities are held under a finance lease, these are small in value and there is no future commitment to pay rentals. Because of this, they are accounted for as operating leases. The Authority holds no land and buildings under a lease scheme and does not act as a lessor.

The Authority was committed at 31 March 2009 to making payments of £1,544,000, under operating leases in 2009/10:

	<u>2008-2009</u>	<u>2007-2008</u>
	£'000	£'000
For payments due within one year, commitments expire as follows:-		
Within 1 year	3	104
1 - 5 years	745	423
More than 5 years	796	769

20 Long Term Debtors

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

21 Stocks

	<u>31st Mar 09</u>	<u>31st Mar 08</u>
	£'000	£'000
Transport Maintenance Workshops	39	40
Brigade Stores	166	156
Fuel	27	27
Other	19	1
	<u>251</u>	<u>224</u>

22 Debtors

	<u>31st Mar 09</u>	<u>31st Mar 08</u>
	£'000	£'000
Government/ Agency Departments	2,377	715
Local Authorities/ Other Public Bodies	102	161
Sundry Debtors	93	297
Payments in Advance	1,328	599
	<u>3,900</u>	<u>1,772</u>
Less Provision for Bad Debts	(8)	(8)
	<u>3,892</u>	<u>1,764</u>

23 Short-Term Investments

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

	31st Mar 09	31st Mar 08
	£'000	£'000
Bank Treasury Deposits	1,000	3,000
	<u>1,000</u>	<u>3,000</u>

24 Creditors and Provisions

	31st Mar 09	31st Mar 08
	£'000	£'000
Government/ Agency Departments	651	1,431
Local Authorities/ Other Public Bodies	286	217
Sundry Creditors	2,096	1,812
Receipts in Advance	531	249
Balances held on behalf of constituent Unitary Authorities	4,570	3,774
Provisions	613	204
	<u>8,747</u>	<u>7,687</u>

25 Long-Term Borrowing

		<u>Loans</u>	<u>Maturity</u>
		<u>Outstanding</u>	<u>Dates</u>
		£'000	
31st Mar 09	Public Works Loan Board	7,991	2010 – 2058
31st Mar 08	Public Works Loan Board	8,358	2009 – 2058

Analysis of loans by maturity: -

	<u>Loans</u> <u>Outstanding</u> <u>31st Mar 09</u> <u>£'000</u>	<u>Loans</u> <u>Outstanding</u> <u>31st Mar 08</u> <u>£'000</u>
Repayable within:-		
1 year	345	367
1 - 2 years	345	345
2 - 5 years	969	1,011
5 - 10 years	1,374	1,429
More than 10 years	4,937	5,185
	<hr/> 7,970	<hr/> 8,337
Interest Owed	21	21
	<hr/> 7,991	<hr/> 8,358
Less: Borrowing repayable within one year	(345)	(367)
Interest Owed	(21)	(21)
	<hr/>	<hr/>
Borrowing repayable in more than one year	7,625	7,970

FRS25, FRS26 and FRS29 Accounting for Financial Instruments require that any interest outstanding on loans should be recognised on the Balance Sheet as part of the loan. It is also a requirement that the fair value of the loan portfolio is disclosed in a note to the accounts, at 31 March 2009 the fair value of PWLB loans was £8,556,762 (31 March 2008, £8,698,992).

26 Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

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

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

These are required to be reported and approved at or before the Authority's annual budget setting meeting. The Authority meeting of the 4th February 2008 accepted the Prudential Indicators 2008/09 to 2010/11.

Credit risk

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

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

Liquidity risk

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

Refinancing and Maturity Risk

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

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

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

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

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

Market risk

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

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

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

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

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

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

27 Grants and Contributions Deferred

	<u>31st Mar 09</u>	<u>31st Mar 08</u>
	<u>£'000</u>	<u>£'000</u>
Balance brought forward	1,120	874
New grants	1,326	317
Amortisation	(86)	(71)
Balance carried forward	2,360	1,120

28 Provisions

Movements within the Authority's provisions during 2008/09 and the balances at the start and end of year are shown below.

