

# **SOUTH WALES FIRE & RESCUE AUTHORITY**



## **STATEMENT OF ACCOUNTS**

**2014/2015**

<b><u>STATEMENT OF ACCOUNTS</u></b>	<b><u>PAGE</u></b>
Explanatory Foreword & Spending Review	4
Statement of Responsibilities / Certificate of the Treasurer	11
Annual Governance Statement	12
Sustainability Report	24
Independent Auditors Report	27
Financial Statements	29
Statement of Accounting Policies	35
Notes to Financial Statements	45
Fire fighters Pension Fund Account	84
<i>Notes to Financial Statements</i>	
Note 1 Critical Judgements in Applying Accounting Policies	45
Note 2 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	45
Note 3 Material Items of Income and Expense	46
Note 4 Events after Balance Sheet Date	46
Note 5 Prior Year Adjustments	47
Note 6 Adjustments between Accounting & Funding Basis under Regulation	47
Note 7 Transfer to and from Earmarked Reserves	49
Note 8 Other Operating Expenditure and Income	50
Note 9 Financing and Investment Income & Expenditure	50
Note 10 Taxation and Non Specific Grant Incomes	50
Note 11 Intangible Assets	50
Note 12 Property Plant and Equipment	51
Note 13 Assets Held For Sale	53
Note 14 Financial Instruments	53
Note 15 Fair Value of Assets and Liabilities Carried at Amortised cost	56
Note 16 Short Term Investments	56
Note 17 Inventories	57
Note 18 Debtors	58
Note 19 Cash & Cash Equivalent	58
Note 20 Creditors	58
Note 21 Provisions	58
Note 22 Usable Reserves	59
Note 23 Unusable Reserves	59
Note 24 Revaluation Reserve	60
Note 25 Capital Adjustment Account	60
Note 26 Pension Reserve	61

Note 27	Accumulated Absence Account	62
Note 28	Cash Flow Statement – Operating, Investing & Financing Activity	63
Note 29	Amounts Reported for Resource Allocation Decisions	64
Note 30	Member’s Allowances	67
Note 31	Officers’ Remuneration	67
Note 32	Exit Packages	69
Note 33	Termination Benefits	69
Note 34	Audit Fees	70
Note 35	Grants	70
Note 36	Related Parties	71
Note 37	Capital Expenditure & Financing	72
Note 38	Financing of Capital Spend	73
Note 39	Capital Commitments	73
Note 40	Leases	73
Note 41	PFI	74
Note 42	Pensions (IAS 19)	75
Note 43	Contingent Liabilities	81
Note 44	Nature & Extent of Risks Arising from Financial Instruments	82
	Fire Fighters Pension Fund Account	84

## **SOUTH WALES FIRE & RESCUE SERVICE - VISION, MISSION AND VALUES**

### Vision

“To make South Wales safer by reducing risk.”

### Mission

The Mission helps us to achieve our new Vision, by defining our overall purpose as:

**S**erving our communities needs

**W**orking with others

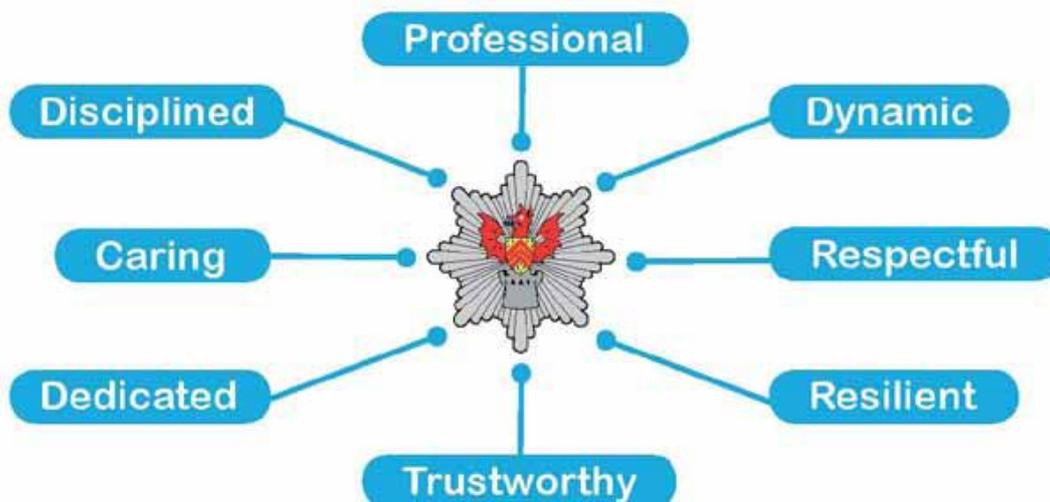
**F**acing challenges through innovation and improvement

**R**educing risk through education, enforcement and response

**S**ucceeding in making South Wales safer

### Our values

“The Service badge is an important symbol of a high performing Service and is well associated by all in the Service and the public as an image of excellence. The 8 core values also represent the 8 points of our Service badge.”



### Explanatory Foreword

The purpose of this foreword is to provide a summary of the most significant matters reported in the Financial Statements. It explains the purpose of the Financial Statements that follow, summaries of the Authority's activities during 2014/2015 and its financial position as at 31 March 2015. It also looks to the future and considers the challenges faced by the Authority.

In 2014/15 South Wales Fire & Rescue Service successfully delivered a balance of prevention, protection and emergency response services against a backdrop of a revenue budget reduction of £1.5 million –(2.05%) from the previous year.

The Service's improvement objectives for the year were aimed at reducing deliberate fire setting and improving our engagement activities to help us identify our community's needs, thereby shaping the future provision of our services.

The following table highlights some of the success the service has had making South Wales Safer in the past twelve months.

	2013/14	2014/15
Fires attended per 10,000 population	6,838	5,916
Deliberate fires attended per 10,000 population	4,978	4,156
Secondary Fires (grass, refuse etc) attended	4,663	3,860
Road Traffic Collisions attended	1,334	1282
Home Fire Safety checks undertaken	22,371	23,065
Business Fire Safety Audits undertaken	1,989	1,751
Crimes & Consequences attendees	2,985	3,638
Phoenix programme attendees	316	586
Young Fire Fighters	208	220

The rebuild of Hirwaun Fire Station was completed and officially opened by the Chair of the Fire & Rescue Authority on 20 September 2014. The station design won the Best Commercial Building Award at the Rhondda Cynon Taf Building Excellence Awards for its sustainability. It has also been shortlisted for the South Wales Local Authority Building Control Awards in April.

Following the conclusion of the three phases of the Fire Cover review, Cowbridge station changed from day crewed to a retained duty system (RDS) station. The crewing of the second pump at Barry Station changed from Wholetime to RDS and the retained duty station at Blaina closed on 31 March 2015.

September saw the launch of the 'Shaping Our Future' (SOF) programme with a service wide engagement campaign. The programme will review our current service delivery methods in order to identify opportunities to improve and ensure future sustainability of the Service.

In October the Service successfully supported our partner agencies in the planning and delivery of the NATO summit at the Celtic Manor in Newport, where Barack Obama became the first serving American President to visit Wales.

In November we became the first Fire & Rescue Service in the UK to receive the White Ribbon accreditation in recognition of our stance and fight against domestic abuse in our communities.

The Service continues to fully support the National Issues Committee (NIC) which sets out to collaborate with the other Fire and Rescue Services (FRS) in Wales. In December the NIC won the Outstanding Change Leadership Award at the All Wales Continuous Improvement Community National Conference in Cardiff.

Throughout the year the service delivered the ground breaking Employability Programme supported by the Welsh Government and the Department for Work and Pensions (DWP). A total of 70 participants attended the two week programmes which were aimed at assisting unemployed people to create positive lifestyle changes, promote learning and obtain transferable skills to enhance their employment opportunities. The two weeks contained fire fighting & RTC drills, a breathing apparatus course at Cardiff Gate Training Centre, input on home fire safety, fire crime and road safety Domino sessions. The individuals worked towards an Agored Cymru accreditation in Principles and Practice of Fire-fighting and also completed accreditation courses in Food hygiene, Health and Safety and Basic First Aid.

### **Future Financial Plans**

Looking longer term the current austerity measures are likely to continue into the foreseeable future, with further cuts anticipated. The 2015/16 revenue budget approved by the Fire & Rescue Authority in December saw a further reduction of 1.54% taking the annual budget to £68.878 million.

The medium term financial strategy assumes further funding reductions making the challenge of producing a balanced budget increasingly more difficult when faced with inflationary pressures and the investment required to maintain operational effectiveness. Therefore, to meet the anticipated funding gap, ranging between

£6.3-£15.0 million by 2020/21, a programme of transformational projects delivering significant savings is required.

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 the South Wales Fire and Rescue Authority for the financial year 2014/15.

The Authority's accounts for 2014/2015 consist of the following;

Movement in Reserves Statement (MIRS) – this statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other, non-usable 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 and the Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund before any discretionary transfers are undertaken.

Comprehensive Income & Expenditure Statement (CIES) – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. Even though this Authority does not raise income related to tax, Local Authority accounting regulations stipulate these accounts are prepared accordingly.

Statement of Financial Position (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 (e.g. 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 MIRS line, 'adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement - the Cash Flow Statement shows the change 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 grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are

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

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

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.

Annual Governance Statement

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

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

**SUMMARY OF THE FINANCIAL YEAR 2014/15**

<b>Budget Outturn</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Revenue</b>			
Expenditure (note 29)	70,842	68,553	(2,289)
Income (note 29)	(886)	(1,309)	(423)
Net Expenditure (note 29)	69,956	67,244	(2,712)
Unitary Authority Contributions	69,956	69,956	0
(Surplus) /Deficit	0	(2,712)	(2,714)
<b>Capital</b> (inc slippage)			
Capital Spending	10,970	4,827	6,143

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

*Net Expenditure	67,244
**Accounting Adjustments	<u>1,725</u>
***Cost of Services	68,969

\*detailed in 'The Outturn for the Year 2014/15 (above)

\*\*detailed in note 29

\*\*\*detailed in the CIES

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the ten constituent local authorities in proportion to population. For 2014/15, the proportions were as follows:

	Values £000	Proportion %
Blaenau Gwent County Borough Council	3,232	5
Bridgend County Borough Council	6,585	9
Caerphilly County Borough Council	8,377	12
Cardiff County Council	16,650	23
Merthyr Tydfil County Borough Council	2,770	4
Monmouthshire County Council	4,271	6
Newport County Borough Council	6,912	10
Rhondda Cynon Taff County Borough Council	10,941	16
Torfaen County Borough Council	4,262	6
The Vale of Glamorgan Council	5,956	9
<b>Total</b> (note 36)	<b>69,956</b>	<b>100</b>

### Revenue Spending

The total net expenditure for the year was £67.2 million, compared with the net expenditure budget of £70.0 million. The under spend of £2.7 million was achieved by curtailing expenditure wherever possible to ease anticipated pressures in 2015/16, in addition to maximising income opportunities. The surplus accrued from a number of subjective categories and was scrutinised by the Finance, Audit and Performance Management Committee and the Finance and Asset Management Working Group.

