

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



## **STATEMENT OF ACCOUNTS**

**2019/20**

**STATEMENT OF ACCOUNTS****PAGE**

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# **Narrative Report**

## **Introduction**

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

## **Organisational Overview**

Mid and West Wales Fire and Rescue Authority was created in 1996 by the Local Government (Wales) Act 1994, following the merger of Dyfed, Powys and West Glamorgan Brigades. The Service makes up almost two-thirds of Wales, covering a predominantly rural area of 12,000 square kilometres, comprising 58 fire stations, and employing approximately 1,300 staff. It is the third largest Service in the United Kingdom, behind the Scottish and Northern Ireland Fire Services.

There are a variety of risks found within the Service area, ranging from the petrochemical industries in Milford Haven, to the risks associated with heavily populated areas such as Swansea and Neath Port Talbot. There is also a large farming community and many other light industries throughout the area. These, together with an extensive coastline and inland waterways, form some of the specialised risks found within the Service.

Our Corporate Plan sets out our vision for the future, which is “to be a World Leader in Emergency Response and Community Safety”, and how this will be achieved through our Strategic Aims and Well-being Objectives. The Authority also produces annual plans for managing down risks and improving services with an increasing emphasis on prevention and education.

The Service is actively engaged in working with the communities it serves, an example of which is carrying out Home Safety checks. The Authority works in partnership with other emergency services, for example, the Welsh Ambulance Service Trust (WAST), Dyfed Powys Police and South Wales Police with some of their resources being located at several of our properties; also the WAST through the Co-Responder scheme which enables On-Call firefighters to respond to certain medically related calls as agents of WAST. Other initiatives include our participation in the community through fire cadets operated by off duty firefighters with branches across Mid and West Wales, the Phoenix project which has proved very successful with youth groups in the area, and community volunteers; as well as participating in Public Services Boards formed under the Wellbeing of Future Generations Act.

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of Mid and West Wales Fire and Rescue Authority for the financial year 2019/20.

The statements and their purposes are as follows:

## **Statement of Responsibilities for the Statement of Accounts**

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

## **Comprehensive Income and Expenditure Statement (CIES)**

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

Fire and Rescue Authorities are considered to be "one service" entities and the "provision of Fire Services" is presented as one-line in the CIES.

## **Movement in Reserves Statement (MIRS)**

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

## **Balance Sheet**

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

## **Cash Flow Statement (CFS)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute

to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

### **Firefighters Pension Fund Account**

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

### **Expenditure and Funding Analysis (EFA)**

The EFA is a disclosure note, it brings together Authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund.

### **Notes to the Accounting Statements**

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

### **Annual Governance Statement**

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

The Annual Governance Statement accompanies the Statement of Accounts but is not part of the Statement.

### **Summary of the Financial Year**

The Revenue Budget and Capital Programme for 2019/20 were approved by Fire Authority on 4<sup>th</sup> February 2019.

The Revenue Budget approved was £49.867m and this was increased to £50.068m following the Extraordinary General Meeting of the Fire Authority on 5<sup>th</sup> June 2019, when a comprehensive report was presented to Members regarding additional pension pressure of £201k arising from a shortfall in funding from Welsh Government for the Firefighters employers pension increase. For monitoring purposes reserve-funded expenditure relating to 2018/19 of £289k has also been included in the Revenue Budget providing a total Revenue Budget of £50.357m.

The net revenue expenditure for the year was £48.943m, the contributions received from Unitary Authorities totalled £47.818m. During the year the net transfer to reserves was £399k, resulting in a surplus of £251k. The surplus has been transferred to the General Fund Balance recognising that the financial impact of the ongoing Covid-19 pandemic is unknown and will place pressure on the 2020/21 budget which may in part be funded by Welsh Government. Outturn is based on actuals at the time of preparing the accounts.

Revenue for the year compared to budget is detailed in the following table:

<b>Outturn for the year 2019/20</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Revenue</b>			
Expenditure including grants	54,585	53,398	(1,187)
Income including grants	(4,228)	(4,455)	(227)
Net Expenditure including grants	<b>50,357</b>	<b>48,943</b>	<b>(1,414)</b>
Unitary Authority contributions	(47,818)	(47,818)	0
Welsh Government Pension funding	(1,775)	(1,775)	0
Transfer to/(from) Reserves	(764)	399	1,163
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>(251)</b>	<b>251</b>

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the six constituent local authorities in proportion to population. For 2019/20, the proportions were as follows:

<b>Constituent Local Authorities</b>	<b>Values £000</b>	<b>Proportion %</b>
Carmarthenshire County Council	9,838	21
Ceredigion County Council	4,040	8
Neath and Port Talbot County Borough Council	7,466	16
Pembrokeshire County Council	6,552	14
Powys County Council	6,951	14
City and County of Swansea Council	12,971	27
<b>Total</b>	<b>47,818</b>	<b>100.0</b>

### **Revenue Sources of Funding**

The Authority receives revenue from the following sources:

<b>2018/19 £000</b>		<b>2019/20 £000</b>
3,072	Revenue Grants	3,516
42	Interest	44
1,309	Fees & Charges / Reimbursements	895
<b>4,423</b>	<b>Sub Total</b>	<b>4,455</b>
0	Welsh Government Pension Funding	1,775
46,659	Unitary Authority Contributions	47,818
<b>51,082</b>	<b>Total Revenue Funding</b>	<b>54,048</b>

## Capital Expenditure

Capital expenditure in the year totalled £5.121m. The following table sets out expenditure by category and financing for 2019/20.

	<b>Estimate 2019/20 £000</b>	<b>Revised Estimate 2019/20 £000</b>	<b>Actual 2019/20 £000</b>	<b>Estimate 2020/21 £000</b>
<b>Expenditure:</b>				
Property – Refurbishments, adaptations, new buildings	3,580	1,840	1,021	4,450
Infrastructure	35	48	0	35
Vehicles, Plant	9,528	2,855	2,573	9,258
Assets under Construction	0	0	1,489	0
Intangible Assets	0	278	38	0
<b>Total Capital Expenditure</b>	<b>13,143</b>	<b>5,021</b>	<b>5,121</b>	<b>13,743</b>
<b>Financed by:</b>				
Capital Grants & Contributions	61	537	198	80
Capital Donations	0	0	0	0
Capital Receipts	125	125	16	0
Earmarked Reserves	1,000	1,426	595	3,158
Borrowing	11,957	2,933	4,312	10,505
<b>Total Financing</b>	<b>13,143</b>	<b>5,021</b>	<b>5,121</b>	<b>13,743</b>

The Capital Programme of £13.143m was approved by Fire Authority in February 2019 and subsequently revised for slippage and reprofiling of projects to £5.021m as approved by Fire Authority in December 2019. The variance between the original budget and actual outturn is attributable, in part, to the following projects: Northern Area Development £1.1m, Earlswood Development £0.5m, Machynlleth Project £0.725m, ICT equipment £0.8m, Vehicles £2.8m, and Structural Personal Protective Equipment £1.9m. The Assets Under Construction include three aerial appliances, three rescue pumps and equipment for a further three rescue pumps.

## Capital Borrowing

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer deeming it to be prudent, sustainable and affordable. All loans are from the Public Works Loan Board (PWLb) except for one Invest to Save loan from Welsh Government. There were four new external loans totalling £4m raised in the year with the Public Works Loan Board. The total principal outstanding as at 31 March 2020 is £19.738m.

## Treasury Management

The Authority's Treasury Management Strategy Statement (TMSS) 2019/20 was approved by Fire Authority on 18<sup>th</sup> March 2019.

The TMSS sets out the Capital Prudential Indicators including Minimum Revenue Provision Policy, Borrowing, and Annual Invest Strategy. Included within the TMSS are the Prudential Indicators and Treasury Management Indicators.

For the year ended 31<sup>st</sup> March 2020 borrowing transactions were within approved limits and all investments met the creditworthiness criteria at the date of deposit.

The table below details the Capital Financing Requirement (CFR) compared to External Debt.

	<b>Estimate 2019/20 £000s</b>	<b>Actual 2019/20 £000s</b>
<b>Capital Financing Requirement</b>		
<b>Opening 1st April 2019</b>	<b>29,293</b>	<b>25,579</b>
Movement in CFR represented by:		
Net financing need for the year	11,957	5,121
Less Minimum Revenue Provision / Voluntary Revenue Provision	(2,434)	(2,737)
<b>Movement In CFR</b>	<b>9,523</b>	<b>2,384</b>
<b>Closing 31st March 2020</b>	<b>38,816</b>	<b>27,963</b>
<b>External Debt</b>		
External Borrowing	27,000	19,738
Other Long-Term Liabilities	3,452	3,452
<b>Total External Debt</b>	<b>30,452</b>	<b>23,190</b>
<b>Under / (Over) Borrowed</b>	<b>8,364</b>	<b>4,773</b>

### **Pension liability**

In 2019/20, forty-eight members of staff retired. The net cost of the Firefighters Pension Scheme to the revenue budget continues to grow, and the liability in terms of future pension commitments has increased due to adjustments made by the Actuaries to their assumptions. The actuarially assessed liability as at 31 March 2020 was £492.887m for the Firefighters Pension Scheme and £21.759m for the Local Government Pension Scheme.

Under International Accounting Standard 19 (Employee Benefits) the Authority is required to provide details of assets and future liabilities for pensions payable to employees, both past and present. This is outlined in greater detail in the disclosures to the accounts, note 30.

### **Reserve Accounting**

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2020/21. This is consistent with the accounting treatment of previous years, with the maintenance and utilisation of reserves forming a cornerstone of corporate financial stability and operational service planning in the short and medium term.

### **Capital Financing Costs**

The charge made to the Service revenue accounts to reflect the cost of non-current assets used in the provision of services was £2.934m. This is a notional charge for depreciation and amortisation, and an adjustment is made to the year-end balance, so the contributions required to fund the service are not affected. The actual cost to the Service for financing

capital is £710k for loan and finance lease interest, £1.928m Minimum Revenue Provision and £595k revenue contribution.

### **Impact of the Current Economic Climate**

For over a decade the public sector has been subject to the Government's austerity agenda and despite recent signals that the situation is easing, settlements and resources for local government in particular remain very tight. The financial climate we are currently operating in continues to place pressures on the levels of service we provide as we stretch our resources ever further. We continue to critically review our budget by having ongoing, open discussion with the staff and the public around how we can continue to make improvements and future efficiencies.