Description	Balance at 1 April 2008	Increase in Year	Decrease in Year	Balance at 31 March 2009
	£'000	£'000	£'000	£'000
CPD Payments	168	32	0	200
Pension Commutation Lump Sum Back Pay	0	377	0	377
Software Development	36	0	0	36
Total	204	409	0	613

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

In the Firefighter Pension Scheme commutation factors are used when calculating commuted lump sums. New commutation factors were announced in May 2008 and the use of the new factors was backdated to 1st October 2007. This change resulted in increases in commuted lump sums having to be paid. After a similar increase in the Police Pension Schemes, a Judicial review was brought by the Police Federation (England and Wales), as a result of this review the new factors were further backdated to 1st December 2006. It is expected that the new factors will also be backdated in the Firefighter Pension Scheme but to an earlier date. The provision recorded above is an estimate of the likely level of commuted lump sums payable to eligible pension fund members who retired in the anticipated back pay period. An element of this lump sum back pay may be funded by the Welsh Assembly Government.

In 2007/08 a provision was made for the further development and related training of procurement, invoice management and stores systems, and for the introduction of a transport management system. This work is continuing into 2009/10.

29 Movements on Reserves

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

Statutory and Proper Accounting Practice Reserves

Reserve	Balance at 1 April 2008 £000s	Net Movement in Year £000s	Balance at 31 March 2009 £000s	Further Detail of Movement
Revaluation Reserve	0	8,188	8,188	(a) below
Capital Adjustment Account	22,166	(873)	21,293	(b) below
Usable Capital Receipts	0	0	0	(c) below
Pension Reserve	(243,674)	16,782	(226,892)	Note 34 to the Financial Statements
General Fund	0	0	0	Statement of Movement on the General fund Balance
Total	(221,508)	24,097	(197,411)	

(a) Revaluation Reserve

This reserve is a store of gains on the revaluation of fixed assets not yet realised through sales. The movements for the year 2008/09 were:

	<u>31st Mar 09</u> £'000	<u>31st Mar 08</u> £'000
Balance Brought Forward	0	0
Revaluation of Fixed Assets	8,281	20
Difference in Historic Cost and Current Cost depreciation	(93)	0
Disposal of Fixed Assets	0	(20)
Balance Carried Forward	<u>8,188</u>	<u>0</u>

(b) Capital Adjustment Account

The Capital Adjustment Account is a store of capital resources set aside to meet past expenditure. The movements for the year 2008/09 were:

	<u>31st Mar 09</u> £'000	<u>31st Mar 08</u> £'000
Balance brought forward	22,166	22,958
Minimum Revenue Provision	377	351
Capital Financing – Capital Receipts	6	20
Capital Financing – Revenue	9	191
Depreciation and amortisation	(1,443)	(1,425)
Difference in Historic Cost and Current Cost depreciation	93	0
Amortisation of Grants and Contributions	85	71
Balance carried forward	<u>21,293</u>	<u>22,166</u>

(c) Usable Capital Receipts Reserve

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

	<u>31st Mar 09</u> £'000	<u>31st Mar 08</u> £'000
Balance brought forward	0	0
Capital Receipts	6	20
<u>Less:</u>		
Capital Receipts used for financing	(6)	(20)
Balance carried forward	<u>0</u>	<u>0</u>

30 **Contingent Liabilities and Assets**

30.1 Contingent Assets

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

30.2 Contingent Liabilities

The Part-Time Workers (Prevention of less favourable treatment) Regulations came into force on 1st July 2000. The Fire Brigades National Employers have taken legal advice on the application of the regulations to Retained Firefighters. There are some opinions that under these Regulations, Retained Firefighters may be permitted to buy into the Uniformed Staff Pension Scheme. If this is proved to be the case, there could be a considerable liability in the future for the Authority to bear the cost of such pensions. An element of this liability may be funded by the Welsh Assembly Government. At present the costs and timing of any such liability, if any, are unquantifiable.

31 Authorisation of Statement of Accounts for Issue

The Statement of Accounts were authorised for issue on Monday 29th June 2009.