### Revenue Sources of Funding – CIES Accounting Adjustments

2013/14		2014/15
£000		£000
71,421	Unitary Authority Contributions (above & note 36)	69,956
2,651	Revenue Grants (note 35)	3,237
148	Interest (note 9)	135
1,317	PFI. Grant (note 41)	1,278
407	*Fees and Charges/Reimbursements	382

\*Fees and charges represent unbudgeted income not included in the net expenditure funded by contributions made by Local Authorities.

## Capital Expenditure

Capital expenditure in the year amounted to £4.8 million.

2013/14		2014/15
£000		£000
4,122	Property – Refurbishments, adaptations, new buildings	1,045
1,531	Vehicles and Plant	3,518
326	Operational and I.C.T. Equipment	263
<b>5,979</b>	<b>Total Capital Expenditure (see note 37 for greater analysis)</b>	<b>4,827</b>

## Capital Borrowing

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer (RFO) deeming it to be prudent, sustainable and affordable. Loans outstanding comprise those provided by the Public Works Loans Board (PWLB) and Welsh Government (WG) in respect of 'Invest To Save' funding for the collaborative Fire Control Project. No PWLB loans were taken out in the year in respect of the capital programme.

## Pension liability

In 2014/15, 31 whole-time uniformed staff retired. The actuarially assessed liability as at 31 March 2015 was £788 million for Fire fighters pension scheme and £19 million for the Local Government pension scheme (LGPS). This is a reduction in liability of £67 and £2 million respectively since the previous year end.

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.

## Provisions, Contingencies and Write offs

The provision for the payment of Retained Duty Service personnel as a result of the part time workers conditions settlement remains in place. A large number of payments were made in the 2012/13 financial year with the remainder expected to be made during 2015/16.

## Reserve Accounting

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2015/16. This is consistent with the accounting treatment of previous years, with the maintenance and utilisation of reserves forming a cornerstone of corporate financial stability and operational service planning in the short and medium term.

## Capital Financing Costs

The charge made to the service revenue accounts to reflect the cost of fixed assets used in the provision of services was £6.7 million. This is a notional charge for depreciation and impairment on revaluation of the property portfolio of £4.2 million and £2.5 million respectively and an adjustment is made to the year end balance to nullify the effect on the fund balance. The actual cost to the service for financing capital is £1.569 million loan interest, £2.1 million minimum revenue provision (MRP) and a £200k revenue contribution.

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

The financial implications of the economic downturn were clearly reflected in the updated Medium Term Financial Strategy. Throughout the year the service continued to place an emphasis on efficiencies, proactive budget management and improved procurement planning in an effort to reduce in year costs and impacts on future budgets.

It is anticipated that after consideration of reserve prudence, the majority of savings generated in 2014/15 will be allocated to earmarked reserves to deliver operational improvement and efficiency in future years.

### **Additional Information**

Additional information about these accounts is available from the Head of Finance & Procurement. Interested members of the public also have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised in the local press and on the website for South Wales Fire & Rescue Service ([www.southwales-fire.gov.uk](http://www.southwales-fire.gov.uk)).

### **Acknowledgements**

Finally, I wish to thank all Finance staff and their colleagues throughout the Authority, who have worked on the preparation of these statements and enabled this year's deadline to be successfully met. I also wish to thank the Chief Fire Officer and Corporate Directors for their assistance and co-operation throughout this process.

**Chris Barton**  
**Treasurer**

**Dated**

**STATEMENT OF RESPONSIBILITIES**

**The Authority’s Responsibilities**

The Authority is required:

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

**The Treasurer’s Responsibilities**

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

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

<p><b>CERTIFICATE OF THE TREASURER</b></p> <p>I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2015 and its income and expenditure for the year then ended.</p> <p>Signature: _____</p> <p>Dated:</p> <p style="text-align: center;"><b>Treasurer</b></p>
---

# **SOUTH WALES FIRE & RESCUE AUTHORITY**

## **ANNUAL GOVERNANCE STATEMENT 2014/2015**

### **1. Scope of Responsibility**

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

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*.

This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005, as amended, in relation to the publication of a statement on internal control.

### **2. The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

### **3. The Governance Framework**

The Governance Framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the six principles of corporate governance included in our Code and include:

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

### **4. Review of Effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Leadership Team within the Authority who have responsibility for the development and maintenance of the governance environment, the internal auditors' annual report, and also by comments made by the external auditors and peer assessors. This year the outcomes of any Wales Audit Office reviews will be considered together with any learning points from any relevant Wales Audit Office 'reports in the public interest'.

Individuals within the Service have been consulted and have considered evidence to support the Governance Framework.

A statement of assurance has been discussed and approved by the Executive Leadership Team as to the effectiveness of the governance arrangements for which it is responsible, including the system of internal control.

As the provider of internal audit services to South Wales Fire & Rescue Service, TIAA Limited provides the Authority, through its Finance, Audit and Performance Management Committee, with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements.

The Finance, Audit and Performance Management Committee receives regular reports from the internal auditors on their progress against the Annual Audit Plan which provides details on the assurance levels that can be placed against the various systems and processes in place. They are also provided with an annual assessment at year end, and there is provision for them to meet with the Auditors at the end of every meeting without officers being present.

Whilst the Senior Management Team formally reviews the Corporate Risk Register and endorses the inclusion of new or emerging risk, the Finance, Audit and Performance Management Committee receives an Annual Report highlighting the corporate risk and the actions planned to mitigate the risk and regularly review high and medium risks.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following have been considered.

- The Authority operates a committee structure covering the key areas aligned to its strategic objectives, with agreed Terms of Reference as:

#### **The Fire & Rescue Authority**

The Fire & Rescue Authority is responsible for ensuring that the Fire & Rescue Service in South Wales is:

- effective
- efficient
- accountable to the public

Membership is made up of Members of the 10 Unitary Authorities covered by the Fire & Rescue Service area in accordance with the South Wales Fire Service (Combination Scheme) Order 1995.

#### **Finance, Audit and Performance Management Committee**

The Committee is responsible for the planning and management of the Authority's financial resources, including authorising expenditure, virement of funds and donations of equipment or other property within the remit of the Authority's Financial Regulations. It oversees and scrutinises the financial reporting process and provides a detailed examination of financial performance, including the extent that this affects the Authority's exposure to risk and weakens the control environment. The Committee also

provides assurance of the adequacy of the risk management framework and the associated control environment.

### **Standards Committee**

The Committee promotes and maintains high standards of conduct by all Members and co-opted Members of the Authority, assisting them to observe the Members' Code of Conduct by advising, training or arranging training in the code, monitoring the operation of the code and dealing with any matter referred to it by the Monitoring Officer, Public Services Ombudsman or Local Commissioner in Wales.

### **HR and Equalities Committee**

This Committee demonstrates the Authority's commitment to ensuring the Service has a well equipped, skilled and motivated workforce that is able to work safely and whose composition reflects the diverse communities it serves. It monitors staff work/life balance, working conditions and well-being; monitoring of absence and the implementation of Human Resource, Equality, and Staff Development frameworks, policies and procedures; receives and considers reports from the Service's Human Resources and Equality Officers and determines responses where appropriate.

### **Finance, Asset and Performance Management Working Group**

The Working Group demonstrates the Authority's commitment to the efficient and effective deployment of public resources and assets to give assurance that available funding and assets are utilised as efficiently and effectively as possible to protect the level of service offered to the public within the core priorities defined by the Fire & Rescue Authority.

- The responsibilities of the group are to review and challenge and scrutinise where necessary, the make up of the Authority's revenue and capital budget with a view to cost reduction or value enhancement.
- The Working Group reviews, monitors and challenges, where necessary, the management of the Authority's assets,

Each of these Committees and Working Groups have presented to the March 2015 meeting of the Fire & Rescue Authority a report outlining how they have discharged their terms of reference over the last 12 months. And their terms of reference can be found at

<http://www.southwales-fire.gov.uk/English/aboutus/FA/Documents/Terms%20of%20Reference.pdf>

- The Executive Leadership and Senior Management Teams are responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic

objectives. The planning methodology continues to develop the link between operational and financial planning and identify a clearer link between department plans, service objectives, financial requirements and risk management.

- The principal of Risk Based Accountability (RBA) is used as a methodology to assess our business activity. It considers business activities from two perspectives:
  - Population Accountability (what difference does/will the activity make to the population at large in a defined geographical area?) (These activities often involve other partners).
  - Performance Accountability (what difference do our customer see as a result of our performance?) (These activities are those where we have full responsibilities for delivery of the function).

RBA uses a “from ends to means” principle whereby the benefits we want our customers to see as a result of the function is considered first, then considers the most appropriate means of achieving these benefits.

- The Executive Leadership Team has considered the evidence gathered to support the 6 principles of good governance that have been adopted by the Fire & Rescue Authority and considers that adequate evidence is available to support the principles and notes the areas where improvement can be made.
- The Authority continue to promote a comprehensive set of values outlining what we expect of our employees and what the public can expect of us. These have been relayed to each individual employee in writing and through their Managers.
- The Authority has continued to develop its risk management arrangements, and risks are regularly reviewed by the Senior Management Team.
- A review of Performance Development and Review system has taken place and has been implemented for all staff, and incorporated within this is an analysis of training needs.
- The Authority outsources its internal audit service to a private sector company, who complies with CIPFA’s Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary, and as such the auditors

are required to state whether the system of controls is “adequate” or “inadequate”.

## 5. Internal Auditors

The Internal Auditors have undertaken 12 reviews this year; all audits within the Plan having been completed.