The UK left the European Union (EU) on 31<sup>st</sup> January 2020 and has now entered an 11-month transition period. During this period the UK effectively remains in the EU's customs union and single market and continues to obey EU rules. The continuing uncertainty over the UK's withdrawal from the EU and trade deal may have an impact on the local economy, local funding, and delivery of Mid and West Wales Fire and Rescue Service's services.

The World Health Organisation declared the outbreak of Covid-19 a pandemic on 11<sup>th</sup> March 2020. The pandemic has caused global social and economic disruption, including the largest global recession since the Great Depression. It has led to the postponement or cancellation of sporting, religious, political and cultural events, widespread supply shortages exacerbated by panic buying, and on the plus side decreased emissions of pollutants and greenhouse gases.

The Fire Service has had to respond and adapt quickly to Covid-19. The majority of support staff have transitioned to home working. The operational workforce has experienced significant changes to methods of working and workplace arrangements.

The Service has been challenged in the procurement of personal protective equipment due to limited supply chains which were unable to cope with the sudden and huge surge in demand. Safe systems of work have significantly increased the requirement for personal protective equipment giving rise to a potential budgetary pressure with no confirmation on whether additional funding will be available from Welsh Government. The financial impact of Covid-19 on the 2019/20 Statement of Accounts is very limited.

### **Strategy & Resource Allocation**

The Authority's Annual Improvement Plan outlines various projects to review structures and processes in place throughout the organisation to make the necessary reductions for future years. The financial implications of these were clearly reflected in the Medium-Term Financial Plan. Both the Annual Improvement Plan and the Medium-Term Financial Plan are available on the Mid and West Wales Fire and Rescue Authority website.

Our overall financial standing has been maintained at a prudent level. The majority of our reserves are earmarked for specific purposes – whether this is to address liabilities now or in the future e.g. Employee and Pensions reserve, or for financing specific capital schemes.

### **Additional Information**

Additional information about these accounts is available from the S151 Officer to the Authority and the Head of Finance. Interested members of the public also have a statutory right to inspect the accounts before the audit is completed; availability of the accounts for inspection is advertised on the Mid and West Wales Fire and Rescue Authority website.

### **Acknowledgements**

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

Chris Moore FCCA  
S151 Officer

## **STATEMENT OF RESPONSIBILITIES**

### **The Authority's Responsibilities**

The Authority is required:

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

### **The Chief Financial Officer's Responsibilities**

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

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

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

The Chief Financial Officer has also:

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

### **CERTIFICATE OF THE CHIEF FINANCIAL OFFICER**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2020 and its income and expenditure for the year then ended.

Signature:



Chief Financial Officer

Dated: 29<sup>th</sup> May 2020

# **Audit report of the Auditor General to the Mid and West Wales Fire and Rescue Authority**

## **Report on the audit of financial statements**

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## Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (contributions from constituent authorities, government grants, other income etc.) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA is a note to the financial statements not a primary statement. However, it has been positioned with the primary statements to aid the readers understanding.

2018/19			2019/20		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in Comprehensive Income and Expenditure Statement £000
43,020	27,361	70,381	44,875	8,476	53,351
(43,590)	10,232	(33,358)	(44,930)	10,787	(34,143)
(570)	37,593	37,023	(55)	19,263	19,208
General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000
(707)	(7,328)	(8,035)	(880)	(7,725)	(8,605)
(570)	0	(570)	(55)	0	(55)
397	(397)	0	(196)	196	0
(880)	(7,725)	(8,605)	(1,131)	(7,529)	(8,660)

## Comprehensive Income and Expenditure Statement (CIES)

2018/19			2019/20			
Expenditure	Income	Net	Expenditure	Income	Net	
£000	£000	£000	£000	£000	£000	
74,762	(4,381)	70,381	Provision of Fire Services	59,537	(6,186)	53,351
74,762	(4,381)	70,381	Cost of Services	59,537	(6,186)	53,351
29 Other Operating Expenditure			20			
13,641 Financing and Investment Income and Expenditure (Note 10)			13,853			
(47,028) Taxation and Non-Specific Grant Income (Note 11)			(48,016)			
37,023 (Surplus) or Deficit on Provision of Services			19,208			
0 Surplus or deficit on revaluation of Property, Plant and Equipment			0			
(1,837) Remeasurement of the net defined benefit liability / (asset) (Note 18c)			(43,022)			
(1,837) Other Comprehensive Income and Expenditure			(43,022)			
35,186 Total Comprehensive Income and Expenditure			(23,814)			

## Movement in Reserves Statement (MIRS)

<b>Movement in Reserve Statement 2019/20</b>	<b>General Fund Balance</b>	<b>General Fund Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Fire Authority Reserves</b>
<b>Balance 31 March 2019</b>	<b>(880)</b>	<b>(7,725)</b>	<b>0</b>	<b>(8,605)</b>	<b>504,072</b>	<b>495,467</b>
<b>Movements:</b>						
(Surplus) / Deficit on provision of services	19,208	0	0	19,208	0	19,208
Other CIES	0	0	0	0	(43,022)	(43,022)
<b>Total CIES</b>	<b>19,208</b>	<b>0</b>	<b>0</b>	<b>19,208</b>	<b>(43,022)</b>	<b>(23,814)</b>
Adjustments accounting & funding (Note 8)	(19,263)	0	0	(19,263)	19,263	0
<b>Net (Increase) / Decrease before transfer</b>	<b>(55)</b>	<b>0</b>	<b>0</b>	<b>(55)</b>	<b>(23,759)</b>	<b>(23,814)</b>
Transfers To / (From) Reserves (Note 9)	(196)	196	0	0	0	0
<b>(Increase) / Decrease In 2019/20</b>	<b>(251)</b>	<b>196</b>	<b>0</b>	<b>(55)</b>	<b>(23,759)</b>	<b>(23,814)</b>
<b>Balance 31 March 2020</b>	<b>(1,131)</b>	<b>(7,529)</b>	<b>0</b>	<b>(8,660)</b>	<b>480,313</b>	<b>471,653</b>

<b>Movement in Reserves Statement 2018/19</b>	<b>General Fund Balance</b>	<b>General Fund Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Fire Authority Reserves</b>
<b>Balance 31 March 2018</b>	<b>(707)</b>	<b>(7,328)</b>	<b>0</b>	<b>(8,035)</b>	<b>468,316</b>	<b>460,281</b>
<b>Movements:</b>						
(Surplus) / Deficit on provision of services	37,023	0	0	37,023	0	37,023
Other CIES	0	0	0	0	(1,837)	(1,837)
<b>Total CIES</b>	<b>37,023</b>	<b>0</b>	<b>0</b>	<b>37,023</b>	<b>(1,837)</b>	<b>35,186</b>
Adjustments accounting & funding (Note 8)	(37,593)	0	0	(37,593)	37,593	0
<b>Net (Increase) / Decrease before transfer</b>	<b>(570)</b>	<b>0</b>	<b>0</b>	<b>(570)</b>	<b>35,756</b>	<b>35,186</b>
Transfers To / (From) Reserves (Note 9)	397	(397)	0	0	0	0
<b>(Increase) / Decrease In 2018/19</b>	<b>(173)</b>	<b>(397)</b>	<b>0</b>	<b>(570)</b>	<b>35,756</b>	<b>35,186</b>
<b>Balance 31 March 2019</b>	<b>(880)</b>	<b>(7,725)</b>	<b>0</b>	<b>(8,605)</b>	<b>504,072</b>	<b>495,467</b>

## Balance Sheet

<b>31 March 2019 £000</b>	<b>Balance Sheet</b>	<b>31 March 2020 £000</b>
60,763	Property, Plant & Equipment (Note 12)	61,114
225	Assets Under Construction (Note 12)	1,489
875	Intangible Assets (Note 13)	493
165	Long Term Debtors (Note 15)	18
<b>62,028</b>	<b>Long Term Assets</b>	<b>63,114</b>
641	Inventories	766
3,640	Short Term Debtors (Note 15)	7,269
4,575	Cash and Cash Equivalents (Note 16)	838
<b>8,856</b>	<b>Current Assets</b>	<b>8,873</b>
(1,380)	Short Term Borrowing (Note 14)	(1,326)
(4,876)	Short Term Creditors (Note 17)	(4,534)
(322)	Revenue Grants Receipts in Advance (Note 25)	(653)
(280)	Capital Grants Receipts in Advance (Note 25)	(559)
(638)	Other Short-Term Liabilities (Note 28)	(527)
<b>(7,496)</b>	<b>Current Liabilities</b>	<b>(7,599)</b>
(15,738)	Long Term Borrowing (Note 14)	(18,470)
(3,452)	Other Long-Term Liabilities (Note 28)	(2,925)
(539,665)	Liability related to defined benefit pension schemes (Note 30)	(514,646)
<b>(558,855)</b>	<b>Long Term Liabilities</b>	<b>(536,041)</b>
<b>(495,467)</b>	<b>Net Liabilities</b>	<b>(471,653)</b>
(8,605)	Usable Reserves (Note 9)	(8,660)
504,072	Unusable Reserves (Note 18)	480,313
<b>495,467</b>	<b>Total Reserves</b>	<b>471,653</b>

## Cash Flow Statement

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
<b>37,023</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>19,208</b>
<b>(40,898)</b>	<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>	<b>(18,126)</b>
<b>487</b>	<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>214</b>
<b>(3,388)</b>	<b>Net cash (inflow)/outflow from operating activities</b>	<b>1,296</b>
<b>2,226</b>	<b>Net cash (inflow)/outflow from investing activities</b>	<b>4,958</b>
<b>(362)</b>	<b>Net cash (inflow)/outflow from financing activities</b>	<b>(2,517)</b>
<b>(1,524)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>3,737</b>
<b>3,051</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>4,575</b>
<b>4,575</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>838</b>

A detailed breakdown of the Cash Flow is provided in Notes 19 to 21.

## **Note 1 - Accounting Policies**

### **1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### **2. Accruals of Income and Expenditure**

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

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

### **3. Cash and Cash Equivalents**

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

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

### **4. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the

current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

## **5. Charges to Revenue for Non-current Assets**

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Authority is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **6. Employee Benefits**

### **- Benefits Payable During Employment**

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

### **- Termination Benefits**

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

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

#### **- Post-employment Benefits**

Employees of the Authority are members of two separate pension schemes: the Local Government Pensions Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council; and the Firefighter Pension Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the Local Government Pension Scheme is funded through the ownership of assets, the Firefighter Pension Scheme is unfunded.