32 Events After the Balance Sheet Date

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

33 Trust Funds

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

34 Retirement Benefits

Participation in Pension Schemes

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

The Authority participates in two pension schemes; both schemes are defined benefit schemes:

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

Authority and the employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Change of Accounting Policy

Under the 2008 SORP the Authority has adopted the amendments to FRS17, *Retirement Benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £16,114k to £16,083k, a decrease of £31k, resulting in an increase of the pension deficit of £31k (31 March 2007; increase of £29k). Current and prior year surplus have been unaffected by this change.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the contributions from the Constituent Unitary Authorities is based on the cash payable during the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balances. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

	Firefighters Pension Scheme £000s		Local Government Pension Scheme £000s	
	2008/09	2007/08	2008/09	2007/08
Income and Expenditure Account				
<i>Net Cost of Services</i>				
Current Service Cost	(6,840)	(9,480)	(848)	(701)
Past Service Costs	0	0	(16)	(266)
Curtailment Costs			(128)	0
<i>Net Operating Expenditure</i>				
Interest Cost	(16,190)	(14,640)	(1,480)	(1,079)
Expected Return on Assets in the Scheme	0	0	1,065	1,016
<i>Net Charge to the Income and Expenditure Account</i>	(23,030)	(24,120)	(1,407)	(1,030)
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	23,030	24,120	1,407	1,030
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
Retirement benefits payable to pensioners	10,040	8,645		
Employers contributions payable to the scheme			707	716

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £31,052k (gains of £47,331k in 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Firefighters Pension Scheme £000s		Local Government Pension Scheme £000s	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
1 April	(235,870)	(270,440)	(23,887)	(19,679)
Current service cost	(6,840)	(9,480)	(848)	(701)
Past service cost		0	(16)	(266)
Curtailment cost		0	(128)	0
Interest cost	(16,190)	(14,640)	(1,480)	(1,079)
Transfer Values Received	(580)	(330)		
Contributions by scheme participants	0	0	(316)	(257)
Actuarial gains and losses	29,050	50,430	6,236	(2,273)
Benefits paid	10,040	8,590	415	368
31 March	(220,390)	(235,870)	(20,024)	(23,887)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £000s	
	31 March 2009	31 March 2008
1 April	16,083	15,448
Expected rate of return	1,065	1,016
Actuarial gains and losses	(4,234)	(986)
Employer contributions	707	716
Contributions by scheme participants	316	257
Benefits paid	(415)	(368)
31 March	13,522	16,083

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

The actual return on scheme assets in the year was (£3,169,000) (2007/08: (£687,000)).

Scheme History

	2004/05*	2005/06*	2006/07 As restated	2007/08 As restated	2008/09
	£000	£000	£000	£000	£000
<u>Present value of liabilities</u>					
- Firefighters Pension Scheme	(230,940)	(282,050)	(266,400)	(235,870)	(220,390)
))			
- Local Government Pension Scheme	(15,541)	(19,143)	(19,679)	(23,887)	(20,024)
<u>Fair Value of assets in the Local Government Pension Scheme</u>					
	11,155	14,080	15,448	16,083	13,522
<u>Surplus/(deficit) in the Scheme</u>					
- Firefighters Pension Scheme	(230,940)	(282,050)	(266,400)	(235,870)	(220,390)
))			
- Local Government Pension Scheme	(4,386)	(5,063)	(4,231)	(7,804)	(6,502)
- Total deficit	(235,326)	(287,113)	(270,631)	(243,674)	(226,892)
))			

* The Authority has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £240.414m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £226.892m.

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

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

The total contributions expected to be made in the Fire Fighters Pension Scheme by the Authority in the year to 31 March 2010 are £3,706k. Expected contributions for the Local Government Pension Scheme in the year to 31 March 2010 are £720k.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fire Fighters Pension Scheme liabilities have been assessed by the Government Actuary's Department (GAD), whereas the liabilities in the Dyfed Pension Fund have been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the Dyfed Pension Fund are based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used in their calculations have been:

	Firefighter Pension Scheme		Local Government Pension Scheme	
	2008/09	2007/08	2008/09	2007/08
<i>Long term expected rate of return on assets in the scheme:</i>				
Equity investments	-	-	7.5%	7.5%
Government bonds	-	-	4.0%	4.6%
Other bonds			6.0%	6.1%
Cash/Liquidity	-	-	0.5%	5.25%
<i>Mortality assumptions</i>				
Longevity at 65 for current pensioners:				
Men	23.1	23.3	21.2	21.1
Women	24.7	23.3	24.0	24.0
Longevity at 65 for future pensioners:				
Men	25.8	25.5	22.2	22.2
Women	27.4	25.5	25.0	25.0
Rate of inflation	3.0%	3.7%	3.3%	3.6%
Rate of increase in salaries	4.5%	5.2%	5.05%	5.35%
Rate of increase in pensions	3.0%	3.7%	3.3%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%	7.1%	6.1%
Take-up of option to convert annual pension into retirement lump sum	-	-	50%	50%

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

	31 March 2009	31 March 2008
	%	%
Equity investments	68.3	68.6
Government Bonds	15.8	15.4
Other Bonds	14.3	14.9
Property	0.0	0.0
Cash/liquidity	1.6	1.1
Other assets	0.0	0.0
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009 (losses are shown in brackets):

Firefighters Pension 1992 Scheme

	2004/05	2005/06	2006/07	2007/08	2008/09
	As restated			As restated	
	%	%	%	%	%
Differences between the expected and actual return on assets	0.0	0.0	0.0	0.0	0.0
Experience gains and losses on liabilities	21.0	14.0	6.1	1.7	4.1

Firefighters New Pension Scheme

	2007/08	2008/09
	%	%
Differences between the expected and actual return on assets	0.0	0.0
Experience gains and losses on liabilities	28.1	(59.8)

Local Government Pension Scheme

	2004/05	2005/06	2006/07	2007/08	2008/09
	As restated			As restated	
	%	%	%	%	%
Differences between the expected and actual return on assets	0.0	0.0	0.0	(6.1)	(31.3)
Experience gains and losses on liabilities	(3.4)	0.0	3.9	(5.4)	0

35 Notes Relating to the Cash Flow Statement

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

<u>2007-2008</u> <u>£'000</u>		<u>2008-2009</u> <u>£'000</u>	<u>2008-2009</u> <u>£'000</u>
(17,146)	Surplus/(Deficit) for the year		(15,236)
<u>Non-Cash Transactions:</u>			
1,354	Depreciation/amortisation	1,358	
0	Gain on disposal of assets	(6)	
16,004	Net FRS 17 adjustments	14,270	
<u>17,358</u>			15,622
<u>Items on an Accruals Basis:</u>			
(83)	Movement in Stock	(27)	
388	Movement in Revenue Debtors	(2,055)	
1,164	Movement in Revenue Creditors	993	
<u>1,469</u>			(1,089)
104	Financing items shown later in Cash Flow		177
<u>1,785</u>	Net Cash Flow from Revenue Activities before Servicing of Finance		<u>(526)</u>

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

	<u>Balance</u> <u>31.3.08</u> <u>£'000</u>	<u>Net</u> <u>Cash Flow</u> <u>£'000</u>	<u>Balance</u> <u>31.3.09</u> <u>£'000</u>
Cash balances	1,654	(177)	1,477
Short-Term Investments	3,000	(2,000)	1,000
Debt due within one year	(388)	22	(366)
Debt due after one year	(7,970)	345	(7,625)
Cash movement before financing	(3,704)	(1,810)	(5,514)

c) Movement in Liquid Resources

	<u>Balance</u> <u>31.3.08</u> <u>£'000</u>	<u>Balance</u> <u>31.3.09</u> <u>£'000</u>	<u>Movement</u> <u>in Year</u> <u>£'000</u>
Bank balance	1,651	1,474	(177)
Cash in hand and at bank	3	3	0
Increase in liquid resources	1,654	1,477	177

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

	2008-2009	2007-2008
	£'000	£'000
Community Safety – Home Fire Safety Grant	332	309
Community Safety – Youth Specialist Team	0	64
New Dimension Funding and USAR Funding	451	473
Grass Fire Initiative	61	44
Arson Reduction Team	258	182
Business Arson Warden/ Vari Manager	27	81
Wales Arson Co-ordinator	63	0
Firelink Programme - Secondments	97	138
Young Firefighters Scheme - Brecon	4	15
Other grants	633	24
	1,926	1,330