The outcomes of these audits have been reported to the Finance, Audit and Performance Management Committee on a regular basis, giving Members an opportunity to understand the Authority’s compliance with key controls and to discuss areas of concern with officers and auditors.

In addition, the internal auditors have undertaken a review of the Employability Scheme, attended the annual stock take and provided a briefing on Station Audits.

There was only one system reviewed where it was assessed that the effectiveness of some of the internal control arrangements provided “limited assurance”. Recommendations were made to further strengthen the control environment in this area and the table below indicates the Authority’s risk exposure in this area.

<b>System</b>	<b>Assurance Assessment</b>	<b>Control Risk Exposure</b>
Stock and Stores-Community Stock	Limited	Failure to comply with approved Policy and Procedure leads to losses

The Internal Auditor confirmed that sufficient audit work had been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of our risk management, control and governance processes to conclude that we have adequate and effective management, control and governance processes to manage the achievement of our objectives.

## 6. Wales Audit Office

Each year the Wales Audit Office, as Appointed Auditor for the Fire and Rescue Authority, is required to provide an Annual Audit Letter under the Code of Audit Practice on the Authority’s financial reporting and accounting procedures, and our arrangements to secure, economy, efficiency and effectiveness in the use of our resources, The Auditor issued his opinion on 5 January 2015 which confirmed that the Authority had discharged all of its statutory and other responsibilities in relation to financial reporting, record keeping and use of its resources during the 2013/14 financial year.

This year, the Auditor General has issued a Certificate of Compliance which certifies he has audited this Authority's Improvement Plan in accordance with Section 17 of the Local Government (Wales) Measure 2009 and the Code of Audit Practice. In so doing, the Auditor General confirms that the Authority has discharged its duties under Section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

The complete report can be found on the Service's website [www.southwales-fire.gov.uk](http://www.southwales-fire.gov.uk) or from the site of the Wales Audit Office : [www.wao.gov.uk/reportsandpublications/fireauthorities](http://www.wao.gov.uk/reportsandpublications/fireauthorities)

## **7. Assessing Risks**

Organisational risks are assessed by calculating a rating based on two factors, namely likelihood of occurrence and potential impact which gives a risk score. A 5 x 5 matrix is used to calculate the score which then falls into low, medium or high bandings. In accordance with the Corporate Risk Management Framework, Directors, Service and Department Heads are responsible for maintaining and reviewing the risks in their service plans, and ensuring that appropriate actions are taken to manage the risks identified. They are also responsible for managing the risks identified in the Corporate Risk Register for which they are named as owners.

The Senior Management Team formally reviews the Corporate Risk Register on a regular basis and endorses the inclusion of any new or emerging risks identified. Members of the Finance, Audit and Performance Management Committee views the significant and material risks contained within the Corporate Risk Register and agree their validity normally every 6 months.

## **8. National Issues Committee**

To meet the challenges facing the public sector such as economical pressures, shrinking budgets and greater public expectation, the Welsh Fire & Rescue Services have established the National Issues Committee (NIC) to further improve collaborative working, service delivery and sustained service improvement.

The Welsh Government has made their ambitions for improved, more efficient and citizen focused public services very clear. The Welsh Fire & Rescue Authorities are fully committed to achieving these goals and will deliver upon the objectives detailed within Welsh Government strategic policies and programmes, using the NIC as the means of delivery.

The NIC is organised through a committee consisting of Elected Members and officers from each of the constituent Fire & Rescue Authorities within Wales.

The Committee is established as a structured voluntary arrangement rather than legislatively based under the Combination Order. This demonstrates the Welsh Fire & Rescue Authorities' commitment to working together to further improve collaborative working, service delivery and sustained service improvement.

The aims of the NIC are to develop and implement improved arrangements for the strategic and co-ordinated delivery of collaborative work where service improvements and efficiencies are realised. These will embody intent to deliver national outcomes without comprising the independence of the constituent Fire & Rescue Authorities to make local decisions to meet local needs.

The work of this committee continues to focus around key agreed collaborative areas of

- National Fleet and Transport arrangements
- National ICT platforms
- National Community Fire Safety delivery systems
- National Fire Cover Review
- National Control arrangements
- National Operational Crewing arrangements

## **9. Communications and Engagement Strategy**

The Service acknowledges that it can improve the way it communicates and engages with its stakeholders and members of the public. We have given it such importance that community engagement was made one of our improvement objectives for 2013/14.

The work continues and we have developed a working group (Community Engagement Group, CEG) whose key responsibility is the implementation of the community engagement strategy. To date this group has further developed the strategy and supporting tool kit, based on the Participation Cymru format.

The group is finalizing our first Service joint promotional campaign (We are South Wales Fire and Rescue Service) aligned with a community engagement event. We are working with key stakeholders, press, media, local businesses, local authorities and minority groups to ask "what matters to you" to involve our communities in shaping future services. The findings of this survey and engagement event will inform next year's business planning process.

We continue to explore innovative methods of communications in order to reach all corners of our communities. A communications and engagement strategy is currently being developed and will ensure that SWFRS is able to effectively communicate messaging and campaigns across the South Wales area.

Previous campaign activity has included undertaking a digital led Christmas drink driving campaign – ‘Glad She Crashed at Yours’ – which saw related safety messages and video shares reach over 250,000 people. The YouTube advert was the most successful of those launched by SWFRS with over 15,000 views during the campaign period. It was also supported by a fortnight of radio advertising, which was heard over 3m times by Capital FM and Heart Radio listeners. This campaign has also been entered into the CIPR Excellence Awards for Public Sector Campaign.

Social media has become more of a focal point for the communications team, as the Service has over 22,000 followers with which to engage and share key messages. Media & Communications has also taken on the development of the Bernie social media accounts to ensure that the Project Bernie team are able to concentrate on the youth engagement; this also includes the development of a new website. This activity will support an extended campaign period of April to October, with three new Bernie videos to be created.

Through the development of the Shaping Our Future programme, internal communications has also become a key area of development, with regular updates being posted on the programme page, intranet home page and within the newsletter. It is vital that all SWFRS staff are being kept up to date with the programme progresses. We have also revamped the internal newsletter so that all aspects of the Service have an opportunity to share any exciting news or updates that matter to their communities. This was a driver in the reworked Spark magazine and its range of content, which included 15 pages of Station updates; it was received positively both internally and externally with CFOs from different UK Fire and Rescue Services posting their congratulations on Twitter.

## **10. Wales Audit Public Interest Reports**

Public interest reports published by the Wales Audit Office continue to be of interest and provide valuable learning points for officers. On considering issues raised this year it is evident that advice on the prioritisation of our Fire Authority Agenda items is contained within our Standing Orders and our internal audit process is outsourced to a private sector company who provide services in accordance with the relevant CIPFA code of practices.

## **11. General Issues of Governance**

This year the Senior Management Team received a presentation on Assurance Mapping which helped to inform them about the process and how it helps in providing strong corporate governance. Managers have been involved in the writing of this statement and it is intended to increase managers’ involvement in the process throughout the coming year.

**12. Customer Service**

In order for the organisation to ensure that it provides the highest level of customer focus we have for a number of years been involved in the Customer Service Excellence Standard, formally Charter Mark. Going forward we will adopt the standards but will not pursue the accreditation. However we will ensure that our complaints procedures accord with the Welsh Government and ICO advice.

**13. Anti Fraud Corruption and Whistle Blowing**

Up to date policies have been written and are published on our intranet site with easy access for all staff.

Signed: .....

**Chairman of Fire & Rescue Authority**

Signed: .....

**Chief Fire Officer**

## Internal Audit Opinions and Recommendations 2014/2015

Auditable Area	Assurance Level Given	Number of Recommendations made			
		High	Medium	Low	In Total
Anti Fraud – Pay & Allowances	Substantial	0	0	0	0
Compliance Review of Key Financial Control Areas	Reasonable	0	4	3	7
Employability Scheme Arrangements	Reasonable	0	2	1	3
Estates Management – Planned Repairs	Reasonable	0	2	1	3
Fleet Management - Disposals	Reasonable	0	0	3	3
Governance Performance Management	Substantial	0	0	0	0
HR Rostering System	Reasonable	0	0	3	3
ICT Strategy Policies & Procedures	Reasonable	0	0	3	3
New Finance System Key Controls	Reasonable	0	1	4	5

Auditable Area	Assurance Level Given	Number of Recommendations made			
		High	Medium	Low	In Total
Review of new Finance System	Reasonable	0	0	3	3
Risk Management Insurance Audit	Reasonable	0	4	5	9
Station Visits	Reasonable	0	6	4	10
Stocks & Stores (Community Safety Stock)	Limited	3	4	1	8
Third Party Income (Babcocks)	Reasonable	0	0	2	2

## **SUSTAINABILITY REPORTING**

The purpose of sustainability reporting is to provide information on economic, environmental, social and governance performance. Reporting on these areas is seen as vital in managing change towards a more sustainable global economy.

South Wales Fire and Rescue Authority is committed to achieving and promoting sustainable development.

This is the third year that sustainability information has been reported alongside the more conventional financial information. Sustainable Procurement information has been included in the report for the first time this year. It is anticipated to expand reporting on sustainability in future years as processes for data capture are developed, in an effort to provide a more rounded picture of the Authority's overall performance.

<b>Staff Turnover %</b>	2013/14	2014/15
Turnover as a percentage of establishment	6.15%	9.62%
Retirements	1.79%	2.22%
Resignation	2.52%	4.96%
Ill Health	0.22%	0.23%
Dismissed	0.11%	0.58%
End of Temporary Contract	0.06%	0.35%
Retirement/Compulsory	1.17%	0.82%
Voluntary Redundancy	0.11%	0%

The staff turnover for 2014/15 increased due to the increase in the number of officer retirements and resignation of existing officers.

<b>Reported Accidents</b>	2013/14	2014/15
Total Injuries	71	64
No lost time	40	34
Less than seven days (of above numbers)	10	11
Over seven days (of above analysis)	21	19

The Authority is continually striving to ensure that accidents are kept to a minimum, and this is demonstrated in the reduction of incidents from 2013/14 to 2014/15.

96% of programmed workplace Health & Safety inspections were completed to schedule in 2014/15.