#### **The Local Government Pension Scheme LGPS**

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Dyfed Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).
- The assets of 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 the net pension liability is analysed into the following components:

Service cost comprising:

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

period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

**Remeasurements comprising:**

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Dyfed Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

### **The Firefighter Pension Scheme FFPS**

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

- The liabilities of the Fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.25% (based on Government bond yields of appropriate duration plus an additional margin).

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

**Service cost comprising:**

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

**Remeasurements comprising:**

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

## **7. Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

## **8. Financial Instruments**

### **Financial Liabilities**

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

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

## **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### **Financial Assets Measured at Amortised Cost**

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

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

### **Expected Credit Loss Model**

The authority has adopted a simple approach to impairment and measures the loss of Trade Debtors and Loans to Third Party at an amount equal to expected lifetime loss using a provision based on a combination of age of debt and historic collection rates. This method ensures early recognition of the impairment of financial assets.

## **9. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or

contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **10. Intangible Assets**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement over a range of 3 to 15 years.

## **11. Inventories and Long-term Contracts**

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

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

## **12. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Authority as Lessee**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **13. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### **- Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The de-minimis level for capitalising assets, with a useful life exceeding 12 months, is £5,000.

### **- Measurement**

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure – depreciated historical cost
- assets under construction – historical cost
- Authority offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be not insignificant, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **- Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (10-80 years)
- vehicles, plant, furniture and equipment – straight-line allocation (3-15 years)
- infrastructure – straight-line allocation (5-40 years)

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components 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.

### **- Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to

the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts remains within the 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 General Fund Balance in the Movement in Reserves Statement. Receipts under £10,000 and miscellaneous receipts not related to disposal of assets cannot be treated as capital items and shall be credited to the CIES.

#### **14. Provisions, Contingent Liabilities and Contingent Assets**

##### **- Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

##### **- Contingent Liabilities**

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

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

##### **- Contingent Assets**

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

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

## **15. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. These reserves are explained in the relevant notes to the Balance Sheet. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority.

## **16. Value Added Tax (VAT)**

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

## **17. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

## **Note 2 - Accounting Standards Issued, Not Adopted**

Where a new Standard has been published but has not yet been adopted by the Code, the Authority is required to disclose information relating to the impact of the accounting change. The changes that are introduced in the 2020/21 Code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

It is not anticipated that the above amendments will have a material impact on the information provided in the Authority's financial statements.

### **Note 3 - Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- Uncertainty continues about both future funding and the UK's withdrawal from the European Union. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result.
- There is uncertainty about the financial impact of the Covid-19 pandemic. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the levels of service provision will be affected.

### **Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – Non-current Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of the asset is reduced depreciation increases and the carrying amount of the asset falls.
- Pensions liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and, for the Local Government pension scheme, the expected returns on pension fund assets. Consulting Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. Please refer to Note 30 for Pension liability sensitivity analysis.

### **Note 5 - Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Financial Officer as per date noted on page 10. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events after the balance sheet date:

## Note 6 - Note to the Expenditure and Funding Analysis

	2019/20			
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Differences £000	Total Adjustments £000
Provision of Fire Services	3,507	4,860	109	8,476
<b>Net Cost of Services</b>	<b>3,507</b>	<b>4,860</b>	<b>109</b>	<b>8,476</b>
Other Income and Expenditure	(2,356)	13,143	0	10,787
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>1,151</b>	<b>18,003</b>	<b>109</b>	<b>19,263</b>

	2018/19			
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Differences £000	Total Adjustments £000
Provision of Fire Services	2,942	24,415	4	27,361
<b>Net Cost of Services</b>	<b>2,942</b>	<b>24,415</b>	<b>4</b>	<b>27,361</b>
Other Income and Expenditure	(2,613)	12,845	0	10,232
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>329</b>	<b>37,260</b>	<b>4</b>	<b>37,593</b>

**Net Capital Statutory Adjustments** – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year, to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific

Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Pensions Statutory Adjustments** - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

**Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Note 7 - Expenditure and Income Analysed by Nature

2018/19 £000		2019/20 £000
	<b>Expenditure</b>	
65,097	Employee Costs	48,025
11,951	Other Operating Costs	13,176
7,710	Support Services	7,669
2,941	Depreciation, Amortisation, Impairment & Revaluation	3,852
746	Interest Paid	711
29	Loss on disposal of assets	20
<b>88,474</b>	<b>Total Expenditure</b>	<b>73,453</b>
	<b>Income</b>	
(1,309)	Fees, Charges, & Other Service Income	(895)
0	Gains on disposal of Assets	0
(42)	Interest & Investment Income	(44)
(46,659)	Levies from Unitary Authorities	(47,818)
(3,441)	Government Grants, Contributions & Donations	(5,488)
<b>(51,451)</b>	<b>Total Income</b>	<b>(54,245)</b>
<b>37,023</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>19,208</b>

## **Revenue from Contracts with Service Recipients**

The Authority has undertaken a review of its income streams that meet the requirements for IFRS 15 Revenue Contracts. Due to the value as at 31 March 2020 it was deemed immaterial to include in the accounts and Note 7 provides sufficient information.

## **Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations**

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

- **General Fund Balance** - The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.
- **Capital Receipts Reserve** – holds the proceeds from the disposal of land and other non-current assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

2018/19				Adjustments between Accounting Basis and Funding Basis under Regulations	2019/20			
General Fund & Earmarked Reserves	Capital Receipts	Usable Reserves	Unusable Reserves		General Fund & Earmarked Reserves	Capital Receipts	Usable Reserves	Unusable Reserves
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
(2,784)	0	(2,784)	2,784	Depreciation	(2,859)	0	(2,859)	2,859
(51)	0	(51)	51	Impairment & Non-enhancing	(573)	0	(573)	573
(107)	0	(107)	107	Intangible Amortisation	(75)	0	(75)	75
0	0	0	0	Intangible Assets Impairment	(345)	0	(345)	345
(29)	(118)	(147)	147	Disposal of non-current assets	(20)	(16)	(36)	36
332	0	332	(332)	Capital Expenditure Funded Earmarked Reserves CERA	595	0	595	(595)
84	0	84	(84)	Capital Expenditure Funded Donations	0	0	0	0
285	0	285	(285)	Capital Expenditure Funded Grants	198	0	198	(198)
0	118	118	(118)	Capital Expenditure Funded Receipts	0	16	16	(16)
1,941	0	1,941	(1,941)	Financing Capital MRP	1,928	0	1,928	(1,928)
(329)	0	(329)	329		(1,151)	0	(1,151)	1,151
(51,659)	0	(51,659)	51,659	Reversal of retirements benefits in CIES	(35,674)	0	(35,674)	35,674
14,399	0	14,399	(14,399)	Employer's Pension Contributions & payments to pensioners	17,671	0	17,671	(17,671)
(37,260)	0	(37,260)	37,260		(18,003)	0	(18,003)	18,003
(4)	0	(4)	4	Movement in Accumulated Absence accrual	(109)		(109)	109
(37,593)	0	(37,593)	37,593	Adjustments between accounting basis & funding basis under regulation	(19,263)	0	(19,263)	19,263

## Note 9 – Usable Reserves

	Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Appropriation to Capital	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Appropriation to Capital	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Balance</b>	<b>(707)</b>	<b>(173)</b>	<b>0</b>	<b>0</b>	<b>(880)</b>	<b>(251)</b>	<b>0</b>	<b>0</b>	<b>(1,131)</b>
<b>Earmarked Reserves:</b>									
Invest to Save Fund	(191)	(160)	0	0	(351)	0	74	0	(277)
Minimum Revenue Provision	(648)	0	0	0	(648)	0	0	0	(648)
Capital Fund	(1,000)	(400)	0	0	(1,400)	(392)	0	392	(1,400)
Major Incidents	(400)	0	0	0	(400)	0	0	0	(400)
Fundraising & Miscellaneous Ring-Fenced	(386)	(169)	0	250	(305)	(93)	112	26	(260)
Levy Equalisation Reserve	(1,000)	0	0	0	(1,000)	0	0	0	(1,000)
Software & Communication	(1,203)	0	0	82	(1,121)	(100)	0	177	(1,044)
Risk Management	(500)	0	0	0	(500)	0	0	0	(500)
Managing Change - Employees & Pensions	(2,000)	0	0	0	(2,000)	0	800	0	(1,200)
Employee Safety	0	0	0	0	0	(800)	0	0	(800)
<b>Earmarked Reserves</b>	<b>(7,328)</b>	<b>(729)</b>	<b>0</b>	<b>332</b>	<b>(7,725)</b>	<b>(1,385)</b>	<b>986</b>	<b>595</b>	<b>(7,529)</b>
<b>Capital Receipts</b>	<b>0</b>	<b>(118)</b>	<b>0</b>	<b>118</b>	<b>0</b>	<b>(15)</b>	<b>0</b>	<b>15</b>	<b>0</b>
<b>Total Usable Reserves</b>	<b>(8,035)</b>	<b>(1,020)</b>	<b>0</b>	<b>450</b>	<b>(8,605)</b>	<b>(1,651)</b>	<b>986</b>	<b>610</b>	<b>(8,660)</b>

An overview of the purpose of the Usable Reserves held by the Authority is detailed in the following table:

<b>Name</b>	<b>Purpose</b>
<b>General Fund Balance</b>	<b>Non-Earmarked Reserve maintained to cushion the impact of emergencies, to offset the impact of unforeseen events.</b>
<b>Levy Equalisation</b>	<b>To be used to "smooth" the changes in the levy charged each year to the constituent Unitary Authorities.</b>
<b>Invest to Save</b>	<b>Maintained to provide resources to allow the Authority to invest in the transformation of its services and to realise future cost reductions/efficiencies.</b>
<b>Capital Fund</b>	<b>Maintained to provide additional resources for the capital programme, providing flexibility to the financing of capital investment.</b>
<b>Major Incidents</b>	<b>Funding set aside for one-off incidents outside routine service delivery activity. Replenished through base budget in future years to maintain the level required to manage major incidents.</b>
<b>Fundraising &amp; Miscellaneous Ring-fenced</b>	<b>Surpluses generated by various schemes e.g. car salary sacrifice scheme and money raising events to be used for specific purposes.</b>
<b>Software &amp; Communication</b>	<b>Maintained to provide resources to fund one-off ICT infrastructure investment, and future emergency services network.</b>
<b>Risk Management</b>	<b>Maintained to meet the Authority's exposure to claims under its insurance arrangements; to provide flexibility to meet the volatility of the insurance market and to provide resources to take any measures to improve the Authority's risk exposure position.</b>
<b>Minimum Revenue Provision</b>	<b>Reserve set up as a consequence of prior year adjustment to MRP which will be used to support capital financing charges.</b>
<b>Employees &amp; Pension</b>	<b>Maintained to meet one off costs associated with employees: e.g. pensions ombudsman, employment tribunals, redundancy.</b>
<b>Employee Safety</b>	<b>Created to meet demands for ensuring and improving Firefighter safety including both equipment and training requirements.</b>
<b>Capital Receipts</b>	<b>Holds the receipts from the sale of assets and are available to finance capital expenditure in future years.</b>

## Note 10 - Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
746	Interest payable and similar charges	710
12,845	Net interest on the net defined benefit liability (asset)	13,253
92	Movement in Bad Debt Provision	(471)
0	Bad Debts Written Off *	405
(42)	Interest receivable and similar income	(44)
<b>13,641</b>	<b>Total</b>	<b>13,853</b>

\* In February 2020 the Fire Authority received a report on the viability of the Community Interest Company Rescue 365 and notification that a decision had been made by the board of directors to cease trading. The Fire Authority supported the decision to dissolve the company as soon as possible and that the outstanding debt owed by Rescue 365 would be written off. The amount written off includes £136k for loan debt and £245k (net of VAT) for recharge of costs.