Other Financial Statements

Pension Fund Account

Notes to the Pension Fund Account

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
PENSION FUND ACCOUNT FOR THE YEAR ENDED
31ST MARCH 2009

<u>2007-08</u> <u>£000's</u>		<u>2008-09</u> <u>£000's</u>	<u>2008-09</u> <u>£000's</u>
	Contributions receivable		
	Fire and Rescue Authority		
(3,396)	- contributions in relation to pensionable pay	(3,351)	
(684)	- early retirements (ill health)	(399)	
0	- other	0	
(1,792)	Firefighters contributions	(1,768)	
<u>(5,872)</u>			(5,518)
<u>(344)</u>	Individual Transfers In from other schemes		(368)
	Benefits payable		
4,167	- pensions	4,413	
1,634	- commutations and lump sum retirement benefits	2,210	
0	- lump sum death benefits	0	
<u>5,801</u>			6,623
	Other		
424	Widows Pension	439	
12	Dependant Children	14	
2,023	Ill Health	2,041	
<u>2,459</u>			2,494
	Payments to and on account of leavers		
0	Refunds of contributions	0	
341	Individual transfers out to other schemes	671	
0	Other	0	
			671
<u>2,385</u>	Net Amount Payable for the year		<u>3,902</u>
(2,385)	Top Up Grant Payable by Welsh Assembly Government		(3,902)
<u>0</u>	Net amount payable/receivable for the year		<u>0</u>

NET ASSETS STATEMENT AS AT 31 MARCH 2009

<u>2007-08</u>		<u>2008-09</u>
<u>£000's</u>		<u>£000's</u>
0	Unpaid pensions due	0
0	Recoverable overpayments of pensions	0
(3,177)	Top-up received from the Welsh Assembly Government	(2,958)
2,385	Top-up receivable from the Welsh Assembly Government	3,902
792	Amount owed by/(to) General Fund	(944)
<hr/>		<hr/>
0	Net amount payable/receivable for year	0

NOTES TO THE PENSION FUND ACCOUNT

Introduction

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

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

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

Accounting Policies

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

Governance and Audit

Statement of the Responsibilities for the Statement of Accounts

Code of Corporate Governance and Statement of Assurance

Audit Report and Certificate

STATEMENT OF RESPONSIBILITIES

FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES: -

The Authority is required to:

- * make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Resources and Procurement;
- * manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- * approve the Statement of Accounts.

THE DIRECTOR OF RESOURCES AND PROCUREMENT'S RESPONSIBILITIES: -

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

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

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

The Director of Resources and Procurement has also:

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

Awdurdod Tân Ac Achub Canolbarth a Gorllewin Cymru



Mid and West Wales Fire and Rescue Authority

Côd Rheolaeth Gorfforaethol **Code of Corporate Governance**

Table of Contents

		Page No.
Policy Statement		53
Statement of Assurance		54
Introduction		55 – 56
Principle 1:	Focusing on the organisation's purpose and on outcomes for citizens and service users	57
Principle 2:	Performing effectively in clearly defined functions and roles	58
Principle 3:	Promoting values for the whole organisation and demonstrating good governance through behaviour	59
Principle 4:	Taking informed, transparent decisions and managing risk	60
Principle 5:	Developing the capacity and capability of the governing body to be effective.	61
Principle 6:	Engaging stakeholders and making accountability real.	62
Glossary of Terms		63

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.

CODE OF CORPORATE GOVERNANCE:

STATEMENT OF ASSURANCE

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

During the year 2008-09 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 and Procurement (through the internal audit service) has been given the responsibility to review independently and report to the Authority annually, to provide assurance on the adequacy and effectiveness of the Code and the extent of compliance with it. On the basis of the reports of the Clerk and Director of Resources and Procurement arising from their reviews of the Authority's Corporate Governance arrangements, we are satisfied that these are adequate and operating effectively.

