

MID AND WEST WALES FIRE AND RESCUE AUTHORITY



STATEMENT OF ACCOUNTS (PRE-AUDIT VERSION) 2006-2007

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MID AND WEST WALES FIRE AND RESCUE AUTHORITY

STATEMENT OF ACCOUNTS

2006-2007

Director of Finance and Procurement's Introduction

This Report is produced in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (the SORP).

Certification and Approval

I hereby append my signature to the Statement of Accounts (pages 3-37 inclusive) and certify that it presents fairly the financial position of the Mid and West Wales Fire and Rescue Authority as at 31st March 2007 and its income and expenditure for the year ended 31st March 2007.

Date:

**E A AITKEN
DIRECTOR OF FINANCE
AND PROCUREMENT**

The Statement of Accounts was approved at a meeting of the Mid and West Wales Fire and Rescue Authority held on 25th June 2007

Date:

**CLLR. C J CROWLEY
CHAIR OF THE AUTHORITY**

Independent Auditors' Report to the Mid and West Wales Fire and Rescue Authority

EXPLANATORY FOREWORD

Introduction and Content

1. 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.
2. The Statement of Accounting Policies on pages 8 to 13 explains the principles and basis on which the Authority's Accounts have been prepared.
3. The Accounts for the year ended 31st March 2007 are set out on pages 14 to 33. They consist of: -
 - 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.
 - Statement of the Movements on the General Fund Balance – this reconciliation statement reconciles the difference between the out turn on the Income and Expenditure Account and the General Fund Balance, that is, the contributions received from the constituent unitary authorities.
 - Statement of Total Recognised Gains and Losses – this records all gains and losses including those that are not recorded in the Income Expenditure Account. It measures the increase in balance sheet net worth of the Authority.
 - 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.
 - Notes supporting the above statements.
4. This foreword provides a brief explanation of the financial aspects of the Authority's activities and of its year end position. The two tables which follow give a summary of its revenue income and expenditure.

(a) <u>Where the money comes from:</u>	<u>£'000</u>	<u>%</u>
Fees, Charges, Interest, Other Income	991	2
Revenue Grants	248	1
Contributions from Unitary Authorities	<u>41,885</u>	<u>97</u>
	43,124	100
	=====	=====

(b)	<u>What the money is spent on:</u>	<u>£'000</u>	<u>%</u>
	Employee Costs	34,761	81
	Running Costs	7,755	18
	Capital Financing Costs	<u>608</u>	<u>1</u>
		43,124	100
		=====	=====

5. **Revenue Budget**

The table below indicates the budgeted and actual expenditure and income for the year ended 31st March 2007.

	<u>ORIGINAL BUDGET</u> £'000	<u>REVISED BUDGET</u> £'000	<u>ACTUAL</u> £'000
Service Expenditure	42,928	42,928	43,124
Service Income	(1,043)	(1,043)	(1,239)
Net Expenditure	41,885	41,885	41,885
Met from: Unitary Authority contributions	(41,885)	(41,885)	(41,885)

6. **Capital Expenditure**

During the year, the Authority spent £1.787 million on capital projects, as follows: -

	£'000
Buildings and Infrastructure	
New Headquarters Building, Carmarthen	155
Equality and Diversity projects	249
Llandrindod Wells Fire Station – new	68
Ammanford Fire Station – refurbishment	93
Llandovery Fire Station	72
Minor Works – buildings and hydrant installations	509
Vehicles and Equipment	
Breathing Apparatus – replacement phase 1	178
New Headquarters – furniture and IT equipment	172
Other Vehicles and Equipment	291
TOTAL CAPITAL EXPENDITURE	1,787

7. **Capital Borrowing**

Capital expenditure is financed mainly by loans from the Public Works Loan Board. The Authority has no other borrowing facilities. Loans totalling £3m were raised in 2006-07 in order to meet the estimated capital financing requirement. The total of loans outstanding at 31st March 2007 was £7.739m, comprised entirely of fixed interest, fixed term loans.