## Note 11 - Taxation and Non-Specific Grant Income

2018/19 £000		2019/20 £000
(46,659)	Levies from constituent authorities	(47,818)
(369)	Capital grants and contributions	(198)
<b>(47,028)</b>	<b>Total</b>	<b>(48,016)</b>

## Note 12 - Property, Plant and Equipment

<b>Movements to 31 March 2020</b>	<b>Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>					
<b>At 31 March 2019</b>	<b>54,217</b>	<b>26,795</b>	<b>344</b>	<b>225</b>	<b>81,581</b>
Additions	1,021	2,573	0	1,489	5,083
Non-Enhancing Expenditure	(573)	0	0	0	(573)
Derecognition – disposals	0	(1,277)	0	0	(1,277)
Reclassifications and transfer	0	225	0	(225)	0
<b>at 31 March 2020</b>	<b>54,665</b>	<b>28,316</b>	<b>344</b>	<b>1,489</b>	<b>84,814</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 31 March 2019</b>	<b>(4,803)</b>	<b>(15,682)</b>	<b>(108)</b>	<b>0</b>	<b>(20,593)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,266)	(1,584)	(9)	0	(2,859)
Derecognition – disposals	0	1,241	0	0	1,241
<b>at 31 March 2020</b>	<b>(6,069)</b>	<b>(16,025)</b>	<b>(117)</b>	<b>0</b>	<b>(22,211)</b>
<b>Net Book Value at 31 March 2019</b>	<b>49,414</b>	<b>11,113</b>	<b>236</b>	<b>225</b>	<b>60,988</b>
<b>Net Book Value at 31 March 2020</b>	<b>48,596</b>	<b>12,291</b>	<b>227</b>	<b>1,489</b>	<b>62,603</b>

<b>Movements to 31 March 2019</b>	<b>Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>					
<b>At 31 March 2018</b>	<b>53,654</b>	<b>25,202</b>	<b>322</b>	<b>1,434</b>	<b>80,612</b>
Additions	626	1,375	22	225	2,248
Impairments	(63)	0	0	0	(63)
Derecognition – disposals	0	(1,216)	0	0	(1,216)
Reclassifications and transfer	0	1,434	0	(1,434)	0
<b>at 31 March 2019</b>	<b>54,217</b>	<b>26,795</b>	<b>344</b>	<b>225</b>	<b>81,581</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 31 March 2018</b>	<b>(3,574)</b>	<b>(15,217)</b>	<b>(100)</b>	<b>0</b>	<b>(18,891)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,241)	(1,535)	(8)	0	(2,784)
Derecognition – impairment	12	0	0	0	12
Derecognition - disposals	0	1,070	0	0	1,070
<b>at 31 March 2019</b>	<b>(4,803)</b>	<b>(15,682)</b>	<b>(108)</b>	<b>0</b>	<b>(20,593)</b>
<b>Net Book Value at 31 March 2018</b>	<b>50,080</b>	<b>9,985</b>	<b>222</b>	<b>1,434</b>	<b>61,721</b>
<b>Net Book Value at 31 March 2019</b>	<b>49,414</b>	<b>11,113</b>	<b>236</b>	<b>225</b>	<b>60,988</b>

## **Capital Commitments**

At 31 March 2020, the Authority had the following major commitment:

- £2.274m for frontline appliances
- £0.813m for operational vehicles

## **Revaluations**

The Authority revalues its Land and Buildings at least once every five years, the last valuation being carried out as at 1 April 2015. The valuation exercise was carried out by a member of the Royal Institution of Chartered Surveyors employed by Carmarthenshire County Council.

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

The Authority does not have surplus assets.

## **Impairments**

An impairment review was conducted by a member of the Royal Institution of Chartered Surveyors employed by Carmarthenshire County Council and it was advised that there were no significant changes in build costs which would justify a revaluation for impairment purposes. It was also noted that where Existing Use valuations have been undertaken, market conditions have remained stable in areas concerned.

## Note 13 - Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

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

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

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<b>Gross Book Value</b>	
1,014	Opening Balance at 1 April	1,135
136	Additions	38
0	Impairment	(387)
(15)	Derecognition	0
<b>1,135</b>	<b>Closing Balance at 31 March</b>	<b>786</b>
	<b>Accumulated Amortisation</b>	
(168)	At 1 April	(260)
(107)	Amortisation	(75)
0	Impairment	42
15	Derecognition	0
<b>(260)</b>	<b>Closing Balance at 31 March</b>	<b>(293)</b>
	<b>Net Book Value</b>	
846	Opening Balance at 1 April	875
875	Closing Balance 31 March	493

During 2019/20 the Authority recognised an impairment loss of £345k in relation to the FireWatch software system which was purchased in 2016. The system has been impaired following a review of the T20 programme which sought to identify the prevailing barriers to implementation.

It was identified that the majority of the barriers were technical in nature, the principal being integration into the Service's Command and Control system, which, it is envisaged, would not be delivered until 2021 at the earliest. The majority of these technical issues have been outside the control of the Service and have subsequently delayed the full implementation of all elements of FireWatch from operating in a live environment.

As a result of the evaluation, the project team identified that the delivery of the business case objectives can be better achieved by development of existing software systems combined with some in house ICT; as a result a decision has been made that FireWatch will no longer be the software utilised to deliver the business case objectives.

## Note 14 - Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet:

	Long-term 31 March 2019 £000	Long-term 31 March 2020 £000	Current 31 March 2019 £000	Current 31 March 2020 £000
<b>Financial Assets at Amortised Cost:</b>				
Cash & Cash Equivalents	0	0	4,575	838
Total Debtors	165	18	3,640	7,269
<b>Financial Liabilities at Amortised Cost:</b>				
Borrowing	(15,738)	(18,470)	(1,321)	(1,268)
Accrued Interest	0	0	(59)	(58)
Total Borrowing	(15,738)	(18,470)	(1,380)	(1,326)
Finance Lease liabilities	(3,452)	(2,925)	(638)	(527)
Creditors	0	0	(4,876)	(4,534)

	2018/19		2019/20	
Income, Expense, Gains and Losses	Financial Liabilities measured at amortised cost £000	Financial Assets measured at amortised cost £000	Financial Liabilities measured at amortised cost £000	Financial Assets measured at amortised cost £000
Interest expense	746	0	710	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>746</b>	<b>0</b>	<b>710</b>	<b>0</b>
Interest income	0	(42)	0	(44)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(42)</b>	<b>0</b>	<b>(44)</b>
<b>Net (gain)/loss for the year</b>	<b>746</b>	<b>(42)</b>	<b>710</b>	<b>(44)</b>

## Financial Instruments - Fair Value

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

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

The fair values calculated are as follows:

	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Long Term Creditors – PWLB	16,936	22,747	19,697	25,668
Non-PWLB Debt	123	n/a	41	n/a
<b>Total</b>	<b>17,059</b>	<b>22,747</b>	<b>19,738</b>	<b>25,668</b>

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

## Note 15 - Debtors

31 March 2019	Short Term Debtors	31 March 2020
£000		£000
2,844	Central Government Bodies	6,344
128	Other Local Authorities	137
240	NHS Bodies	38
523	Other Entities and Individuals	442
399	Payments in Advance	332
(494)	Provision for Irrecoverable debts	(24)
<b>3,640</b>	<b>Total Debtors</b>	<b>7,269</b>

<b>31 March 2019</b>	<b>Long Term Debtors</b>	<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
0	Other Local Authorities	0
165	Other Entities and Individuals	18
<b>165</b>	<b>Total Debtors</b>	<b>18</b>

## **Note 16 - Cash and Cash Equivalents**

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
575	Cash and Bank balances	838
4,000	Short-term Deposits	0
<b>4,575</b>	<b>Total Cash and Cash Equivalents</b>	<b>838</b>

## **Note 17 – Creditors**

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
(1,059)	Central Government Bodies	(531)
(589)	Other Local Authorities	(284)
(3,227)	Other Entities and Individuals	(3,709)
(1)	Receipts in Advance	(10)
<b>(4,876)</b>	<b>Total Creditors</b>	<b>(4,534)</b>

## **Note 18 - Unusable Reserves**

<b>Restated *</b>	<b>Restated *</b>		<b>31 March 2020</b>
<b>1 April 2018</b>	<b>31 March 2019</b>		<b>£000</b>
<b>£000</b>	<b>£000</b>		
(15,175)	(14,786)	Revaluation Reserve *	(14,397)
(21,433)	(21,493)	Capital Adjustment Account *	(20,731)
504,242	539,665	Pension Reserve	514,646
682	686	Accumulated Absences Account	795
<b>468,316</b>	<b>504,072</b>	<b>Total</b>	<b>480,313</b>

\* The balances on the Revaluation Reserve and Capital Adjustment Account have been restated for an adjustment of £117k relating to prior years' revaluations.