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

Signed by: Councillor T. E. Evans, Chair of the Fire Authority

Signed by: R. Smith, Chief Fire Officer

CODE OF CORPORATE GOVERNANCE

1 Introduction

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

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

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

Our mission is:

- *To build safer communities*

Our core objectives are:

- *To save lives and protect communities.*
- *To be trusted and respected by our community.*
- *To be seen as more than an emergency service*
- *To manage within budget.*
- *To make efficiencies year on year.*
- *To match resources to priorities.*
- *To seek out and utilise alternative resources.*
- *To manage our people effectively.*
- *To fully develop risk reduction planning.*
- *To develop effective partnership working.*
- *To develop effective and empowered people who work for us.*

Our Core Values are:

- We value **I**nnovation
- We value our **P**eople
- We value **D**iverse Communities
- We value **S**ervice

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

Openness & Inclusivity

Openness is required to ensure that stakeholders can have confidence in the decision-making and management processes of Mid and West Wales Fire and Rescue Authority,

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

Integrity

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

Accountability

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

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

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

- Focusing on the organisation's purpose and on outcomes for citizens and service users
- Performing effectively in clearly defined functions and roles
- Promoting values for the whole organisation and demonstrating good governance through behaviour
- Taking informed, transparent decisions and managing risk
- Developing the capacity and capability of the governing body to be effective
- Engaging stakeholders and making accountability real

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

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

Principle 1: Focusing on the organisation's purpose and on outcomes for citizens and service users		
The principles of good	What we will do to meet	How we will demonstrate

governance that we have adopted are:-	them.	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.
<p align="center">Principle 2: Performing effectively in clearly defined functions and roles</p>		
<p>The principles of good governance that we have adopted are:-</p>	<p>What we will do to meet them.</p>	<p>How we will demonstrate compliance</p>

<p>To work to achieve the stated objectives within clearly defined Member and Officer roles and functions:</p> <p>By:-</p> <ul style="list-style-type: none"> • Being clear about the functions and roles of the Authority and its committees and officers. • Ensuring constructive and effective working relationships between Members & Officers & ensuring that responsibilities are undertaken to a high standard. • Ensuring that relationships between the Authority and the public are clear and that each knows what to expect from the other. 	<ul style="list-style-type: none"> • Set out a clear statement of the respective roles & responsibilities of Members & officers which clarify the delegations to officers. • Establish a protocol to ensure effective communication between Members & officers. • Clarify the terms & conditions of employment, including the remuneration of members and officers and establish an effective mechanism for managing the process. • Ensure that effective mechanisms for monitoring service performance are established. • Ensure that the legal status and purpose of any partnerships are clear and that the roles and responsibilities of all partners are clear. 	<ul style="list-style-type: none"> • Maintain committee terms of reference for all committees. • Maintain a scheme of delegation to the CFO, Clerk and Director of Finance. • Maintain a scheme of standing orders and a Member/Officer protocol to manage member/officer interaction. • Maintain a system of Member briefing as part of the committee cycle. • Ensure all staff have up to date and relevant job descriptions. • Continual reporting of performance to management via real time system with quarterly reports to Members via PRAC • Operation of a partnership risk management process to evaluate all significant partnerships prior to inception.
<p align="center">Principle 3 : Promoting values for the whole organisation and demonstrating good governance through behaviour</p>		
<p>The principles of good governance that we have adopted are:-</p>	<p>What we will do to meet them.</p>	<p>How we will demonstrate compliance</p>
<p>Promote and demonstrate the values of the Authority through</p>	<ul style="list-style-type: none"> • Establish and articulate the Authority's values to the public. Its staff and 	<ul style="list-style-type: none"> • Publication of vision, mission, values and objectives in key

<p>our behaviour:</p> <p>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. 	<p>stakeholders.</p> <ul style="list-style-type: none"> • 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. 	<p>publications including the Improvement Plan.</p> <ul style="list-style-type: none"> • 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.
<p align="center">Principle 4 : Taking informed, transparent decisions and managing risk</p>		
<p>The principles of good governance that we have adopted are:-</p>	<p>What we will do to meet them.</p>	<p>How we will demonstrate compliance</p>
<p>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 	<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 	<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