Grants of £0.277m were received from the Welsh Assembly Government for adaptations to buildings. The remainder of the 2006-07 capital expenditure was financed by capital receipts, direct revenue funding and loans.

8. **Pensions Liability**

In accordance with Financial Reporting Standard 17 (FRS 17), the Authority's pensions liability is recognised in full in the Balance Sheet. 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 £271.310m at 31st March 2007.

9. 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 FINANCE 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 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006* (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 and charges 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 in the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress in the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year, to which it relates, on a basis that reflects the overall effect of the loan or investment.
- 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.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

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

The Authority does not hold any revenue reserves, other than the Elective Pension Reserve and Pension Reserve.

5. GRANTS

Revenue grants, and the expenditure funded by grant, are included as income and expenditure in the Income and Expenditure Account. Capital grants are credited to the Grants and Contributions Deferred account and amortised over the life of the associated Fixed Assets.

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, as follows: -

Firefighters' Pension Scheme

The scheme is unfunded. The full cost of pensions and other benefits, after allowing for contributions made by employees, is met from the Authority's Income and Expenditure Account. The scheme provides members with defined benefits related to pay and service.

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 5.4% (based on the indicative rate of return on high quality corporate bond (the iBoxx Sterling AA corporate bond over 15 years index)).

- The assets of the Dyfed Pension Fund attributable to the authority are included in the balance sheet at their fair value, which for quoted securities is their mid-market value. The change in net pension liability is analysed into seven components:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
 - Expected return on assets – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to Net Operating Expenditure in the Income and Expenditure Account as part of Non Distributed Costs.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total recognised gains and Losses.
 - Contributions paid to the Dyfed Pension Fund – cash paid as employers contributions to the pension fund.

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

Discretionary Benefits

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

7. VALUE ADDED TAX

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice* 2006. 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 – the cost of discretionary benefits awarded to employees retiring early.

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

9. INTANGIBLE FIXED ASSETS

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

10. TANGIBLE FIXED ASSETS

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

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

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

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

Net current replacement cost is assessed as:

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

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

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 the Fixed Asset Restatement 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).

Receipts from disposals in excess of £10,000 have to be 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 Financing 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.

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.

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

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

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

Operating Leases

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

13. INVESTMENTS

The Authority's investments consist of Treasury and Bank deposits, for periods not exceeding 364 days.

14. 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.

MID AND WEST WALES FIRE AND RESCUE AUTHORITY **INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED**

31ST MARCH 2007

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>2005-2006</u> Net Expenditure £'000		<u>2006-2007</u> Gross Expenditure £'000	<u>2006-2007</u> Gross Income £'000	<u>2006-2007</u> Net Expenditure £'000
4,162	Community Fire Safety	4,948	(843)	4,105
35,454	Fire Fighting and Rescue Operations	38,727	(2,524)	36,203
102	Fire Service Emergency Planning and Civil Defence	501	(85)	416
491	Corporate and Democratic Core	480	Nil	480
(184)	Non Distributed Costs	Nil	Nil	Nil
	Net Cost of Service	44,656	(3,452)	41,204
	Gain on disposal of fixed assets			Nil
	Interest Payable and similar charges			282
	Interest and Investment Income			(245)
	Pensions Interest Cost and Expected Return on Pensions Assets			13,819
52,546	Net Operating Expenditure			55,060
	Unitary Authority Contributions:			
(8,264)	Carmarthenshire			8,600
(3,625)	Ceredigion			3,782
(6,353)	Neath and Port Talbot			6,575
(5,460)	Pembrokeshire			5,680
(6,071)	Powys			6,329
(10,545)	City and County of Swansea			10,919
12,228	(Surplus)/Deficit For The Year			13,175