## Note 18a - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment and intangible assets.

The balance is reduced when assets with accumulated gains are:

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

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

<b>Restated * 2018/19 £000</b>		<b>2019/20 £000</b>
(15,292)	<b>Balance at 31 March</b>	(14,786)
117	<b>Prior Year Adjustment</b>	
(15,175)	<b>Balance 1 April</b>	
0	Upward revaluation of assets	0
0	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	0
0	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	0
389	Difference between fair value depreciation and historical cost depreciation	389
0	Accumulated gains on assets sold or scrapped	0
389	<b>Amount written off to the Capital Adjustment Account</b>	389
(14,786)	<b>Balance 31 March</b>	(14,397)

\* The balances on the Revaluation Reserve and Capital Adjustment Account have been restated for an adjustment of £117k relating to prior years' revaluations.

## Note 18b - Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and

Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

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

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

<b>Restated * 2018/19 £000</b>		<b>2019/20 £000</b>
<b>(21,316)</b>	<b>Balance 31 March</b>	<b>(21,493)</b>
(117)	Prior Year Adjustment	
<b>(21,433)</b>	<b>Balance 1 April</b>	
2,835	Charges for depreciation and impairment of non-current assets	3,432
107	Amortisation & Impairment of intangible assets	420
147	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	36
<b>3,089</b>	<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>3,888</b>
(389)	Adjusting Amounts written out of the Revaluation Reserve	(389)
<b>2,700</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>3,499</b>
(118)	Use of Capital Receipts Reserve to finance new capital expenditure	(16)
(369)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(198)
(1,941)	Statutory provision for the financing of capital investment charged against the General Fund	(1,928)
(332)	Capital Expenditure charged against the General Fund	(595)
<b>(2,760)</b>	<b>Capital financing applied in year:</b>	<b>(2,737)</b>
<b>(21,493)</b>	<b>Balance 31 March</b>	<b>(20,731)</b>

\* The balances on the Revaluation Reserve and Capital Adjustment Account have been restated for an adjustment of £117k relating to prior years revaluations.

## Note 18c - Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £000		2019/20 £000
504,242	Balance 1 April	539,665
(1,837)	Remeasurements of the net defined benefit (liability)/asset	(43,022)
51,659	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	35,674
(14,399)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,671)
0	Other movements	0
<b>539,665</b>	<b>Balance 31 March</b>	<b>514,646</b>

## Note 18d - Accumulated Absences Account

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

2018/19 £000		2019/20 £000
682	Balance 1 April	686
4	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	109
<b>686</b>	<b>Balance 31 March</b>	<b>795</b>

## Note 19 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000		2019/20 £000
(42)	Interest received	(44)
740	Interest paid	711

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

2018/19 £000		2019/20 £000
(2,784)	Depreciation	(2,859)
(51)	Impairment and downward valuations	(573)
(107)	Amortisation	(75)
0	Impairment of Intangibles	(345)
758	(Increase)/decrease in creditors	11
(1,286)	Increase/(decrease) in debtors	3,629
(22)	Increase/(decrease) in inventories	125
(37,260)	Movement in pension liability	(18,003)
(146)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(36)
<b>(40,898)</b>	<b>Total</b>	<b>(18,126)</b>

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

2018/19 £000		2019/20 £000
369	Capital Grant / Contributions / Donations Applied	198
118	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16
<b>487</b>	<b>Total</b>	<b>214</b>

## Note 20 - Cash Flow from Investing Activities

2018/19 £000		2019/20 £000
2,384	Purchase of property, plant and equipment, investment property and intangible assets	5,121
(118)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16)
(40)	Other receipts for investing activities	(147)
0	Other payments for investing activities	0
<b>2,226</b>	<b>Net cash flows from investing activities</b>	<b>4,958</b>

## Note 21 - Cash Flow from Financing Activities

2018/19 £000		2019/20 £000
(1,000)	Cash receipts of short-term and long-term borrowing	(4,000)
(555)	Other receipts from financing activities	(477)
729	Cash payments for the reduction of outstanding liabilities relating to finance leases	638
464	Repayments of short-term and long-term borrowing	1,322
<b>(362)</b>	<b>Net cash flows from financing activities</b>	<b>(2,517)</b>

## Note 22 - Members' Allowances

The Authority paid the following amounts to elected members during the year:

2018/19 £000		2019/20 £000
57	Salaries	57
9	Expenses	8
<b>66</b>	<b>Total Members' Allowances</b>	<b>65</b>

## Note 23 - Officers' Remuneration

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

	Note Ref	Salary, Fees and Allowances £	Other Payments	Expenses Allowances £	Benefit in Kind *	Employers' Pension Contribution £	Total £
Chief Fire Officer		2019/20	153,107	0	81	0	153,188
		2018/19	147,195	0	70	0	147,265
Deputy Chief Fire Officer 1	2	2019/20	0	0	0	0	0
		2018/19	62,179	0	0	15,856	78,035
Temporary Deputy Chief Fire Officer 2	3	2019/20	599	0	0	0	599
		2018/19	121,823	0	233	0	122,056
Deputy Chief Fire Officer 3	4	2019/20	125,463	0	349	0	125,812
		2018/19	659	0	1	168	828
Temporary Assistant Chief Fire Officer 1	4	2019/20	0	0	0	0	0
		2018/19	105,304	0	262	0	105,566
Assistant Chief Fire Officer 2	5	2019/20	108,001	0	0	0	108,001
		2018/19	569	0	0	81	650
Assistant Chief Officer (Director of Resources)	1	2019/20	105,980	216	1,590	12,799	119,585
		2018/19	97,505	210	2,155	11,519	111,389
Clerk		2019/20	37,097	0	697	0	37,794
		2018/19	37,100	0	485	0	37,585

\* Benefit in Kind - from 1<sup>st</sup> April 2018 the P11d classification of Operational senior officers leased vehicles was amended and agreed with the HMRC. This has resulted in no requirement to produce P11d's for these officers, as they have no benefit in kind.

## Notes

1. Unlike the other Senior Officers, the Assistant Chief Officer (Director of Resources) is required to purchase car fuel for business mileage and then claim back expenses. Also, tax on benefit in kind is calculated on a different basis to other Senior Officers, which results in much higher expenses and benefits in kind figures.
2. The Deputy Chief Fire Officer 1 left the Service on 31st August 2018 in order to take up the Chief Fire Officer's post in Avon Fire and Rescue Service, where he had been seconded to since 2nd May 2017. His salary upon resignation was £149,229 which was his secondment salary covered by Avon Fire & Rescue Service
3. Temporary Deputy Chief Fire Officer 2 retired from the Service on 29th March 2019 on an annualised salary of £122,482.
4. Temporary Assistant Chief Fire Officer 1 was promoted to Deputy Chief Fire Officer 3 from 30th March 2019 following the retirement of the previous Deputy Chief Fire Officer 2, on an annualised salary of £122,482.
5. Assistant Chief Fire Officer 2 was appointed on 30th March 2019 following the promotion of the Temporary Assistant Chief Fire Officer 1 to Deputy Chief Fire Officer 3, on an annualised salary of £105,873.
6. The S151 Officer is appointed under a Service Level Agreement (SLA) with Carmarthenshire County Council. The SLA costs for 2019/20 were £35,700. (2018/19 £35,000).

## Officers Remuneration

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

	Number of Employees	
	2018/19	2019/20
£60,001 to £65,000	13	14
£65,001 to £70,000	3	1
£70,001 to £75,000	1	2
£75,001 to £80,000	2	3
<b>Total</b>	<b>19</b>	<b>20</b>

In 2019/20 the ratio of the highest paid to the median full time equivalent salary of £31,144 is 4.89:1 (In 2018/19 the median full time equivalent salary was £30,530 and the ratio was 4.82:1).

## Exit Packages

Exit package cost band (Including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	3	0	0	1	3	1	3,731	9,301
£20,001 - £40,000	0	0	1	0	1	0	34,444	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 to £200,000	0	0	0	0	0	0	0	0
<b>Total cost Included in CIES</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>38,175</b>	<b>9,301</b>

## Note 24 - External Audit Costs

The following fees are payable in relation to the audit of the Statement of Accounts, statutory inspections and other non-audit services provided by the Authority's external auditors:

<b>Actual Fee 2018/19 £000</b>		<b>Proposed Fee 2019/20 £000</b>
	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year for:	
49	Financial Audit Work	49
15	Performance Audit Work	15
<b>64</b>	<b>Total</b>	<b>64</b>

## Note 25 - Grant Income

### Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

<b>2018/19 £000</b>		<b>2019/20 £000</b>
(369)	Capital Grants, Contributions and Donations	(198)
<b>(369)</b>	<b>Total</b>	<b>(198)</b>

**Credited to Services**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	Welsh Government:	
(110)	Arson Reduction	(106)
(250)	Home Safety Equipment	(273)
(117)	Other Community Safety	(117)
(687)	New Dimensions, USAR and MTFA	(522)
(592)	Airwave (Firelink)	(592)
(240)	Joint Emergency Services Group	(243)
0	GovTech	(683)
0	Pension Funding	(1,775)
(174)	Other *	(87)
<b>(2,170)</b>	<b>Total</b>	<b>(4,398)</b>

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

In 2019/20 Mid and West Wales Fire and Rescue Authority co-ordinated the Home Safety grant of £925k and Arson Reduction grant of £347k on behalf of Welsh Government who therefore allocated £1,272k (£1,262k in 2018/19) to the three Fire Services in Wales.

The Authority acts as an agent on behalf of Welsh Government in administering these two grant schemes for all of the Fire Services in Wales. The approved grants are paid to Mid and West Wales Fire and Rescue Service, who are then responsible for distributing the grants to the other two Welsh Fire Services. The grant values paid out to the other two Welsh Fire Services for the two schemes are as follows:

**Grants Administered on behalf of other Fire and Rescue Services**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	Welsh Government:	
(259)	Arson Reduction	(241)
(643)	Home Safety Equipment	(652)
<b>(902)</b>	<b>Total</b>	<b>(893)</b>

The Authority has received the following capital grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not satisfied. The balances at the year-end are as follows:

**Current Liabilities - Capital Grants Receipts In Advance**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
0	New Dimensions, USAR and MTFA (Welsh Government)	(279)
(280)	Storm Callum (Welsh Government)	(280)
<b>(280)</b>	<b>Total</b>	<b>(559)</b>

The Authority has received the following revenue grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not satisfied. The balances at the year-end are as follows:

#### **Current Liabilities – Revenue Grants Receipts in Advance**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(250)	GovTech (Welsh Government)	(566)
(57)	Storm Callum (Welsh Government)	(57)
(15)	Y Lab (Nesta)	(30)
<b>(322)</b>	<b>Total</b>	<b>(653)</b>

## **Note 26 - Related Parties**

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

### **Welsh Government (WG)**

Welsh Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates and provides some funding in the form of grants. The grants received from government departments are set out in note 25.