<b>Governance</b>	2013/14	2014/15
Attendance at Fire Authority meetings	73%	78%

The Authority has approved and adopted a code of corporate governance, consistent with the principles of the CIPFA/SOLACE framework.

<b>Women In Management</b>	2013/14	2014/15
Percentage of Women in Management*	2%	2%

\*Grade 10 and above

<b>Expenditure on Energy</b>	2013/14	2014/15
	£'000	£'000
Electricity	445	394
Gas	223	271

<b>Our People</b>	2013/14	2014/15
Staff (FTE) at Year End	1,681	1,614
Staff Expenditure	£54.7m	£52.9m
Staff Turnover	6.15%	9.62%
Recruitment Expenditure	£16k	£12k
Staff Development (% undertaking certified learning)	8.81%	14.76%

The reduction in staffing levels from 2013/14 to 2014/15 is mainly due to staff leaving by natural causes, leading to a reduction in staff expenditure.

The Authority is committed to recruiting and developing a workforce that have the relevant skills and attributes that enable it to deliver its vision and mission.

<b>Number of Complaints from Service Users</b>	2013/14	2014/15
Complaints Upheld & satisfactorily Concluded	14	7
Complaints not Upheld	24	22
Insurance Claims	0	0
Complaints Withdrawn	0	0
Complaints Ongoing	3	2
Not a Complaint	0	0
<b>Total</b>	<b>41</b>	<b>31</b>

The Authority views all complaints seriously, investigating each one on its own merits to come to a satisfactory conclusion.

<b>Electronic Procurements</b>	2013/14	2014/15
Quotes less than £10k in value	1	15
Quotes between £10k and £174k	1	26
Tenders over £174k	1	4
<b>Total</b>	<b>3</b>	<b>45</b>

Electronic procurements were on trial during 2013/14 with full implementation taking place during 2014/15.

<b>Sustainable Procurements 2013/2014</b>	
Hirwaun Station Refurbishment	Scored criteria included community engagement clauses relating to recruitment and use of Small Medium Enterprises (SME) and Building Research Establishment Environmental Assessment Method (BREEAM).
Office Cleaning Contract	Scored criteria included sustainability, waste management, the utilisation of local suppliers, economic benefits for the service area, employment of a local workforce and a sustainable travel plan.

<b>Sustainable Procurements 2014/2015</b>	
Multiple Security Systems (Fire Alarms, Automatic Doors, Sprinkler systems etc)	Reduction in number of suppliers from 5 to 1 which resulted in 1 visit per site rather than 5 per site. Reduction in CO2
Fuel Management System	Improved control of stock and re-ordering levels
Major Refurbishment of Aerial Appliance	New chassis purchased and refurbishment of existing body. Built to comply with Euro 5 emission regulations. Body systems constructed from recyclable materials where possible including water-based paints and primers. Use by a diverse workforce has been taken into consideration in the vehicle design.
Electricity	The purchase of electricity is 100% from renewable sources.
Support Vans	All vans will be limited to 68mph reducing fuel usage and CO2.

The Authority is committed to playing a pro-active role in ensuring that the equipment, clothing and services procured meets the needs of a diverse workforce and does not provide a barrier to entry to potential employees. It actively engages with small and medium sized enterprises (SME's) in promoting awareness of how they can become involved in supplying to the Service. In addition, the Service fulfils its role through careful procurement in securing improvements to the environment and minimising any adverse impact that its activities may have.

## **Independent auditor's report to the Members of South Wales Fire and Rescue Authority**

I have audited the accounting statements and related notes of:

- South Wales Fire and Rescue Authority; and
- Fire Fighters Pension Fund

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

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

The Fire Fighters Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including of the Fire Fighter's Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to South Wales Fire and Rescue Authority and the Fire Fighters Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Opinion on the accounting statements of South Wales Fire and Rescue Authority**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of South Wales Fire and Rescue Authority as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

## **Opinion on the accounting statements of Fire Fighter's Pension Fund**

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Fire Fighters Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

## **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of South Wales Fire and Rescue Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

**For and on behalf of  
Anthony Barrett  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
30 September 2015**

## **FINANCIAL STATEMENTS**

Movement in Reserve Statement	30
Comprehensive Income and Expenditure Statement	32
Balance Sheet	33
Cash Flow Statement	34
Notes to the financial statements	45

**Movement in Reserves Statement year ending 31 March 2014 and 31 March 2015**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2013 Carried forward</b>	-4,183	-9,635	-501	-14,319	725,610	711,291
<hr/>						
<b>Movement in Reserves during 2013/14</b>						
(Surplus) or deficit on the provision of services (CIES)	35,424			35,424		35,424
Other Comprehensive Income and Expenditure (CIES)					-54,937	-54,937
<b>Total Comprehensive Income and Expenditure</b>	<b>35,424</b>	<b>0</b>	<b>0</b>	<b>35,424</b>	<b>-54,937</b>	<b>-19,513</b>
Adjustments between accounting basis & funding basis under regulations (note 6)	-36,342	2,720	415	-33,207	33,207	
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>-918</b>	<b>2,720</b>	<b>415</b>	<b>2,217</b>	<b>-21,730</b>	<b>-19,513</b>
Transfers to/(from) Earmarked Reserves (note 7)	1,933	-1,933				
<b>(Increase)/Decrease in 2013/14</b>	<b>1,015</b>	<b>787</b>	<b>415</b>	<b>2,217</b>	<b>-21,730</b>	<b>-19,513</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>-3,168</b>	<b>-8,848</b>	<b>-86</b>	<b>-12,102</b>	<b>703,880</b>	<b>691,778</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2014</b>	<b>-3,169</b>	<b>-8,849</b>	<b>-86</b>	<b>-12,104</b>	<b>703,881</b>	<b>691,777</b>
<hr/>						
<b>Movement in reserves during 2014/15</b>						
(Surplus) or deficit on the provision of services (CIES)	32,775			32,775		32,775
Other Comprehensive Income and Expenditure (CIES)					28,407	28,407
<b>Total Comprehensive Income and Expenditure</b>	<b>32,775</b>			<b>32,775</b>	<b>28,407</b>	<b>61,182</b>
Adjustments between accounting basis & funding basis under regulations (note 6)	-35,445	161	-227	-35,511	35,511	
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>-2,670</b>	<b>161</b>	<b>-227</b>	<b>-2,736</b>	<b>63,918</b>	<b>61,182</b>
Transfers to/(from) Earmarked Reserves (note 7)	2,839	-2,839				
<b>(Increase)/Decrease in 2014/15</b>	<b>169</b>	<b>-2,678</b>	<b>-227</b>	<b>-2,736</b>	<b>63,918</b>	<b>61,182</b>
<b>Balance as at 31 March 2015 carried forward</b>	<b>-3,000</b>	<b>-11,527</b>	<b>-313</b>	<b>-14,840</b>	<b>767,799</b>	<b>752,959</b>

**Comprehensive Income and Expenditure Statement (CIES) for  
year ending 31 March 2015**

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
7,192	-1,726	5,466	Community Safety	8,520	-1,894	6,626
69,240	-1,299	67,941	Fire Fighting & Rescue Operations	59,191	-513	58,678
674	-612	62	Fire Service Emergency Planning	4,991	-1,797	3,194
171		171	Corporate and democratic core	168		168
157		157	Non distributed costs	302		302
<b>77,434</b>	<b>-3,637</b>	<b>73,797</b>	<b>Cost of Services</b>	<b>73,173</b>	<b>-4,204</b>	<b>69,969</b>
0	-74	-74	Other operating expenditure (note 8)	1,169	-496	673
34,634	-148	34,486	Financing and investment income and expenditure (note 9)	34,502	-135	34,367
	-72,786	-72,786	Taxation and non-specific grant income (note 10)		-71,234	-71,234
		<b>35,423</b>	<b>Deficit on Provision of Services</b>			<b>32,775</b>
523		523	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (note 12)	231	-11,504	-11,273
		0	Impairment losses and non current assets charged to revaluation reserve	1,196		1,196
			Surplus/deficit on revaluation of Held for Sale Assets	113		113
-55,460		-55,460	Actuarial gains/losses on pension assets / liabilities (note 26 & 42)	38,370		38,370
<b>-54,937</b>		<b>-54,937</b>	<b>Other Comprehensive (Income) and Expenditure (MIRS)</b>	<b>39,910</b>	<b>-11,504</b>	<b>28,406</b>
		<b>-19,513</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>61,182</b>

### **Balance Sheet as at 31 March 2015**

<b>31 March 2014</b>		<b>31 March 2015</b>	<b>Notes</b>
<b>£000</b>		<b>£000</b>	
78,515	Property, Plant & Equipment	82,597	12
<b>78,515</b>	<b>Long Term Assets</b>	<b>82,597</b>	
0	Assets Held for Sale	3,160	13
5,000	Short Term Investments	0	16
657	Inventories	598	17
12,903	Short Term Debtors	7,811	18
2,146	Cash and Cash Equivalents	12,907	19
<b>20,706</b>	<b>Current Assets</b>	<b>24,476</b>	
-837	Short Term Borrowing	-2,134	14
-7,755	Short Term Creditors	-6,194	20
-268	Provisions	-266	21
<b>-8,860</b>	<b>Current Liabilities</b>	<b>-8,594</b>	
-711	Deferred Liability – Finance Leases	-354	40
-37,952	Long Term Borrowing	-38,340	14
-5,746	Other Long Term Liabilities – PFI	-5,575	41
-737,730	Liability related to defined benefit pension schemes	-807,170	42
<b>-782,139</b>	<b>Long Term Liabilities</b>	<b>-851,439</b>	
<b>-691,778</b>	<b>Net Assets</b>	<b>-752,960</b>	
-12,102	Usable Reserves	-14,839	22
703,880	Unusable Reserves	767,799	23
<b>691,778</b>	<b>Total Reserves</b>	<b>752,960</b>	

### **Cash Flow Statement as at 31 March 2015**

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>35,424</b>	<b>Net deficit on the provision of services</b>	<b>32,775</b>
-31,885	Adjustments to net surplus or deficit on the provision of services for non-cash movements	-42,973
-1,778	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-1,977
<hr/>		<hr/>
1,761	Net cash (inflow)/outflow from Operating Activities	-12,175
5,178	Investing Activities	673
-1,562	Financing Activities	742
<hr/>		<hr/>
5,377	Net (increase) or decrease in cash and cash equivalents	-10,760
7,522	Cash and cash equivalents at the beginning of the reporting period	2,147
<hr/>		<hr/>
2,147	<b>Cash and cash equivalents at the end of the reporting period</b>	12,907
<hr/>		<hr/>

#### **Note**

A detailed breakdown of the above is provided in note 28

## **ACCOUNTING POLICIES**

### **GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position year ended 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), 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.