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 authority's 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>2005-2006</u> <u>£000's</u>		<u>2006-07</u> <u>£000's</u>
12,228	(Surplus)/Deficit for the Year on the Income and Expenditure Account Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	13,175
(12,228)		(13,175)
Nil	Increase in General Fund Balance for the Year	Nil
Nil	General Fund Balance brought forward	Nil
Nil	General Fund Balance carried forward	Nil

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

<u>2005-2006</u> £000's		<u>2006-07</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	
(1,229)	Depreciation and impairment of fixed assets (note 19)	(1,332)
20	Amortisation of Government Grants deferred (note 19)	17
43	Gain on sale of fixed assets (note 19)	0
(20,322)	Net FRS17 adjustments	(23,802)
(21,448)		(25,117)
	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	
240	Statutory Minimum Revenue Provision (note 19)	301
905	Capital expenditure financed from Revenue (note 19)	24
8,573	Contributions paid to pension funds	11,604
(11,770)		(13,188)
	Transfers to/from the General Fund Balance which are relevant in determining the movement on the General Fund for the year	
(458)	Transfer to Elective Pension Fund (note 19)	13
-12,228		(13,175)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE
YEAR ENDED 31ST MARCH 2007

In the new form of accounts the Statement of Total Movement in Reserves is replaced by a Statement of Total Recognised gains and Losses (STRGL) and a note to the accounts disclosing the movements on reserves.

The STRGL records all gains 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>2005-2006</u> £000's		<u>2006-07</u> £000's
12,228	(Surplus)/Deficit for the Year on the Income and Expenditure Account	13,175
nil	(Surplus)/Deficit arising on revaluation of fixed assets (note 19)	(3)
40,038	Actuarial (Gains)/Losses on Pension Fund assets/liabilities	(28,002)
nil	Other (Gains) and Losses	(2)
52,266	Total Recognised (Gains)/Losses for the year	(14,832)
nil	Prior Year adjustments	nil
52,266		(14,832)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
BALANCE SHEET
AS AT 31st MARCH 2007

<u>31st Mar 06</u> £'000		Note	<u>31st Mar 07</u> £'000	<u>31st Mar 07</u> £'000
	<u>Fixed Assets:</u>			
	Operational Assets	12		
29,377	- Land and Buildings		29,809	
97	- Infrastructure		130	
2,169	- Vehicles and Equipment		2,155	
0	Non-operational Assets		<u>0</u>	32,094
155	Long-Term Debtor			149
31,798	TOTAL LONG TERM ASSETS			32,243
	<u>Current Assets:</u>			
152	- Stocks		146	
975	- Debtors		2,459	
4,500	- Short-Term Investments		3,700	
0	- Bank Balance		214	
3	- Cash and Bank Imprests		<u>4</u>	6,523
37,428	TOTAL ASSETS			38,766
	<u>Current Liabilities:</u>			
(711)	- Bank Overdraft		nil	
(3,136)	- Creditors and Provisions		(2,456)	
(367)	- Borrowing repayable within one year	17	<u>(367)</u>	(2,823)
33,214	TOTAL ASSETS LESS CURRENT LIABILITIES			35,943
(4,738)	Borrowing repayable in more than one year	17	(7,372)	
(652)	Grants and Contributions Deferred		(1,718)	
(287,113)	Pensions Liability	19	<u>(271,310)</u>	(280,400)
(259,289)	TOTAL ASSETS LESS LIABILITIES			(244,457)
	<u>EQUITY:</u>			
34,037	Fixed Asset Restatement Account	19	34,034	
(10,169)	Capital Financing Account	19	(11,150)	
0	Usable Capital Receipts Reserve	19	nil	
(287,113)	Pensions Reserve	19	(271,310)	
3,956	Elective Pension Reserve	19	<u>3,969</u>	
(259,289)	TOTAL EQUITY			(244,457)