### **Members**

Members of the Fire and Rescue Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 22.

### **Officers**

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

### **Other Public Bodies**

The Authority receives the majority of its revenue funding by charging a levy, based on population, to the six Unitary County Authorities in its area. Details of the amounts received by way of levy are shown within the narrative of the Statement of Accounts.

The Authority has a Service Level Agreement (SLA) with Carmarthenshire County Council for Financial Services including Section 151 Officer services. The Section 151 Officer responsibility have been taken on by the current Director of Resources from Carmarthenshire County Council.

The Authority is the Administering Authority for the Firefighters' Pension Fund. Details of the Firefighters' Pension Fund are shown in note 30 and the Firefighters' Pension Fund Accounts are on pages 72 to 74.

The following tables details transactions and balances with Related Parties as at 31<sup>st</sup> March 2020:

Related Party	In Year Transactions		Balance 31st March 2020	
	Income £000	Expenditure £000	Owed to Authority (Debtor) £000	Owed by Authority (Creditor) £000
Welsh Government	(10,747)	91	4,123	0
Carmarthenshire County Council	(9,838)	554	0	(4)
Ceredigion County Council	(4,040)	78	0	(2)
Neath Port Talbot County Borough Council	(7,466)	126	0	0
Pembrokeshire County Council	(6,551)	136	0	0
Powys County Council	(6,951)	285	0	(3)
City and County of Swansea Council	(12,986)	148	0	(5)
	<b>(58,579)</b>	<b>1,418</b>	<b>4,123</b>	<b>(14)</b>

#### Entities Influenced by the Authority

Mid and West Wales Fire and Rescue Authority established a Community Interest Company (CIC) Rescue 365 in 2014 to support delivery of an ambitious strategy aimed to drive a more commercial mindset and approach to work with external organisations to further enhance safety within the community. The Fire Authority ratified the actions undertaken to incorporate Rescue 365 on 29th September 2014 and subsequently on 9th February 2015 Fire Authority Members approved the appointment of the Chair of Resource Management Committee to the Board of Rescue 365 to provide a formal link between Rescue 365 and the Fire Authority. The Rescue 365 board of directors also included the following officers from the Authority's Executive Leadership Team: Assistant Chief Fire Officer, the Corporate Head of Operational Support and Improvement, and the Corporate Head of Prevention and Protection.

Rescue 365 was set up to provide prevention, protection and response services to the community of Mid and West Wales. The aim of the company was to compliment the statutory and non-statutory services provided by Mid and West Wales Fire and Rescue Authority. At its inception it was recognised that the company had the ability to apply some or all surpluses in furtherance of Rescue 365's objectives including passing surpluses to the Authority as the community purpose aligned with that of the Authority.

On incorporation of Rescue 365 the Fire Authority approved a commercial loan to the Company of £200k to establish the company and deliver the initial business plan, following a rescheduling exercise in January 2016 a further £60k was advanced. Of the £260k loans advanced to Rescue 365, £124k has been repaid and £136k was outstanding at 31<sup>st</sup> March 2019. Acting on a request from Rescue 365, discussions between the Chief Fire Officer, S151 Officer and the Board of Directors took place, and in an attempt to assist the company in attaining financial stability, loan repayments were suspended in December 2018.

In addition to the loan, the Authority seconded staff and rented accommodation to Rescue 365 which was charged, and the balance outstanding was £291k as at 31<sup>st</sup> March 2019. The total debtor in the Statement of Accounts for Rescue 365 as at the 31<sup>st</sup> March 2019 was therefore £427k.

In 2018/19 It was reported that the Authority was working with Rescue 365 to determine the long-term viability of the company and was considering restructuring options and operating models. The restructuring undertaken by the Directors from July 2018 resulted in Rescue 365

maintaining its footing in the market but being unable to reduce its debt. Consequently, in February 2020 the Fire Authority received a report on the viability of Rescue 365 and notification that a decision had been made by the board of directors to cease trading. The Fire Authority supported the decision to dissolve the company as soon as possible and that the outstanding debt owed by Rescue 365 would be written off.

A summary of transactions in 2019/20 is detailed in the following table:

<b>Summary of Transactions between Rescue 365 &amp; MAWWFRS</b>	<b>Loan Account £000</b>	<b>Recharge of Costs £000</b>	<b>Total £000</b>
<b>Balance at 1st April 2019</b>	<b>136</b>	<b>291</b>	<b>427</b>
<b>Debt Written Off</b>	<b>(136)</b>	<b>(291)</b>	<b>(427)</b>
<b>Balance as at 31st March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Joint Operations

In April 2014 Mid and West Wales Fire and Rescue Service (MAWWFRS) entered into a Memorandum of Understanding with South Wales Police and South Wales Fire and Rescue Service (SWFRS) to work together to establish a Joint Public Service Centre (JPSC). In October 2017 the JPSC went "live". MAWWFRS and SWFRS have shared responsibility of the operational delivery and the agreed approach from both FRSs is set out in a Service Level Agreement (SLA). The SLA outlines a set of agreed high-level principles in relation to the day-to-day management of the team. It is the expectation of both Chief Fire Officers of the FRSs that the FRSs will work in collaboration to achieve the aims and objectives set out within the SLA.

The SLA provided that as from the point of the team becoming operational (October 2017) the staff budget (direct and indirect costs) for the JPSC would be shared on a 50% basis between the two FRSs. For 2018/19 onwards the SLA was renegotiated resulting in a revised basis – direct staff costs 40% MAWWFRS and 60% SWFRS, and 50% each for indirect staff costs.

In accordance with accounting policy 17, the main financial statements of the Authority have been consolidated with the relevant entries. The Authority's share of the Joint Arrangement Income and Expenditure Account and Balance Sheet are shown in the table below:

<b>Joint Public Service Centre</b>	<b>2018/19</b>		<b>2019/20</b>	
	<b>Joint Operation</b>	<b>MAWWFRS</b>	<b>Joint Operation</b>	<b>MAWWFRS</b>
	<b>Total £000</b>	<b>Share £000</b>	<b>Total £000</b>	<b>Share £000</b>
<b>Revenue</b>				
Staff Expenditure	2,786	1,115	2,717	1,087
Non-Staff Expenditure	14	7	124	62
<b>Total Expenditure</b>	<b>2,800</b>	<b>1,122</b>	<b>2,841</b>	<b>1,149</b>
<b>Intangible Asset</b>				
Command & Control System				
Gross Book Value	680	340	680	340
Accumulated Amortisation	(104)	(52)	(176)	(88)
<b>Net Book Value</b>	<b>576</b>	<b>288</b>	<b>504</b>	<b>252</b>

## Note 27 - Capital Expenditure and Capital Financing

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

2018/19 £000		2019/20 £000
<b>25,955</b>	<b>Opening Capital Financing Requirement</b>	<b>25,579</b>
	Capital Investment:	
2,248	Property Plant and Equipment	5,083
136	Intangible Assets	38
<b>2,384</b>	<b>Total Capital Spending</b>	<b>5,121</b>
	Sources of Finance:	
(118)	Capital receipts	(16)
(369)	Government Grants and other contributions/donations	(198)
	Sums set aside from revenue:	
(332)	Direct Revenue Contributions	(595)
	Minimum revenue provision:	
(229)	Option 1 – expenditure pre 31 March 2009	(220)
(983)	Option 3 – expenditure post 1 April 2009	(1,070)
(729)	Finance Leases	(638)
<b>(2,760)</b>	<b>Total Sources of Finance</b>	<b>(2,737)</b>
<b>25,579</b>	<b>Closing Capital Financing Requirement</b>	<b>27,963</b>

### Explanation of movements in year

2018/19 £000		2019/20 £000
(376)	Increase in underlying need to borrow (unsupported by government financial assistance)	2,384
<b>(376)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>2,384</b>

## Note 28 – Leases

### Authority as Lessee - Finance Leases

The Authority has acquired a number of vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2019 £000		31 March 2020 £000
0	Other Land and Buildings	0
3,660	Vehicles, Plant, Furniture, Equipment and Other	3,037
<b>3,660</b>	<b>Total</b>	<b>3,037</b>

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

31 March 2019 £000	Finance lease liabilities (net present value of minimum lease payments):	31 March 2020 £000
638	- Current	527
3,452	- Non-current	2,925
612	Finance costs payable in future years	480
<b>4,702</b>	<b>Minimum lease payments</b>	<b>3,932</b>

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

Minimum Lease Payments			Finance Lease Liabilities	
31 March 2019 £'000	31 March 2020 £'000		31 March 2019 £'000	31 March 2020 £'000
770	636	Not later than one year	638	527
1,998	1,724	Later than one year and not later than five years	1,656	1,440
1,934	1,572	Later than five years	1,796	1,485
<b>4,702</b>	<b>3,932</b>	<b>Total</b>	<b>4,090</b>	<b>3,452</b>

### **Authority as Lessee - Operating Leases**

The Authority has acquired a number of light vehicles by entering into operating leases, with typical lives of 5 to 7 years.

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

<b>31 March 2019 £000</b>		<b>31 March 2020 £000</b>
486	Not later than one year	63
39	Later than one year and not later than five years	72
0	Later than five years	0
<b>525</b>	<b>Total</b>	<b>135</b>

### **Note 29 - Termination Benefits**

The Authority terminated the contract of one employee in 2019/20 incurring liabilities of £9k (£38k in 2018/19), see note 23 for the number of exit packages and total cost per band. This included one firefighter who was paid pay in lieu of notice.

## **Note 30 - Defined Benefit Pension Scheme**

### **Participation In Pension Schemes**

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

The Local Government Pension Scheme (LGPS) pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Dyfed Pension Fund, Carmarthenshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the pensions committee of Carmarthenshire County Council. The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the amounts required by statute as described in the accounting policies note. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against levy is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Within 2017/18, a past service cost was recognised reflecting the extension of the interim solution regarding guaranteed minimum pension ("GMP") indexation. Members of public service pension schemes with GMP entitlements who reach State Pension age on or after 6 December 2018 and before 6 April 2021 will be covered by this extension of the interim solution. The High Court published its judgement in the Lloyds Banking Group case on the equalisation of GMP that pensions must be equalised for the effects of unequal GMP and the government has committed to addressing this. Following discussions through the Finance Working Group covering most public service pension schemes, there was a general consensus that a past service cost is required during 2019/20 in respect of the additional liabilities in respect of members reaching State Pension age after 6 April 2021. This additional past service cost has been included below.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Firefighters Pension Scheme (FPS) is an unfunded defined benefit scheme meaning that no investments are held to fund the liabilities. Contributions, at a rate set by the Welsh Government, made by the employer and employees are held in a pension fund account, benefits paid are charged to the account with any balance on the account being received from, or paid to, the Welsh Government.