The ratio of Current Liabilities to Current Assets of 2.2 indicates the Authority is unlikely to experience liquidity problems as it holds sufficient resources to meet its short term obligations. However, as part of the treasury management practices in place within the Authority, there is ready access to borrowing from the Public Works Loan Board (PWLB) and other sources and there is no significant risk that it will be unable to raise finance to meet its commitments.

### **INCOME AND EXPENDITURE**

#### **Revenue**

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

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

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

## **CASH AND CASH EQUIVALENTS**

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

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

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

Depreciation is provided for vehicles on a straight-line basis, with acquisitions being depreciated for a full year if bought before 31 December in the year of account. Buildings have been depreciated on a straight-line basis over the estimated useful life of the assets, as supplied by Cooke and Arkwright, Chartered Surveyors.

Depreciation is charged to the service departments within the income and expenditure account. This amount is credited to the General Fund Balance therefore having a neutral impact on the contributions made by the constituent authorities.

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. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by contributions made from General Fund Balances i.e. minimum revenue provision (MRP) and capital expenditure to revenue account (CERA) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## **EMPLOYEE BENEFITS**

### **Benefits payable during employment**

Salaries and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

### **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/retirement. These costs are charged on an accruals basis to their respective service areas in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

## **POST EMPLOYMENT BENEFITS**

### **Pensions**

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

#### **1. Firefighter Pension Scheme (FPS)**

The Fire Fighters pension scheme is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pension payments as they fall due. Employee and employer contributions are based on a percentage of pensionable pay set nationally by the Welsh Government and this is subject to triennial revaluation by Government Actuary's Department (GAD).

The pension fund is treated as a separate income and expenditure statement in the Statement of Accounts and is ring fenced to ensure accounting clarity, please see notes 26, 42 and the 'Fire fighters Pension Fund Account' on page 83 for more detail. It is through the pension fund that the Authority discharges its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the scheme.

The estimated long term liability to the Fire & Rescue Authority to meet these costs is disclosed by a note to the accounts as required by IAS 19.

#### **2. Corporate and Control Room Staff**

This is a funded scheme with pensions paid from the underlying investment funds managed by Rhondda Cynon Taff County Borough Council pension fund (the 'fund') which is part of the Local Government Pension Scheme (LGPS). Actuaries determine the employer's contribution rate. Further costs, which arise in respect of certain pensions paid to retired employees, are paid on an unfunded basis. Please see note 42 for more detail.

## **EVENTS AFTER THE REPORTING PERIOD**

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

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events), and

- b) those that are indicative of conditions that arose after the reporting period (non-adjusting).

### **EXCEPTIONAL ITEMS**

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

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

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

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

### **FINANCIAL INSTRUMENTS**

A Financial Instrument is defined as 'any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another'. Financial liabilities (loans) and financial assets (investments) are initially measured at fair value and carried at their amortised cost. The annual interest paid and received in the Income and Expenditure account is based on the carrying amount of the loan or investment multiplied by the effective rate of interest for the instrument. For all of the loans and investments the Authority has, the amounts presented in the Balance Sheet are the principal outstanding plus any accrued interest for the year.

### **INVESTMENTS**

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

### **FOREIGN CURRENCY TRANSLATION**

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

### **GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

Grants to cover general expenditure are credited to the foot of the income and expenditure account after Net Operating Expenditure.

## **INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the balance sheet at the lower of cost or NRV. The cost of inventories is assigned using the Average Cost Method (AVCO).

## **LEASES**

### **Finance leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Authority, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to 'Financing and Investment Income and Expenditure' costs in the CIES.

### **Operating Leases**

Where assets are available for use under leasing arrangements, the rentals payable are charged to the appropriate service account on a straight-line basis irrespective of the payment arrangements. Since the Authority does not own these assets, the cost does not appear in the Balance Sheet. The liability to pay future rental charges is similarly excluded, but a separate note is annexed to the Balance Sheet.

## **OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## **PROPERTY PLANT AND EQUIPMENT**

### **Recognition**

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- the cost of the individual asset is at least £10,000;
- the items form a group of assets which individually have a cost of at least £250, collectively have a cost of at least £10,000, where the assets are functionally interdependent, they broadly have simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; and
- the items form part of the initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

### **Useful Economic Life of Assets**

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

Buildings	15-80 years
Infrastructure*	5-20 years
Vehicles, Plant & Equipment	3-20 years
Intangible Assets*	5-15 years

\*there are currently no assets of this class on the Authority's balance sheet

### **Measurement**

#### **Valuation**

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

All assets are measured subsequently at fair value.

Land and property assets are valued every 5 years. Annual impairment reviews are carried out in other years. The valuations are carried out by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuations are carried out on the basis of a Modern Equivalent Asset as required by HM Treasury. The annual reviews are conducted using the most appropriate information available at the date of the review. A full revaluation was last carried out in the year ending 31 March 2015.

Equipment asset values are reviewed annually by internal experts to determine the remaining life based on past and forecasted consumption of the economic useful life of the asset.

Assets in the course of construction are valued at current cost. They are valued by professional chartered surveyors when they are first brought into use and are subsequently valued as part of the five yearly valuations.

### **Subsequent expenditure**

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

### **Depreciation**

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. The economic lives of each property will vary but generally falls between 15-80 year range.

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

Equipment is depreciated evenly over the estimated life of the asset of 5 years. The economic useful life of fleet assets varies but falls within a 3-20 year range on which the annual depreciation charge is based.

Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Authority, respectively.

### **Held For Sale**

A non-current asset is Held For Sale if its carrying value will be recovered principally through sale rather than continuing use, if it is available for immediate sale and sale is highly probable within one year.

Property, plant and equipment reclassified as 'Held for Sale', ceases to be depreciated upon the reclassification.

### **Component Accounting**

A component of property, plant and equipment is an item that has a cost that is significant in relation to the total cost of the asset. Components should be depreciated individually over their useful lives. However, on transition to the Code, component accounting has only been applied when a component is replaced or part enhanced, and the old component has been derecognised.

### **Revaluation and impairment**

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

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

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

### **Fixed Assets Disposals**

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

### **Private Finance Initiative (PFI)**

The Authority has entered into a long term contractual agreement under PFI for the provision of the training centre at Cardiff Gate. Under the scheme the Welsh Government provides some revenue support to the project in the form of an annual grant (PFI credits) and the Fire and Rescue Authority funds the balance by making contributions from the annual revenue budget.

In order to spread contributions evenly over the life of the contract an equalisation reserve is operated whereby surplus credits and contributions are invested and used to reduce contributions in later years. The reserve will be reviewed annually and contributions amended with the intention that the balance on the reserve at the end of the contract will be nil.

### **Provisions**

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

Provisions are charged to the appropriate revenue account when the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the relevant revenue account.

### **Contingent Liabilities**

IAS 37 defines contingent liabilities as either:

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

Where a contingent liability exists it would not be recognised within the accounts as an item of expenditure, but would be disclosed in a note to the balance sheet which would describe the nature of the contingent liability and where practicable an estimate

of its financial effect and an indication of the uncertainties related to the amount of any outflow.

### **Reserves**

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

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

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

### **Intangible Assets**

There are presently no intangible assets held by the Authority.

## **ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

*IFRS 10 Consolidated Financial Statements* – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Authority is not required to prepare group accounts and as such, there are no impacts.

*IFRS 11 Joint Arrangements* – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition, proportionate consolidation can no longer be used for jointly controlled entities. The Authority has no material joint venture arrangements and as such, there are no impacts.

*IFRS 12 Disclosures of Involvement with Other Entities* – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structure entities'. The Authority has no such arrangements with other entities under IFRS 12 and as such, there are no impacts.

*IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures* – In consideration that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

*IAS 32 Financial Instruments Presentation* – The Code refers to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

*IAS 1 Presentation of Financial Statements* – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding

period and therefore these changes will not have a material impact on the Statement of Accounts.

IFRS 13 – Fair value measurement, will be incorporated in the 2015/16 statement of accounts.

#### **ACCOUNTING STANDARDS ADOPTED IN THE YEAR**

The IASB has issued an amended IAS 19 – Accounting for Pensions Costs, which came into force 1 January 2013 and is applied retrospectively. The principal changes are:-

- The expected return on assets is calculated at the discount rate, instead of an expected return rate; and
- The interest on the service cost is included in the service cost itself, and

For this Authority, as will be the case for most organisations, this will result in a higher Profit and Loss charge going forward.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

In applying the accounting policies set out on pages 36-45, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements in the statement of accounts are

- There is a high degree of uncertainty about future levels of funding for local Government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of the need to reduce levels of service provision.
- The Authority is deemed to control the services provided under the PFI agreement for the Cardiff Gate Training Centre and also to control the residual value of the centre at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and valued at £4.2 million, are recognised as Property, Plant and Equipment on the Authority's Balance Sheet (note 12).

### **2. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment  (note 12)	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 assets is reduced depreciation increases and the carrying amount of the assets falls.
Provisions  (note 21)	The Authority has a provision of £45k for the settlement of claims for back pay arising from the 'Part Time Workers Less Favourable Conditions' claim. This has been based on the number of claims received at an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of additional costs reportable in the CIES with a corresponding increase in the provision.
Pension Liabilities  (note 42)	Assumptions have been made in the accounts as to the value of future pension costs and income, i.e. liabilities and assets. This is to provide an understanding as to the potential liabilities faced by the Authority.	Changes to pension assumptions will affect the value of assets and liabilities and will impact on the main financial statements, i.e. MIRS, CIES, balance sheet and cash flow.

### 3. MATERIAL ITEMS OF INCOME & EXPENSE

There were no material items of income and expense in the Year.

### 4. EVENTS AFTER BALANCE SHEET DATE

The unaudited Statement of Accounts was authorised for issue by the Treasurer on 30 June 2015. The annual audit process has since been undertaken with a publishable draft authorised by the Authority on 21 September 2015. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2015, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

## **5. PRIOR YEAR ADJUSTMENTS**

There were no prior year adjustments in the year.