MID AND WEST WALES FIRE AND RESCUE AUTHORITY
CASH FLOW STATEMENT 2006-2007

<u>2005-2006</u> £'000		<u>2006-2007</u> £'000	<u>2006-2007</u> £'000
	<u>Revenue Activities:-</u>		
	<u>Cash Outflows:</u>		
(35,171)	Cash paid to and on behalf of employees	(35,857)	
(6,040)	Cash paid on other operating costs	(8,760)	
			(44,617)
	<u>Cash Inflows:</u>		
39,812	Contributions from Unitary Authorities	41,885	
585	Government grants received (note 26(d))	852	
3,029	Cash received for goods and services	114	
			42,851
2,215	Net Revenue Cash Inflow/(Outflow) before Servicing of Finance (note 26(a))		(1,766)
	<u>Servicing of Finance:</u>		
	<u>Cash Outflows:</u>		
(275)	Interest paid	(282)	
	<u>Cash Inflows:</u>		
301	Interest received	245	
			(37)
2,241	Net Cash Inflow/(Outflow) from Revenue Activities		(1,803)
	<u>Capital Activities:-</u>		
	<u>Cash Outflows:</u>		
(3,727)	Purchase of Fixed Assets	(1,786)	
	<u>Cash Inflows:</u>		
67	Sale of Fixed Assets	9	
395	Capital grants and contributions received	1,072	
			(705)
(1,024)	Net Cash Inflow/(Outflow) before Financing (note 26(b))		(2,508)
	<u>Management of Liquid Resources</u>		
0	(Increase)/decrease in Short-Term Investments		800
	<u>Financing :-</u>		
	<u>Cash Outflows:</u>		
(367)	Repayments of amounts borrowed	(366)	
	<u>Cash Inflows:</u>		
0	New loans raised	3,000	
			2,634
(1,391)	INCREASE/(DECREASE) IN CASH (note 26(c))		926

NOTES TO THE FINANCIAL STATEMENTS

1 Acquired and Discontinued Operations

No operations have been acquired or discontinued during the year.

2 Exceptional Items, Extraordinary Items and Prior Year Adjustments

There have been no extraordinary or exceptional items during the year.

To meet the requirements of the SORP and to bring the statement of accounts in line with UK Generally Accepted Accounting Practice the format of the accounts has been changed for 2006/07. The core accounts now consist of : an Income and Expenditure Account; a Statement of Movement on the General Fund Balance; a Statement of Total Recognised Gains and Losses; a Balance Sheet; and a Cash Flow Statement, the contents and purpose of each statement is noted in the statement. In previous years the statement of accounts comprised: a Revenue Account; a Balance Sheet, a Statement of Total Movement in Reserves; a Statement of Movement in Capital Reserves; and a Cash Flow Statement.

Comparative figures for 2005/06 have been restated to the new format. This change is a change in presentation only and does not affect the final balances.

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 2006-07 the Authority incurred no such expenditure.

6 Local Authority 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>2006-2007</u>	<u>2005-2006</u>
	£'000	£'000
Recruitment Advertising	26	54
Other Advertising	7	33
	<u>33</u>	<u>87</u>

7 Local Authority (Goods and Services) Act 1970

During the year the Authority did not receive any income in relation to the above Act.

8 Members Allowances

Members' allowances were paid by the constituent Unitary Authorities up to 28th September 2004. The Local Authorities (Allowances for Members of Fire Authorities) (Wales) Regulations 2004 came into force on 29th September 2004. The following allowances were payable by the Authority to Fire and Rescue Authority Members for the financial years 2006-07 and 2005-06.