2018/19		General Fund Transactions Comprehensive Income and Expenditure Statement - Cost of Services	2019/20	
LGPS £000	Firefighter Pension Scheme £000		LGPS £000	Firefighter Pension Scheme £000
		Service cost comprising:		
1,816	12,190	Current service cost	2,137	17,980
1,091	23,530	Past service cost	239	1,750
0	157	Transfers in	0	290
0	0	(Gain) / loss from curtailments	0	0
0	0	(Gain) / loss from settlements	0	0
30	0	Administration expenses	25	0
		Financing and Investment Income and Expenditure:		
285	12,560	Net interest expense	373	12,880
<b>3,222</b>	<b>48,437</b>	<b>Total charged to (Surplus) and Deficit on Provision of Services</b>	<b>2,774</b>	<b>32,900</b>

**Other post-employment benefits charged to the  
Comprehensive Income and Expenditure Statement**

		<i>Re-measurement of the net defined benefit liability comprising:</i>		
(1,646)	0	Return on plan assets (excluding the amount included in the net interest expense)	5,372	0
0	(17,830)	Actuarial (gains) and losses – experience	1,048	(9,970)
0	0	Actuarial (gains) and losses arising on changes in demographic assumptions	(1,812)	(16,150)
3,709	13,930	Actuarial (gains) and losses arising on changes in financial assumptions	0	(21,510)
0	0	Other movements in the liability / (asset)	0	0
<b>2,063</b>	<b>(3,900)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>4,608</b>	<b>(47,630)</b>
<b>5,285</b>	<b>44,537</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>7,382</b>	<b>(14,730)</b>

**Movement in Reserves Statement**

(3,222)	(48,437)	Reversal of net charges made to the Surplus or (Deficit) on the Provision of Services	(2,774)	(32,900)
		<b>Actual amount charged against the general fund balance for pensions in the year:</b>		
969		Employers' contributions payable to scheme	1,001	
	13,430	Retirement Benefits payable to pensioners		16,670

2018/19			2019/20		
LGPS	Firefighter Pension Scheme	Pensions Assets and Liabilities Recognised in the Balance Sheet	LGPS	Firefighter Pension Scheme	
£000	£000		£000	£000	
(65,050)	(524,287)	Present value of the defined obligation	(67,328)	(492,887)	
49,672	0	Fair value of plan assets	45,569	0	
(15,378)	(524,287)	Net (liability) / asset arising from the defined benefit obligation	(21,759)	(492,887)	

2018/19			2019/20		
LGPS	Firefighter Pension Scheme	Movement in the Value of Scheme Assets	LGPS	Firefighter Pension Scheme	
£000	£000		£000	£000	
46,524	0	Opening fair value of scheme assets	49,672	0	
1,260	0	Interest income	1,242	0	
		Remeasurement gain / (loss):			
1,646	0	- The return on plan assets, excluding the amount included in the net interest expense	(5,372)	0	
969	13,430	Contributions from employer	1,001	16,670	
402	0	Contributions from employees into the scheme	414	0	
(1,099)	(13,430)	Benefits / transfers paid	(1,363)	(16,670)	
(30)	0	Administration expenses	(25)	0	
49,672	0	Closing value of scheme assets	45,569	0	

2018/19		Movements In the Fair Value of Scheme Liabilities	2019/20	
LGPS £000	Firefighter Pension Scheme £000		LGPS £000	Firefighter Pension Scheme £000
(57,586)	(493,180)	Opening balance at 1 April	(65,050)	(524,287)
(1,816)	(12,190)	Current service cost	(2,137)	(17,980)
0	(157)	Transfers In	0	(290)
(1,545)	(12,560)	Interest cost	(1,615)	(12,880)
(402)	0	Contributions from scheme participants	(414)	0
<i>Remeasurement gains and losses:</i>				
0	17,830	- Actuarial gains / (losses) - experience	1,812	9,970
0	0	- Actuarial gains / (losses) from changes in demographic assumptions	(1,048)	16,150
(3,709)	(13,930)	- Actuarial gains / (losses) from changes in financial assumptions	0	21,510
0	0	- Other	0	0
(1,091)	(23,530)	Past service cost	(239)	(1,750)
0	0	Gains / (losses) on curtailments	0	0
0	0	Other Movement	0	0
1,099	13,430	Benefits / transfers paid	1,363	16,670
<b>(65,050)</b>	<b>(524,287)</b>	<b>Balance as at 31 March</b>	<b>(67,328)</b>	<b>(492,887)</b>

**LGPS - Pension Scheme - Assets comprised of:**

2018/19			Fair value of scheme assets	2019/20		
Quoted £000	Unquoted £000	Total £000		Quoted £000	Unquoted £000	Total £000
			<b>Cash and cash equivalents</b>			
0	0	0	Cash instruments	0	0	0
298	0	298	Cash accounts	228	0	228
0	0	0	Net current assets	0	0	0
<b>298</b>	<b>0</b>	<b>298</b>	<b>Subtotal Cash and cash equivalents</b>	<b>228</b>	<b>0</b>	<b>228</b>
			<b>Equities</b>			
9,687	0	9,687	UK Quoted	10,627	0	10,627
0	11,176	11,176	Overseas Pooled -unquoted	0	10,832	10,832
5,315	0	5,315	US	5,117	0	5,117
199	0	199	Canada	205	0	205
1,639	0	1,639	Japan	1,527	0	1,527
0	546	546	Pacific	0	469	469
0	4,371	4,371	Emerging markets	0	3,345	3,345
0	0	0	Pooled Overseas - quoted	0	0	0
1,391	0	1,391	European ex UK	1,239	0	1,239
<b>18,231</b>	<b>16,093</b>	<b>34,324</b>	<b>Subtotal Equities</b>	<b>18,715</b>	<b>14,646</b>	<b>33,361</b>
			<b>Bonds</b>			
3,030	0	3,030	UK Government indexed	1,795	0	1,795
0	5,265	5,265	UK Corporate	0	4,598	4,598
<b>3,030</b>	<b>5,265</b>	<b>8,295</b>	<b>Subtotal Bonds</b>	<b>1,795</b>	<b>4,598</b>	<b>6,393</b>
			<b>Property</b>			
0	0	0	UK	0	0	0
0	0	0	Overseas – quoted	0	0	0
0	0	0	Overseas	0	0	0
0	6,755	6,755	Property Funds	0	5,587	5,587
<b>0</b>	<b>6,755</b>	<b>6,755</b>	<b>Subtotal Property</b>	<b>0</b>	<b>5,587</b>	<b>5,587</b>
<b>21,559</b>	<b>28,113</b>	<b>49,672</b>	<b>Total Assets</b>	<b>20,738</b>	<b>24,831</b>	<b>45,569</b>

As a result of the COVID-19 pandemic, pension fund investments have been subject to volatility. The markets, however, have continued trading and while it is recognised that the volatility exists, information is available to measure the financial instruments at the 31st March 2020. Some investment markets, in particular equities, have recouped a significant proportion of the losses incurred from the lows of late March with the fund value at the end of April 2020 valued at £2,512million, an increase of 5% from the 31st March 2020 valuation.

However, the outlook remains highly uncertain for financial markets and the economy, both in the UK and globally. The impact for the Dyfed Pension Fund will possibly be seen next financial year with a potential financial impact with increased costs and potential loss of dividend / investment income during 2020/21. This area is being managed carefully with regular contact and updates being received from the investment managers and the Dyfed Pension Fund Independent adviser.

### **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 Current Service Cost includes an allowance for the 'better of' McCloud / Sargeant benefits accrued by effected members during 2019/20.

The Local Government Pension Scheme has been estimated by Mercer's an independent firm of actuaries and the Firefighters Pension Scheme has been valued by the Government Actuary's Department (GAD). Estimates for the Dyfed Pension Fund (the LGPS) are based on the latest full valuation of the scheme as at 1 April 2020.

#### **The significant assumptions used by the actuary have been:**

<b>2018/19</b>	<b>LGPS</b>	<b>2019/20</b>
<b>Mortality assumptions</b>		
<i>Longevity at retirement for current pensioners</i>		
23.0	Men	23.0
25.7	Women	24.9
<i>Longevity at retirement for future pensioners</i>		
25.2	Men	24.5
28.1	Women	27.1
<b>Other assumptions</b>		
2.2%	Rate of inflation	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.5%	Rate for discounting scheme liabilities	2.4%
2.2%	CARE revaluation rate	2.1%

2018/19	Firefighter Pension Scheme	2019/20
<b>Mortality assumptions</b>		
<i>Longevity at retirement for current pensioners</i>		
22.0	Men	21.3
22.0	Women	21.3
<i>Longevity at retirement for future pensioners</i>		
23.9	Men	23.0
23.9	Women	23.0
<b>Other assumptions</b>		
2.35%	Rate of inflation	2.00%
4.35%	Rate of increase in salaries	4.00%
2.35%	Rate of increase in pensions	2.00%
2.45%	Rate for discounting scheme liabilities	2.25%
4.35%	CARE revaluation rate	4.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The estimated weighted duration of the defined benefit obligation is 19 years for the Firefighter Scheme and 20 years for the Local Government Pension Scheme.

Alternative forms of remedy may have different levels of sensitivity to these assumptions, therefore the sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period, however a new LGPS sensitivity analysis category was introduced in 2019/20 for +/-1% change in investment return.

### Impact of assumptions on the obligation – LGPS

	As Reported	Discount Rate	Inflation	Pay Growth	Life Expectancy	* +/-1% change in 2019/20 Investment returns	
		0.1% Increase	0.1% Increase	0.1% Increase	1 Year Increase	+1%	-1%
	£000	£000	£000	£000	£000	£000	£000
Liabilities	(67,328)	(66,026)	(68,655)	(67,568)	(69,122)	(67,328)	(67,328)
Assets	45,569	45,569	45,569	45,569	45,569	46,025	45,113
(Deficit) / Surplus	(21,759)	(20,457)	(23,086)	(21,999)	(23,553)	(21,303)	(22,215)
Projected Service Cost for Next Year	2,063	2,004	2,124	2,063	2,124	2,063	2,063
Projected Net Interest Cost for Next Year	510	499	543	517	554	499	521

\* New LGPS assumption introduced 2019/20

	As Reported	Discount Rate on Liabilities	Increase in Salaries	Life Expectancy	Increase in Pensions
	£000	0.5% Increase	0.5% Increase	1-year Increase	0.5% Increase
	£000	£000	£000	£000	£000
FFPS	(492,887)	(448,887)	(496,887)	(507,887)	(529,887)

### Impact on the Authority's Cash Flows

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

The table above shows the amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans.