## **6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATION**

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

## Adjustments between accounting basis and funding basis under regulations

2013/14					2014/15			
General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000		General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000
				<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
				<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
-4,212			4,212	Charges for depreciation and impairment of non-current assets	-4,047			4,047
				Revaluation losses on property Plant and Equipment	-2,522			2,522
48			-48	Capital grants and contributions applied				
				Fair value adjustment on assets held for sale	-441			441
				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	-232		-227	459
-4,164			4,164		-7,242		-227	7,469
				<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
2,191			-2,191	<b>Statutory provision for the financing of Capital Investment</b>	2,550			-2,550
341	2,720		-3,061	Capital expenditure charged against the General Fund	315	161		-476
		415	-415	Use of Capital Receipts Reserve to finance new capital expenditure				
2,532	2,720	415	-5,667		2,865	161		-3,026
				<b>Adjustment primarily involving the Capital Receipts Reserve:</b>				
				Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
				<b>Adjustment primarily involving the Deferred Capital Receipts Reserve:</b>				
				<b>Adjustments primarily involving the Pensions Reserve:</b>				
-53,260			53,260	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-50,110			50,110
18,580			-18,580	Employer's pension contributions and direct payments to pensioners payable in the year	19,040			-19,040
-34,680	0	0	34,680		-31,070			31,070
				<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
-31			31	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (note 27)	2			-2
			-1	Rounding adjustment				
-36,343	2,720	415	33,208	<b>Total Adjustments:</b>	-35,445	161	-227	35,511

**7. TRANSFERS TO AND FROM EARMARKED RESERVES (more detail is provided in note 22 & the Movement in Reserve Statement (MIRS))**

<b>Balance at 1 April 2013</b>	<b>Transfers out 2013/14</b>	<b>Transfers in 2013/14</b>	<b>Balance at 31 March 2014</b>		<b>Transfers Out 2014/15</b>	<b>Transfers In 2014/15</b>	<b>Balance at 31 March 2015</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>1,000</b>	0	0	<b>1,000</b>	Strategic Contingency Reserve	1,000	0	<b>0</b>
<b>272</b>	1,372	1,100	<b>0</b>	Capital Investment Reserve	0	0	<b>0</b>
<b>1,750</b>	1,343	0	<b>407</b>	Day Crewing Reserve	0	0	<b>407</b>
<b>2,782</b>	2,731	0	<b>51</b>	Aberbargoed Station Reserve	51	0	<b>0</b>
<b>605</b>	0	3,105	<b>3,710</b>	Change Management Reserve	0	3,777	<b>7,487</b>
<b>3,226</b>	0	164	<b>3,390</b>	PFI Equalisation Reserve	0	145	<b>3,535</b>
<b>0</b>	0	166	<b>166</b>	Managed Under Spend Reserve	83	0	<b>83</b>
<b>0</b>	0	124	<b>124</b>	Fuel Management Reserve	110	0	<b>14</b>
<b>9,635</b>	<b>5,446</b>	<b>4,659</b>	<b>8,848</b>	<b>Total</b>	<b>1,244</b>	<b>3,922</b>	<b>11,526</b>

## 8. OTHER OPERATING EXPENDITURE AND INCOME

2013/14		2014/15
£000		£000
-74	Net (Gain)/loss on disposal of non-current assets	232
0	Net fair Value adjustment on assets held for sale	441
<b>-74</b>	<b>Total</b>	<b>673</b>

## 9. FINANCING AND INVESTMENT INCOME & EXPENDITURE

2013/14		2014/15
£000		£000
1,974	Interest payable and similar charges	2,112
32,660	Pensions interest cost and expected return on pensions assets	32,390
-148	Interest receivable and similar income	-135
<b>34,486</b>	<b>Total</b>	<b>34,367</b>

## 10. TAXATION AND NON SPECIFIC GRANT INCOMES

2013/14		2014/15
£000		£000
71,421	Local Authority Levies	69,956
1,317	Government Grants – PFI	1,278
48	Capital Grants – Other	0
<b>72,786</b>	<b>Total</b>	<b>71,234</b>

## 11. INTANGIBLE ASSETS

The Authority holds no intangible assets.

## 12. PLANT, PROPERTY AND EQUIPMENT

The movement in fixed asset valuation is shown below;

### Fixed Assets 2014/15

	<b>Land &amp; Buildings</b>	<b>Vehicles &amp; Equipment</b>	<b>Training Centre / PFI</b>	<b>Total</b>
<u>Cost/Valuation</u>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross book value at 31 March 2014	67,539	34,074	6,800	108,413
Additions	1,045	3,781		4,826
Revaluation	6,273			6,273
Impairment	-4,189			-4,189
*reclassification of NCA's to AHFS (note 13)	-3,550			-3,550
Disposal of Assets	-606	-1,491		-2,097
Non enhancing expenditure	-231			-231
Gross book value at 31 March 2015	66,281	36,364	6,800	109,445
<b><u>Depreciation &amp; Impairments</u></b>				
Accumulated depreciation at 31 March 2014	5,983	21,650	2,264	29,897
Annual depreciation	1,516	2,237	293	4,046
Accumulated depreciation on revaluation	-5,231			-5,231
Accumulated depreciation on AHFS (note13)	-390			-390
Less Depreciation on Assets Sold	-61	-1,413		-1,474
Accumulated depreciation as at 31 March 2015	1,817	22,474	2,557	26,848
Net book value at 31 March 2014	61,555	12,424	4,536	78,515
Net book value at 31 March 2015	64,464	13,890	4,243	82,597

Note: all properties are freehold

\*NCA – Non Current Assets

\*AHFS – Assets Held For Sale

## Fixed Assets 2013/14

	Land & Buildings	Vehicles & Equipment	Training Centre / PFI	Total
	£000	£000	£000	£000
<b><u>Cost/Valuation</u></b>				
Gross book value at 31 March 2013	*63,939	32,641	6,800	103,380
Additions	4,122	1,857	0	5,979
Disposal of Assets	0	-425	0	-425
Non enhancing expenditure	-523	0	0	-523
Gross book value at 31 March 2014	67,538	34,073	6,800	108,411
<b><u>Depreciation &amp; Impairments</u></b>				
Accumulated depreciation as at 31 March 2013	4,481	19,654	1,1975	26,110
Annual depreciation	1,502	2,420	289	4,211
Revaluation	0	0	0	0
Impairment	0	0	0	0
Less Depreciation on Assets Sold	0	-425	0	-425
Accumulated depreciation as at 31 March 2014	5,983	21,649	2,264	29,896
Net book value at 31 March 2013	59,458	12,987	4,825	77,270
Net book value at 31 March 2014	61,555	12,424	4,536	78,515

Note: all properties are freehold

\* The opening gross book value for 31 March 2013 detailed above, equates to £63.7million and £228k land revaluation.

### 13. HELD FOR SALE ASSETS

<u>Cost/Valuation</u>	<b>Land &amp; Buildings £000</b>
Gross book value at 31 March 2014 (Inc in note 12 opening balances)	4,212
Fair value adjustment (impairment)	<u>-662</u>
	3,550
Accumulated depreciation	(390)
Net book value at 31 March 2015	<u>3,160</u>

A property revaluation exercise was undertaken during 2014/15.  
2 sites were adjusted to fair value, prior to reclassification as Assets Held for Sale.

### 14. FINANCIAL INSTRUMENTS

#### 1. Financial Instruments Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments

	Long-Term		Current	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
<b>Borrowing</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial liabilities (principal amount)	37,952	38,340	601	1,901
+ Accrued Interest (note accrued interest will be short term)	0	0	236	233
<b>Total borrowings</b>	<b>37,952</b>	<b>38,340</b>	<b>837</b>	<b>2,134</b>
<b>PFI and finance lease liabilities</b>	<b>5,990</b>	<b>5,536</b>	<b>468</b>	<b>393</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	7,755	6,194

<b>Investments</b>				
<b>Loans and receivables (principal amount)</b>	0	0	5,000	0
+ Accrued interest	0	0	0	0
<b>Loans and receivables at amortised cost (1)</b>				
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>5,000</b>	<b>0</b>
<b>Total debtors</b>	<b>0</b>	<b>0</b>	<b>12,903</b>	<b>7,811</b>

**Note 1** – Under accounting requirements the carrying value of the financial instrument is shown in the balance sheet which includes the principal amount borrowed or invested and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Whilst there is no need to produce more detailed information, additional information will however be needed in the following, albeit unlikely circumstances:

- ✓ Any unusual movements;
- ✓ Reclassification of instruments;
- ✓ De-recognition of instruments;
- ✓ Collateral;
- ✓ Allowance for credit losses; and
- ✓ Defaults and breaches.

These are explained in more detail below

## 2. Financial instruments Gains/Losses

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

Financial Instruments Gains and Losses				
	2013/14		2014/15	
	Financial Liabilities measured at amortised cost £000s	Financial Assets Loans and receivables £000s	Financial Liabilities measured at amortised cost £000s	Financial Assets Loans and receivables £000s
Interest expense	1,974	0	2,112	0
Total expense in Surplus or Deficit on the Provision of Services	<b>1,974</b>	<b>0</b>	<b>2,112</b>	<b>0</b>
Interest income	0	148	0	135
Total income in Surplus or Deficit on the Provision of Services	<b>0</b>	<b>148</b>	<b>0</b>	<b>135</b>
Net gain/(loss) for the year	<b>1,974</b>	<b>148</b>	<b>2,112</b>	<b>135</b>

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

Period/Term	Approved Minimum limits	Approved Maximum limits	Actual 31 March 2014 £000s	Actual 31 March 2015 £000s
Less than 1 year	0%	25%	601	1,902
Between 1 and 2 years	0%	30%	1,903	1,902
Between 2 and 5 years	0%	50%	6,206	9,995
Between 5 and 10 years	0%	70%	9,490	7,483
More than 10years	0%	95%	20,354	18,959
<b>Total</b>			<b>38,554</b>	<b>40,241</b>

The debt portfolio comprises of both Equal Installment of Principal (EIP) and Maturity loans and the average debt rate equates to 4.07%. Loans outstanding at the balance sheet date comprise £37.95 million with PWLB and £2.29 million with WG as invest to save borrowing becoming payable over a 3 year period commencing 2016/17. Invest to save funding is interest free financing for projects that will provide sustainable budget savings.