	<u>2006-2007</u> £'000	<u>2005-2006</u> £'000
Chairperson's Allowance	10	9
Vice Chairperson's Allowance	7	7
Members' Allowances (Basic and Care Allowances)	25	25
	<u>42</u>	<u>41</u>

9 Employee Details

9.1 Numbers Employed: -

	<u>31st Mar 07</u>	<u>31st Mar 06</u>
<i><u>Firefighters:-</u></i>		
Whole-time role of Station Manager and above	98	60
Whole-time below the role of Station Manager	351	412
Retained Firefighters	715	716
	<u>1,164</u>	<u>1,188</u>
<i><u>Control Room and Civilian Support Staff:-</u></i>		
Full-time	165	162
Part-time	29	31
	<u>194</u>	<u>193</u>

The change in the numbers in whole-time Firefighters is due to a simplification of the grading system in 2006/07. As part of this simplification a rank of Firefighter that was included in the figures as below Station Manager was assimilated into the role of Station Manager.

9.2 **Remuneration Received: -**

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

<u>Remuneration Band</u>	<u>Number of Employees</u>	
	<u>2006-2007</u>	<u>2005-2006</u>
£60,000 - £69,999	1	2
£70,000 - £79,999	1	1
£80,000 - £89,999	2	1
£90,000 - £99,999	0	0
£100,000 - £109,999	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.

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates and provides the majority of its funding in the form of grants either directly to the authority or through the constituent unitary authorities. Details of the transactions with government departments are set out in a note relating to the Cash Flow Statement.

Members of the Authority have direct control over the authority's financial and operating policies. There were no transactions requiring disclosure.

Officers – there were no transactions requiring disclosure.

Other public bodies - there were no transactions requiring disclosure.

11 **Fees Payable to the Wales Audit Office**

	<u>2006-2007</u>	<u>2005-2006</u>
	<u>£'000</u>	<u>£'000</u>
External audit services as appointed auditor	57	49
Statutory inspection	0	0
Certification of grant claims and returns	0	0
Other services – Pay Verification Report	0	0
– National Fraud Initiative	1	0
	58	49

12 Summary of Capital Expenditure and Disposals

Movement on Operational Fixed Assets

	Land and Buildings	Infrastructure	Vehicles and Equipment	TOTAL
	£'000	£'000	£'000	£'000
Gross book value at 31 st March 2006	31,201	120	13,140	44,461
Accumulated depreciation and impairment	(1,824)	(23)	(10,971)	(12,818)
Net book value of assets at 31st March 2006	29,377	97	2,169	31,643
<u>Movement in 2006/07</u>				
Additions	1,107	35	644	1,786
Disposals	0	0	(102)	(102)
Revaluations	0	0	3	3
Depreciation	(675)	(2)	(559)	(1,236)
Impairments	0	0	0	0
Net book value of assets at 31st March 2007	29,809	130	2,155	32,094

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

Capital Expenditure and Financing

	2006/07 £'000	2005/06 £'000
Opening Capital Financing Requirement	7,573	6,028
<i>Capital investment</i>		
Operational assets	1,787	3,780
<i>Sources of finance</i>		
Capital receipts	(9)	(717)
Government grants and other contributions	(292)	(373)
Sums set aside from revenue (includes direct revenue financing and MRP)	(325)	(1,145)
Closing Capital financing Requirement	8,734	7,573

Increase in underlying need to borrow (unsupported by government financial assistance)	1,161	1,545
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13 Significant Capital Commitments

	£'000
New Headquarters Building, Carmarthen - retention	60

14 Asset Structure

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

	<u>31st Mar 07</u>	<u>31st Mar 06</u>
Brigade Headquarters	1	1
Other HQ Buildings	4	4
Fire Stations and Houses	62	62
Vehicles	102	100

15 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 2006/07 amounted to £1,336,000 (£1,966,000 in 2005/06). 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 2007 to making payments of £1,343,000, under operating leases in 2007/08:

	<u>2006-2007</u> £'000	<u>2005-2006</u> £'000
For payments due within one year, commitments expire as follows:-		
Within 1 year	7	157
1 - 5 years	943	1,035
More than 5 years	393	432

16 Analysis of Net Assets Employed

	<u>2006-2007</u> £'000	<u>2005-2006</u> £'000
General Fund	(244,437)	(259,289)