<p>decisions are taken and listening and acting on all constructive comments and concerns.</p> <ul style="list-style-type: none"> • 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. 	<p>Members and senior officers and ensure that these do not affect the decision making process.</p> <ul style="list-style-type: none"> • 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 use of its legal powers to benefit the community. • When working in partnership, ensure that the same standards of good governance are applied to the partnership's activities. 	<p>senior managers.</p> <ul style="list-style-type: none"> • 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 including risk and governance issues.
--	---	---

Principle 5 : Developing the capacity and capability of the governing body to be effective

The principles of good governance that we have adopted are:-	What we will do to meet them.	How we will demonstrate compliance
<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. 	<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 	<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

<ul style="list-style-type: none"> • 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. 	<p>plans for further development and training where necessary.</p> <ul style="list-style-type: none"> • 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. 	<p>operational staff.</p> <ul style="list-style-type: none"> • Publish a communication and consultation strategy and report the results of such processes to Members. • Establish public and staff consultation to consider and comment on policy proposals. • Promote the fire service as a career opportunity. • Deliver the corporate equality plan to achieve level three of the equality standard.
---	---	---

Principle 6 : Engaging stakeholders and making accountability real

The principles of good governance that we have adopted are:-	What we will do to meet them.	How we will demonstrate compliance
<p>Engage with the community we serve to ensure robust local public accountability:</p> <p>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 	<ul style="list-style-type: none"> • Set out clearly the Authority's key accountabilities and the means by which these will be reported. • Maintain arrangements for communicating and consulting with the all sections of public and key stakeholders about the Authority's policies and services. • Maintain processes to consult with staff and their 	<ul style="list-style-type: none"> • Publish and deliver the corporate communications plan. • Meet regularly with union representatives to consult on both key policy and service delivery changes. • Identify in Authority reports where the results of consultation have influenced policy decisions. • Copies of annual reports,

<p>delivery.</p> <ul style="list-style-type: none"> • Taking an active and planned approach to meet responsibilities to staff. 	<p>representatives</p> <ul style="list-style-type: none"> • 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. 	<p>the Risk Reduction Plan and the Improvement Plan made available on the web site and libraries.</p> <ul style="list-style-type: none"> • 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.
---	--	---

GLOSSARY OF TERMS

CFO	-	Chief Fire Officer
CIPFA	-	Chartered Institute of Public Finance and Accountancy
FOI	-	Freedom of Information
IPDS	-	Integrated Personal Development System

MAWWFRS	-	Mid and West Wales Fire and Rescue Authority
PRAC	-	Performance Review and Audit Committee
SIC	-	Statement of Internal Control
SOLACE	-	Society of Local Authority Chief Executives
SORP	-	Statement of Recommended Practice (Produced by Accounting Standards Board)
WAG	-	Welsh Assembly Government

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

I have audited the accounting statements and related notes of Mid and West Wales Fire Authority and the Fire Fighters Pension Fund for the year ended 31 March 2009 contained within the 2008/2009 Statement of Accounts of the Mid and West Wales Fire Authority under the Public Audit (Wales) Act 2004. Mid and West Wales Fire Authority's accounting statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes. The Fire Fighters Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Mid and West Wales Fire Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 46 of the *Statement of the responsibilities of the auditors appointed by the Auditor General for Wales and his inspectors, and of the bodies that they audit and inspect (2008)* prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the accounting statements and related notes, including the pension fund accounts, in accordance with relevant legal and

regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Mid and West Wales Fire Authority and its income and expenditure for the year; and
- the financial transactions of the Fire Fighters pension fund during the year and the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Governance Statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's and pension fund's circumstances, consistently applied and adequately disclosed.

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

Opinion on the accounting statements and related notes of Mid and West Wales Fire Authority

In my opinion, the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local

Authority Accounting in the United Kingdom 2008, the financial position of Mid and West Wales Fire Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the accounting statements and related notes of the Fire Fighters Pension Fund

In my opinion, the pension fund accounts and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Fire Fighters Pension Fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

My conclusion on Mid and West Wales Fire Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Relationship Manager's Annual Letter.

Certificate of completion

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

Signed by: Anthony Barrett
 Appointed Auditor
 Wales Audit Office