## 15. Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and 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 payable from the PWLB, the fair value can be included under debt redemption procedures;
- ✓ For loans receivable (of which there are none), the prevailing benchmark market rates would be used to provide the fair value;
- ✓ No early repayment or impairment is recognised;
- ✓ Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- ✓ The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values pertaining to loans are as follows:

	£000s	31 March 2014		31 March 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
	PWLB debt	38,554	40,335	37,952	43,603
	Non-PWLB debt	0	0	2,289	2,289
	<b>Total debt</b>	<b>38,554</b>	<b>40,335</b>	<b>40,241</b>	<b>45,892</b>

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

## 16. SHORT TERM INVESTMENTS

31 March 2014			31 March 2015	
£000			£000	
<u>5,000</u>	Short term investments		<u>0</u>	
<u><b>5,000</b></u>	<b>Total</b>		<u><b>0</b></u>	

In accordance with the treasury management strategy, investments have not been undertaken during the year in order to accommodate the capital programme without the requirement for external borrowing. The strategy mitigates the impact of financing charges on the revenue budget.

## 17. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2014 and 31 March 2015 is shown below.

	Consumables		Memorabilia		Equipment		Petrol & Diesel		Vehicle Maintenance spares		PPE & Uniforms		Home Fire Safety		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
<b>Balance outstanding at start of year</b>	38	22	1	0	74	68	87	78	127	69	348	390	0	30	675	657
Purchases	46	79	0	0	90	47	423	408	84	46	242	218	314	343	1,199	1,141
Recognised as an expense in the year	-70	-73	0	0	-100	-68	-432	-418	-142	-53	-345	-356	-287	-347	-1,376	-1,315
Written off balances	8	-3	-1	0	4	4	0	0	0	-3	145	101	3	16	159	115
<b>Balance outstanding at year-end</b>	22	25	0	0	68	51	78	68	69	59	390	353	30	42	657	598

## 18. DEBTORS

31 March 2014		31 March 2015
£000		£000
9,721	Central Government Bodies	6,364
158	Other Local Authorities	209
39	NHS Bodies	6
19	Public Corporations and Trading Funds	116
2,966	Other Entities and Individuals	1,116
<b>12,903</b>	<b>Total</b>	<b>7,811</b>

## 19. CASH & CASH EQUIVALENTS

31 March 2014		31 March 2015
£000		£000
25	Cash held by the Authority	23
2,084	Bank Current Accounts	12,884
37	Short Tem deposits	0
<b>2,146</b>	<b>Total</b>	<b>12,907</b>

This represents the cashbook balance at 31 March 2015, adjusted for cheques drawn that which have not been presented to the bank for payment by the 31 March 2015.

## 20. CREDITORS

31 March 2014		31 March 2015
£000		£000
1,331	Central government Bodies	1,415
1,748	Other Local Authorities	436
0	NHS Bodies	1
4	Public Corporations and Trading Funds	76
4,672	Other Entities and Individuals	4,266
<b>7,755</b>	<b>Total</b>	<b>6,194</b>

## 21. PROVISIONS

31 March 2014		31 March 2015
£000		£000
45	Provisions	45
223	Accumulated Absences (note 27)	221
<b>268</b>	<b>Total</b>	<b>266</b>

The provision has been created in respect of a legal ruling relating to the part time worker regulations (note 2)

## 22. USABLE RESERVES

### Capital Receipts

These are capital receipts which are available for financing capital expenditure but which had not been applied for that purpose at the balance sheet date. Capital receipts of £227k were received during the year.

### Earmarked Reserves

Scrutiny by Members has been undertaken with regard to the Authority's outturn position with the resultant movements in earmarked reserves detailed in note 7 with the following narrative;

- A managed under spend reserve was established to accommodate the costs of incomplete work streams at 31 March to be completed in the new financial year.
- The strategic contingency balance has been transferred to change management reserve (below).
- Additional funds have been transferred to the change management reserve to pump/prime up front cost of projects to enable budget efficiencies in future years.
- The day crewing protection reserve has been maintained to provide flexibility in managing the budget impact of allowances.
- The PFI equalisation reserve exists to match PFI funding, unitary charge payments and Authority contributions payable over the period of the contract.
- A fuel management reserve was established to facilitate the procurement of a fuel management system in line with objectives for the safeguarding of organisational assets. This has been utilised during the year with a small balance remaining for completion.
- Final costs of Aberbargoed Station have cleared the earmarked reserve set up to accommodate the project.

### General Fund

The General Fund Balance is sustained at a minimum level deemed adequate to provide a level of operational resilience in respect major incidence/ catastrophes.

## 23. UNUSABLE RESERVES

31 March 2014		31 March 2015
£000		£000
-5,795	Revaluation Reserve (note 24)	-15,777
-28,277	Capital Adjustment Account (note 25)	-23,815
737,730	Pensions Reserve (note 26)	807,170
223	Accumulated Absence Reserve (note 27)	221
<b>703,881</b>	<b>Total Unusable Reserves</b>	<b>767,799</b>

## 24. REVALUATION RESERVE

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

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

The reserve contains only revaluation gains accumulated since 1 April 2010, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/14	2014/15
£000	£000
<b>-6,018</b> Balance at 1 April	<b>-5,795</b>
0 Revaluation	-11,504
0 Impairment adjustment	1,237
223 Difference between fair value depreciation and historical cost depreciation (netted off total depreciation impacting CAA - Note 25)	191
<u>0</u> Loss on assets disposed of in the year	<u>94</u>
<b>-5,795</b> Balance at 31 March	<b>-15,777</b>

## 25. CAPITAL ADJUSTMENT ACCOUNT

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

The account contains accumulated 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 2010, the date that the Revaluation Reserve was created to hold such gains.

## Capital Adjustment Account

2013/14		2014/15
£000		£000
<b>-27,074</b>	<b>Balance as at 1 April</b>	<b>-28,277</b>
	Movement from other Reserves	
-2,191	MRP (note 37)	-2,549
3,989	Depreciation (net of Revaluation note 24)	3,855
523	Non enhancing expenditure (note 12)	231
-200	Capital expenditure financed from revenue resources (CERA) (note 37)	-200
-48	Capital Grants (note 37)	0
-2,861	Assets funded from General Fund (note 37)	-277
-415	Assets funded from capital receipts	0
0	Net non current asset disposal	438
	Assets Held for Sale fair value adjustment (net of Revaluation note 24)	441
0	Impairment of previously revalued assets	2,522
<b>-28,277</b>	<b>Balance as at 31 March</b>	<b>-23,816</b>

## 26. PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the 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. The benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require any benefits earned to be financed as the Authority makes employer contributions to pension funds or, eventually pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a 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.

2013/14		2014/15
£000		£000
<b>758,510</b>	<b>Balance at 1 April</b>	<b>737,730</b>
-55,460	Actuarial gains/losses on pensions & liabilities	38,370
53,260	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	50,110
-18,580	Employer's pensions contributions and direct payments to pensioners payable in the year	-19,040
<b>737,730</b>	<b>Balance at 31 March</b>	<b>807,170</b>

## 27. 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.

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>192</b>	<b>Balance at 1 April</b>	<b>223</b>
	Settlement or cancellation of accrual made at the end of the preceding year	
31	Amounts accrued at the end of the current year (note 6)	(2)
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements.	
<b>223</b>	<b>Balance at 31 March</b>	<b>221</b>

## 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2013/14 £000	Includes	2014/15 £000
<b>35,424</b>	<b>Net Deficit on the Provision of Services</b>	<b>32,775</b>
	<b>Adjustments to Net Deficit for Non Cash Movements;</b>	
-17	Decrease in stock	-60
8,827	Decrease in debtors	-5,092
-1,847	Decrease in creditors	488
-4,212	Depreciation charge	-4,047
0	Impairment charge	-2,522
74	Loss on asset disposal	-673
-34,680	IAS 19 adjustments	-31,070
-31	Other non cash-items charged to the net deficit on the provision of services	2
<b>-31,886</b>	<b>Less Total</b>	<b>-42,973</b>
	<b>Adjustments for items included in the net deficit on the Provision of Services that are Investing and Financing Activities;</b>	
-1,974	Interest Paid	-2,112
148	Interest Received	135
48	Grants – Other received	0
<b>-1,778</b>	<b>Less Total</b>	<b>-1,977</b>
<b>1,760</b>	<b>Net Cash Flow from Operating Activity</b>	<b>-12,175</b>

## CASH FLOW STATEMENT – INVESTING AND FINANCING ACTIVITIES

2013/14		2014/15
£000		£000
5,252	Purchase of property, plant and equipment, investment property and intangible assets	5,900
2,000	Purchase of short-term and long-term investments	0
-74	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-227
-2,000	Proceeds from short-term and long-term investments	-5,000
<b>5,178</b>	<b>Net cash (in)/outflow from investing activities</b>	<b>673</b>
-5000	Cash receipts of short and long-term borrowing	-2,289
-196	Other receipts from financing activities	-136
950	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	993
1,302	Repayments of short and long-term borrowing	602
1,382	Other payments for financing activities	1,572
<b>-1,562</b>	<b>Net cash (in)/outflow from financing activities</b>	<b>742</b>
<b>5,376</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>-10,760</b>

### 29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES.
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- The Fire and Rescue Authority budget reporting is based on a subjective analysis of expenditure and income e.g. Employee costs, Premises, Transport

etc rather than on the objective basis that is reported in the accounts e.g. Fire Fighting – Operational Response, Community Fire Safety – Inspection Certification.