17 Long-Term Borrowing

		<u>Loans</u> <u>Outstanding</u> £'000	<u>Maturity</u> <u>Dates</u>
31 st Mar 07	Public Works Loan Board	7,739	2009 – 2052
31 st Mar 06	Public Works Loan Board	5,105	2009 – 2025

Analysis of loans by maturity: -

	<u>Loans</u> <u>Outstanding</u> <u>31st Mar 07</u> <u>£'000</u>	<u>Loans</u> <u>Outstanding</u> <u>31st Mar 06</u> <u>£'000</u>
Repayable within:-		
1 year	367	367
1 - 2 years	367	367
2 - 5 years	1,036	1,057
5 - 10 years	1,468	1,533
More than 10 years	<u>4,501</u>	<u>1,781</u>
	7,739	5,105
Less: Borrowing repayable within one year	(367)	(367)
Borrowing repayable in more than one year	<u><u>7,372</u></u>	<u><u>4,738</u></u>

18 Provisions

The following committed items have been provided for in the accounts (there were no previous provisions)

	£000s
CPD payments and effect on pay due to increased inflation rates	289
Operational vehicles	55
Equipment for new initiatives	67
Civil contingencies commitment	34
Additional items for HQ	15
Computer software development	40
Obsolete stores	5
	<u>505</u>

19 Movements on Reserves

Reserve	Balance at 1 April 2006 £000s	Net Movement in Year £000s	Balance at 31 March 2007 £000s	Purpose of Reserve	Further Detail of Movement
Fixed Asset Restatement Account	34,037	(3)	34,034	Store of gains on revaluation of fixed assets	(a) below
Capital Financing Account	(10,169)	(981)	(11,150)	Store of capital resources set aside to meet past expenditure	(b) below
Usable Capital Receipts	nil	nil	nil	Proceeds of fixed asset sales available to meet future capital investment	(c) below
Pension Reserve	(287,113)	15,803	(271,310)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 25 to the Financial Statements
Elected Pension Reserve	3,956	13	3,969	Store resources set aside to meet steep increases in pensions paid by the Authority	(d) below
General Fund	nil	nil	Nil	Resources available to meet future running costs	Statement of Movement on the General fund Balance
Total	(259,289)	14,832	(244,457)		

(a) Fixed Asset Restatement Account

The movements for the year 2006/07 were:

	31st Mar 07 £'000
Revaluation of Fixed Assets	3
Disposal of Fixed Assets	(6)
Movement	<u>(3)</u>

(b) Capital Financing Account

The Capital Financing Account contains the amounts which are required by statute to be charged to revenue to repay the principal element of external debt. It also contains the amounts of capital expenditure financed from revenue and from capital receipts, and is reduced by the annual depreciation charge.

	<u>31st Mar 07</u> £'000	<u>31st Mar 06</u> £'000
Balance brought forward	(10,169)	(10,822)
Minimum Revenue Provision	301	240
Capital Financing – Capital Receipts	9	717
Capital Financing – Revenue	24	905
Depreciation	(1,332)	(1,229)
Amortisation of Grants and Contributions	17	20
Balance carried forward	<u>(11,150)</u>	<u>(10,169)</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 06</u> £'000	<u>31st Mar 05</u> £'000
Balance brought forward	0	650
Capital Receipts	9	67
<u>Less:</u>		
Capital Receipts used for financing	(9)	(717)
Balance carried forward	<u>0</u>	<u>0</u>

(d) Elective Pension Reserve

	<u>31st Mar 07</u> £'000	<u>31st Mar 06</u> £'000
Balance brought forward	3,956	4,414
Transfer to/from Income and Expenditure Account	13	(458)
Balance Carried Forward	<u>3,969</u>	<u>3,956</u>

20 Contingent Liabilities and Assets

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

21 Authorisation of Statement of Accounts for Issue

The Statement of Accounts were authorised for issue on 25 June 2007.