## **Note 31 - Nature & Extent of Risks arising from Financial Instruments**

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

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

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

### **Credit Risk**

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

This risk is minimised through the Annual Investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The amounts invested are restricted to prudent and affordable amounts as set out in the approved strategy.

The current strategy is to invest internally as far as possible, thus reducing the need to borrow and reducing the cash surplus available for investment and the period those surpluses are available.

The Authority's maximum exposure to credit risk is in relation to its investments with its bank. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

### **Liquidity Risk**

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

	Approved minimum limits	Approved maximum limits	Actual 31 March 2020 £000	% 31 March 2020
Less than 1 year	0%	30%	1,268	7%
Between 1 and 2 years	0%	30%	196	1%
Between 2 and 5 years	0%	50%	2,809	14%
Between 5 and 10 years	0%	75%	3,000	15%
More than 10 years	25%	90%	12,465	63%
<b>Total</b>			<b>19,738</b>	<b>100%</b>

	Approved minimum limits	Approved maximum limits	Actual 31 March 2019 £000	% 31 March 2019
Less than 1 year	0%	30%	1,321	8%
Between 1 and 2 years	0%	30%	268	2%
Between 2 and 5 years	0%	50%	450	3%
Between 5 and 10 years	0%	75%	5,555	32%
More than 10 years	25%	90%	9,465	55%
<b>Total</b>			<b>17,059</b>	<b>100%</b>

## **Market Risk**

### ***Interest Rate Risk***

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

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

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

### ***Price Risk***

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

### *Foreign Exchange Risk*

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

## **Note 32 - Contingent Liability**

### **'McCloud / Sargeant' case**

On 18 December 2018, the Court of Appeal handed down its judgement, upholding the view that the transitional protections introduced with the new Firefighters Pension 2015 were unlawfully discriminatory on the grounds of age. The judgement remitted the case to the Employment Tribunal to consider remedy for the outcome. However, prior to this step being taken, the Government submitted an application to the Supreme Court seeking permission to appeal the Court of Appeal's decision. This was denied on the 27 June 2019.

On 15 July 2019 the Government released a written statement accepting the Court's decision in the Firefighters Transitional Protection Challenge. The Employment Tribunal subsequently made an interim Order on 18 December 2019 which relate to claimants only. The Order treats claimants as satisfying the age criteria regardless of their actual age provided that they were in the scheme as at 31 March 2012 and 31 March 2015.

The Order does not specify the treatment of non-claimants at this time. However, Government have confirmed their intent that the same treatment will apply to all members of the public service pension schemes, including Firefighters' scheme (whether claimants or not) who are in the same legal and factual position as the claimants.

To comply with the Employment Tribunal's Order, Fire and Rescue Authorities are awaiting further direction from Government on the practical steps to implement remedy and have been advised that no action should be taken at present. The position therefore remains that all entitlements continue under the Firefighters Pension Scheme (Wales) 2015 scheme rules. This ensures consistency, so that when remedy is agreed all members are being remedied from the same original position. The final determination is expected in July 2020, but it is anticipated that it may take some time before the remedy can be put in place for all claimants and non-claimants.

### **'O'Brien' case**

It was ruled by the Courts that a decision to limit the period in which a part-time employee could retrospectively buy past pensionable service was incorrect and no such limit should be applied. This could have a significant impact on the Modified Pension Scheme, which restricted past service to 1 July 2000. Further details of the Appeals or potential remedies are not known at present.

# **FIREFIGHTERS PENSION FUND ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<b>Contributions Receivable:</b>	
	Employer:	
(3,168)	- Normal	(5,513)
(498)	- Early retirements (ill health)	(420)
(2,560)	- Members	(2,754)
<u>(6,226)</u>		<u>(8,687)</u>
(157)	Individual Transfers in from other schemes	(294)
<b>(6,383)</b>		<b>(8,981)</b>
	<b>Benefits Payable:</b>	
11,453	- Pension	12,144
1,955	- Commutations and lump-sum retirement benefits	3,878
0	- Lump sum death	232
<u>13,408</u>		<u>16,254</u>
	<b>Payments to and on account of leavers:</b>	
8	- Individual transfers out to other schemes	411
<u>13,416</u>		<u>16,665</u>
7,033	Deficit for year before grants receivables from the Welsh Government	7,684
(7,033)	Top up grant Receivable from the Welsh Government	(7,648)
<u>0</u>	<b>Net amount payable/receivable for the year</b>	<u>0</u>

## **NET ASSETS STATEMENT AS AT 31<sup>ST</sup> MARCH 2020**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<b><u>Current Assets:</u></b>	
0	Amount owed by General Fund	0
75	Amount owed by Welsh Government	2,967
<u>75</u>	<b>Total Current Assets</b>	<u>2,967</u>
	<b><u>Current Liabilities:</u></b>	
(75)	Amount owed to General Fund	(2,967)
0	Amount owed to Welsh Government	0
<u>(75)</u>	<b>Total Current Liabilities</b>	<u>(2,967)</u>

## **NOTES TO THE FIREFIGHTERS PENSION FUND ACCOUNT**

The Fund was established 1 April 2007 and covers the 1992, 2006, 2015 and the Modified Firefighters' Pension Schemes and is administered by the Authority. The 2015 scheme introduced new contribution rates for both employers and employees and reduced pension benefits. Members of the 1992 and 2006 schemes who do not meet the prescribed criteria, will transition into the 2015 scheme under a tapering arrangement. On 1 April 2016, the retained Modified Pension Scheme was introduced in addition to the original 1992, 2006 and 2015 schemes. The scheme allowed individuals who were employed as On-Call members of staff between the years 2000 - 2006 the opportunity to buy back service. If the individuals were still employees, then they could enter into the retained Modified Pension Scheme which benefits from the same contribution rates as the 1992 scheme.

Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government (WG) and subject to triennial revaluations by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by Top Up Grants from the Welsh Government (WG).

Transfers into the scheme are a transfer of pension benefits from another pension scheme for new or existing employees and transfers out are transfer benefits for employees who have left the Authority and joined another pension scheme. The Authority is responsible for paying the employer's contributions into the fund and these are the costs that are identified in the accounts for the Authority.

At the beginning of the financial year an assessment is made of the amount of Top Up Grant required from Welsh Government and 80% of the estimate is paid in addition to the surplus/deficit (asset/liability) which is payable / receivable from the previous year, this is paid in August of each year. As such, any asset / liability on the Pension Fund is matched by a corresponding value on the Authority balance sheet. The 2019/20 estimate included an assessment of the number of firefighters due to retire within the year based on age and years' service, from this an estimate can then be made of the commutation payments that would fall due and the additional pension payments.

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

## Contribution Rates

Under the Firefighters' Pension Regulations, the employer's contribution rate for the 2015 scheme was 27.3% of pensionable pay with employee's rates as per the pensionable pay banding detailed below:

<b>Pensionable Pay Band</b>	<b>2019/20 Contribution Rate %</b>
Up to and including £27,818	11.0
More than £27,818 and up to and including £51,515	12.9
More than £51,515 and up to and including £142,500	13.5
More than £142,500	14.5

For the 2006 scheme the employer's contribution was 26.6% of pensionable pay with employee's rates as per the pensionable pay banding detailed below:

<b>Pensionable Pay Band</b>	<b>2019/20 Contribution Rate %</b>
Up to and including £15,609	8.5
More than £15,609 and up to and including £21,852	9.4
More than £21,852 and up to and including £31,218	10.4
More than £31,218 and up to and including £41,624	10.9
More than £41,624 and up to and including £52,030	11.2
More than £52,030 and up to and including £62,436	11.3
More than £62,436 and up to and including £104,060	11.7
More than £104,060 and up to and including £124,872	12.1
More than £124,872	12.5

For the 1992 and Modified schemes the employer's contribution rate was 29.3% of pensionable pay with employee's rates as per the pensionable pay bandings detailed below:

<b>Pensionable Pay Band</b>	<b>2019/20 Contribution Rate %</b>
Up to and including £15,609	11.0
More than £15,609 and up to and including £21,852	12.2
More than £21,852 and up to and including £31,218	14.2
More than £31,218 and up to and including £41,624	14.7
More than £41,624 and up to and including £52,030	15.2
More than £52,030 and up to and including £62,436	15.5
More than £62,436 and up to and including £104,060	16.0
More than £104,060 and up to and including £124,872	16.5
More than £124,872	17.0

The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period end as this is the responsibility of the Authority. Details of the long-term pension obligations can be found in Note 30 to the core financial statements (£492.887m at 31 March 2020 and £524.287m at 31 March 2019).

## **Glossary of Terms used in the Statement of Accounts**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCOUNTING POLICIES**

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

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

### **ASSET**

An item having value to the Authority in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a fire station, or intangible, e.g. computer software licences.

### **AUDIT OF ACCOUNTS**

An independent examination of the Authority's financial affairs.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **BORROWING**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

### **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

**CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**CAPITAL PROGRAMME**

The capital schemes the Authority intends to carry out over a specific period of time.

**CAPITAL RECEIPT**

The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

**CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

**CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**CREDITOR**

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of the defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

**DEBTOR**

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technical or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value, but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

**GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

**IMPAIRMENT**

A reduction in the value of a non-current asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

**INFRASTRUCTURE ASSETS**

Non-current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are hydrants.

**INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

**INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, Authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

**LIABILITY**

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

**NET BOOK VALUE**

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

**OPERATING LEASE**

A lease where the ownership of the non-current asset remains with the lessor.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**PUBLIC WORKS LOAN BOARD (PWLb)**

A Central Government Agency, which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the government can borrow itself.

**RELATED PARTIES**

There is a detailed definition of related parties in IAS 24. For the Authority's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

**RELATED PARTY TRANSACTIONS**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

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

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Capital Adjustment account cannot be used to meet current expenditure.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**USEFUL LIFE**

The period over which the Authority will derive benefits from the use of a non-current asset.