22 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.

23 Trust Funds

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

24 Amounts Due To Or From Related Parties

There are no material balances to disclose.

25 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.
- The Local Government pension Scheme (LGPS) for support staff, the authority is an admitted body of the Dyfed Pension Fund which is administered by Carmarthenshire County Council – this is a funded scheme, meaning that the authority and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to retirement Benefits

We recognise the cost of retirement benefits 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 Balance. 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
<hr/>	

	2006/07	2005/06	2006/07	2005/06
Income and Expenditure Account				
<i>Net Cost of Services</i>				
Current Service Cost	(9,200)	(7,310)	(784)	(610)
Past Service Costs	Nil	Nil	Nil	184
<i>Net Operating Expenditure</i>				
Interest Cost	(13,700)	(12,450)	(957)	(854)
Expected Return on Assets in the Scheme	Nil	Nil	838	718
<i>Net Charge to the Income and Expenditure Account</i>	(22,900)	(19,760)	(903)	(562)
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17	22,900	19,760	903	562
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>				
Retirement benefits payable to pensioners	8,310	8,340		
Employee contributions	(1,580)	(1,560)		
Net Charge to General Fund Balance	6,730	6,780		
Employers contributions payable to the scheme			(614)	(455)

Assets and Liabilities in Relation to Retirement Benefits

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

	Firefighters Pension Scheme £000s		Local Government Pension Scheme £000s		Total £000s	
	31 March 2007	31 March 2006	31 March 2007	31 March 2006	31 March 2007	31 March 2006
Estimated liabilities in scheme	(267,110)	(282,050)	(19,679)	(19,143)	(286,789)	(301,193)
Estimated assets in scheme	Nil	Nil	15,479	14,080	15,479	14,080
Net asset/(liability)	(267,110)	(282,050)	(4,200)	(5,063)	(271,310)	(287,113)

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 Firefighters scheme liabilities have been assessed by the Government Actuary's Department (GAD), whereas the liabilities in the Dyfed Pension Fund have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries. Estimates for the Dyfed Pension Fund are based on the latest full valuation of the scheme as at 1 April 2004.

The main assumptions used in their calculations have been:

	Firefighter Pension Scheme		Local Government Pension Scheme	
	2006/07	2005/06	2006/07	2005/06
Rate of inflation	3.4%	3.2%	3.1%	2.9%
Rate of increase in salaries	4.9%	4.7%	4.85%	4.65%
Rate of increase in pensions	3.4%	3.2%	3.1%	2.9%
Rate for discounting scheme liabilities	5.4%	4.9%	5.4%	4.9%
Take up of option to convert annual pension into retirement grant	-	-	50%	50%

The Firefighters Pension Scheme has no assets to cover its liabilities. Assets in the Dyfed Pension Fund are valued at fair value, principally market value for investments, totalling £1,100.2m for the Fund as at 31 March 2007 (£1,057.1m at 31 March 2006). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund.

	Long-term Return	31 March 2007	31 March 2006
	%	%	%
Equity investments	7.5	65.2	69.6
Government Bonds	4.7	24.6	14.5
Other Bonds	5.7	8.7	14.4
Property	6.5	0.0	0.0
Cash/liquidity	5.25	1.5	1.5
Other assets	-	0.0	0.0
		100.0	100.0

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006/07 (losses are shown in brackets):

Firefighters Pension Scheme

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Differences between actuarial assumptions about liabilities and actual experience	5,770	5.2	(4,220)	3.0	(7,830)	3.4	(100)	0.0	10,530	3.9
Changes in the demographic and financial assumptions used to estimate liabilities	0	0.0	(25,420)	15.0	(48,530)	21.0	(39,330)	14.0	16,320	6.2
	<u>5,770</u>		<u>(29,640)</u>		<u>(56,360)</u>		<u>(39,430)</u>		<u>26,850</u>	

Local Government Pension Scheme

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	(1,908)	25.5	1,302	13.0	429	3.8	1,779	12.6	(51)	0.3
Differences between actuarial assumptions about liabilities and actual experience	0	0.0	0	0.0	(552)	3.6	(623)	3.3	0	0.0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0.0	0	0.0	(3,103)	20.0	(1,764)	9.2	1,203	6.1
	<u>(1,908)</u>		<u>1,302</u>		<u>(3,226)</u>		<u>(608)</u>		<u>1,152</u>	

26 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>2005-2006</u> £'000		<u>2006-2007</u> £'000	<u>2006-2007</u> £'000
0	Surplus/Deficit for the year		0
<u>Non-Cash Transactions:</u>			
1,209	Depreciation/amortisation	1,332	
(64)	Less transfers to/(from) Capital Financing Reserve	(989)	
(458)	Movement in Provisions/Earmarked Reserves	13	
<u>687</u>			356
<u>Items on an Accruals Basis:</u>			
(32)	Movement in Stock	6	
1,901	Movement in Revenue Debtors	(1,484)	
(315)	Movement in Revenue Creditors	(680)	
<u>1,554</u>			(2,158)
(26)	Financing items shown later in Cash Flow		37
<u>2,215</u>	Net Cash Flow From Revenue Activities before Servicing of Finance		<u>(1,766)</u>

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

	<u>Balance</u> <u>31.3.06</u> £'000	<u>Net</u> <u>Cash Flow</u> £'000	<u>Balance</u> <u>31.3.07</u> £'000
Cash balances	(711)	925	214
Short-Term Investments	4,500	(800)	3,700
Debt due within one year	(367)	0	(367)
Debt due after one year	(4,738)	(2,634)	(7,372)
Cash movement before financing	(1,316)	(2,509)	(3,825)

c) **Movement in Liquid Resources**

	<u>Balance</u> <u>31.3.06</u> £'000	<u>Balance</u> <u>31.3.07</u> £'000	<u>Movement</u> <u>in Year</u> £'000
Short term investments	4,500	3,700	(800)
Bank balance/overdraft	(711)	214	925
Cash in hand and at bank	3	4	1
Increase/(Decrease) in liquid resources	3,792	3,918	126

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

2006-2007 2005-2006

	£'000	£'000
New Dimension Funding	85	86
Community Safety Grant (WAG)	362	140
Community Safety Innovation Funding (WAG)	0	32
Community Safety Publicity Grant (WAG)	39	19
Arson Reduction Scheme	153	153
Business Arson Warden/Vari Manager	94	76
Young Firefighters	0	39
Arson Small Grants Programme	76	40
Road Traffic Collision Scoping Study	29	0
Other small grants	14	0
	852	585

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 Finance 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 FINANCE AND PROCUREMENT'S RESPONSIBILITIES: -

The Director of Finance and Procurement is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

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

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

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

2. The purpose of the system of internal control

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

The system of internal control has been in place at the Authority for the year ended 31st March 2007 and up to the date of the approval of the accounts.

3. The internal control environment

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

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

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

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

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

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

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

4. Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment and also by comments made by the external auditors in their annual audit letter and other reports and by other review agencies (as appropriate). The Authority is also informed by a whole Authority Strategic Risk Profile assessment undertaken by consultants, together with its own risk assessments, and also it has been informed by the work of the Director of Finance and Procurement and the Clerk in performing their statutory roles.

Internal financial control is reviewed on an ongoing basis by internal audit. Internal Audit also produces a statement each year setting out any major weaknesses in financial control, highlighting areas of concern. This information is reviewed by the Director of Finance and Procurement along with other relevant information such as budget monitoring reports in compiling this statement. There were no significant internal control issues highlighted during the year.

5. Internal control issues

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

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

Signed

Douglas Mackay
Chief Fire Officer

Cllr Colin Crowley
Chairman of the Fire Authority

Date 25th June 2007