**AMOUNTS REPORTED FOR RESOURCE ALLOCATION**  
(reconciliation of management accounts to the CIES)

2013/14	NET REVENUE EXPENDITURE	2014/15
£000	<b>Employee Costs</b>	£000
36,151	Whole time uniformed staff	35,089
6,856	Retained fire fighters	6,748
2,158	Control staff	1,844
8,853	Non-uniformed staff	7,644
54,018	<b>Salaries, NI &amp; superannuation.</b>	51,325
727	<b>Pensions</b>	810
464	<b>Travel and Subsistence</b>	444
55,209	<b>Total Employee Costs</b>	52,579
4,759	<b>Premises Related Expenses</b>	4,308
1,140	<b>Training Expenses</b>	1,207
3,270	<b>Supplies &amp; Services</b>	3,164
1,641	<b>Transport Related Expenses</b>	1,394
1,435	<b>Third Party Payments (agency &amp; contracted)</b>	906
382	<b>Other Expenditure</b>	856
3,989	<b>Capital Costs/Leasing</b>	4,139
71,825		68,553
-1,444	<b>Income</b>	-1,309
70,381	<b>EXPENDITURE</b>	67,244

**Reconciliation of Income and Expenditure to Cost of Services in the CIES**

£000	<b>Net Expenditure in the analysis</b>	67,244
70,381		
	<b>Amounts in the CIES not reported in the Management Analysis</b>	
4,212	Depreciation and Impairment	6,569
1,247	PFI Operating Costs	1,194
143	Other accounting adjustments	71
31	Accumulated leave accrual	-2
5,633		7,832
	<b>Amounts included in the Analysis not included in the CIES</b>	
-2,020	Pensions (IAS 19)	1,320
200	Revenue Contribution to Capital (CERA)	200
1,415	Interest Charges	1,569
1,800	Minimum Revenue Provision (MRP)	2,100
-74	Non Current asset disposal income (Revenue)	0
334	Operating Lease Charges	311
710	Fire & Rescue Authority Contribution to PFI.	742
-148	Investment Income received	-135
2,217		6,107
73,797	<b>Cost of services in the CIES</b>	68,969

### 30. MEMBERS ALLOWANCES

During 2014/2015, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

<b>2013/14</b>		<b>2014/15</b>
<b>£</b>		<b>£</b>
10,085	Chair	10,400
5,095	Deputy Chair/ Committee Chair	5,400
1,350	Member	1,700
<b>52,856</b>	Total of members' allowances	<b>53,294</b>
<b>5,448</b>	Total of members' expenses	<b>4,992</b>

All members' expenses were paid as a reimbursement of costs in pursuance of duties. No payment exceeded the reimbursement of the cost of an expense.

### 31. OFFICERS REMUNERATION

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

		<b>Salary</b>	<b>Expenses</b>	<b>*Benefits in Kind</b>	<b>Total Excluding Pension</b>	<b>Employers Pension</b>	<b>Gross remuneration</b>
<b>Title</b>	<b>Year</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Chief Fire Officer</b>	2013/14	124	3	6	133	26	159
	2014/15	126	2	6	134	27	161
<b>Deputy Chief Officer</b>	2013/14	94	2	0	96	12	108
	2014/15	96	3	0	99	14	113
<b>Asst Chief Fire Officer - Operational Planning &amp; Development</b>	2013/14	93	2	4	99	20	119
	2014/15	95	2	4	101	20	121
<b>Asst Chief Fire Officer - Planning, Development &amp; Support</b>	2013/14	93	1	4	98	20	118
	2014/15	99	2	4	105	21	126
<b>Asst Chief Officer - People Services</b>	2013/14	88	2	0	90	11	101
	2014/15	90	2	0	92	13	105

\*Benefits in kind relate to an allowance for a vehicle on the service lease car scheme

Authority employees receiving more than £60,000 remuneration for the year were paid in the following amounts:

<b>Salary Bracket</b>	<b>Number 2013/14</b>	<b>Number 2014/15</b>
£60,000 to £64,999	3	1
£65,000 to £69,999	1	1
£70,000 to £74,999	2	3
£75,000 to £79,999	2	0
£80,000 to £84,999	0	1
£85,000 to £89,999	1	0
£90,000 to £94,999	1	1
£95,000 to £99,999	2	3
£100,000 to £104,999	0	0
£105,000 to £109,000	0	0
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	0	0
£125,000 to £129,999	0	0
£130,000 to £134,999	1	1
£135,000 to £139,999	0	0

- Remuneration includes all sums paid to/receivable by an employee, expense allowances chargeable to tax and the money value of benefits. The above data does not include employer's pension contributions.

The median remuneration across the Service is £29k and the ratio of the CFO remuneration to the median remuneration is 4.35:1.

### 32. EXIT PACKAGES

The number of exit packages and total cost of these per cost band are set out in the table below:

Fire Cover Review resulted in the closure of Blaina and changes to crewing arrangements in Barry.

(a) Exit packages cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b) + (c)		(e) Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000	2014/15 £000
£0 - £20,000	0	0	5	14	5	14	67	103
£20,000 - £40,000	0	0	9	0	9	0	276	0
£40,000 - £60,000	0	0	1	0	1	0	50	0
£60,000 - £80,000	0	0	4	0	4	0	285	0
£80,000 - £100,000	0	0	2	0	2	0	172	0
£100,000 - £150,000	0	0	1	0	1	0	114	0
<b>total</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>14</b>	<b>22</b>	<b>14</b>	<b>964</b>	<b>103</b>

### 33. TERMINATION BENEFITS

The Authority instigated a Voluntary Early Retirement/Redundancy (VER) scheme which saw the contracts of a number of employees terminate during 2014/15. These costs were charged to the annual revenue budget with pensions representing the only other liability due. Liabilities are contained within pension liabilities, under IAS 19 and included within pension disclosure note 42.

### 34. EXTERNAL AUDIT COSTS

Fees payable to the statutory auditors equate to £53k with regard to external audit services received and represents a small decrease on 2013/14 costs.

2013/2014		2014/2015
£000		£000
57	Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor (SOA)	53
0	Fees payable to the Auditor General for Wales in respect of Statutory inspection	0
0	Fees payable in respect of other services provided by the appointed auditor (NFI)*	1

\* Participation in the National Fraud Initiative (NFI) occurs every two years.

### 35. GRANTS

Gains relating to grants and donated assets are recognised in the CIES. Income is credited at the point when the Authority has met all stipulations, conditions and restrictions agreed with the entity providing the gain.

2013/14		2014/15
£'000		£'000
906	Community Risk Reduction	1,095
1,233	New Dimensions and USAR Funding	980
111	Direct Electronic Incident Transfer (DEIT)	123
0	NATO	87
0	Employability Programme	126
55	Crown Premises Inspector	56
1	Other*	54
632	Fire Link	632
<b>2,938</b>		<b>3,153</b>

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

## 36. 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.

### RELATED PARTY TRANSACTIONS

The South Wales Fire & Rescue Authority has a number of links with constituent authorities:

- Each member of the Fire & Rescue Authority is also a member of one the constituent authorities

During the year transactions with related parties arose as shown below.

	<b>Receipts</b>	<b>Payments</b>
	<b>£000</b>	<b>£000</b>
<b>Funding Received from constituent authorities</b>		
Blaenau Gwent CBC	3,232	2
Bridgend CBC	6,585	4
Caerphilly CBC	8,377	5
Cardiff CC	16,650	6
Merthyr Tydfil CBC	2,770	1
Monmouthshire CC	4,271	2
Newport CBC	6,912	4
Rhondda Cynon Taf CBC	10,941	8
Torfaen CBC	4,262	3
The Vale of Glamorgan CBC	5,956	6
	<b>69,956</b>	<b>41</b>

Members and senior officers of the Authority were asked to declare any third party transactions during the year. Declarations received disclosed a variety of potential related parties, with the following being the only relationships where payments have been made.

<b>Related Party Organisation</b>	<b>Nature of relationship</b>	<b>Number of transactions</b>	<b>Payments £</b>
Firebrake	Trustee	1	15,000

The Deputy Chief Officer is the spouse of the Chief Executive of Merthyr Tydfil County Borough Council.

This note has been compiled in accordance with the current interpretation and understanding of IAS 24 and its applicability to the public sector.

### 37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2013/14		2014/15
£000		£000
<b>44,178</b>	<i>Opening Capital Financing Requirement (CFR)</i>	<b>44,442</b>
5,979	Property, Plant & Equipment purchased via prudential borrowing (note 12)	4,827
<b>5,979</b>	<b>Total Additions</b>	<b>4,827</b>
<i>Sources of finance</i>		
-48	Government grants and other contributions (note 25)	0
-2,861	Sums set aside from revenue (note 25)	-277
-200	Direct revenue contributions (note 25)	-200
-2,191	MRP/loans fund principal (note 25)	-2,549
-415	Capital Receipts	0
0	Adj to CFR for the disposal of finance lease vehicle	-78
<b>44,442</b>	<i>Closing Capital Financing Requirement (CFR)</i>	<b>46,165</b>
<i>Increase in underlying need to borrow</i>		
<b>264</b>	<b>Increase in CFR</b>	<b>1,723</b>

Capital expenditure is incurred on schemes which have a life beyond one year, and is largely financed by a mix of borrowing and revenue contributions, albeit capital receipts can and will be used.

Capital expenditure/additions during the year are as follows:

Scheme	£000
Vehicles	3,519
Station Refurbishments	1,045
ICT	263
	<b>4,827</b>

### 38. FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

	2013/14	2014/15
	£000	£000
External loans	2,455	0
Revenue contribution (note 37)	200	200
Reserves (note 25)	2,861	277
Grant funding (note 35)	48	0
Internal Borrowing	0	4,350
Capital Receipts (note 25 & 37)	415	0
<b>Total</b>	<b>5,979</b>	<b>4,827</b>

### 39. CAPITAL COMMITMENTS

The Authority is committed to capital expenditure in future periods arising from contracts entered into at the balance sheet date. Capital expenditure committed at the 31 March 2015 for future periods equates £5.25m. The commitment relates to the vehicle replacement programme (VPR), property refurbishments, the ICT programme and joint fire control project i.e. £800k construction and £300k command and control system.

### 40. LEASES

The Authority has acquired a number of water ladder appliances 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.

Asset	31 March 2014	31 March 2015
	£000	£000
Vehicles	606	299

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

	31 March 2014	31 March 2015
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):	282	262
Finance costs payable in future years	52	29
Minimum lease payments	334	291

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

	Minimum Lease Payment		Finance Lease Liabilities	
	31 March	31 March	31 March	31 March
	2014	2015	2014	2015
	£000	£000	£000	£000
Not later than one year	290	166	262	148
Later than one year and not later than five years	389	223	354	206
Later than five years	0	0	0	0
	<b>679</b>	<b>389</b>	<b>616</b>	<b>354</b>

#### 41. PFI.

During 2005/06 financial year, the Authority entered into a Private Finance Initiative (PFI) arrangement for the provision of a training centre at Cardiff Gate. The arrangement will run until September 2030. There is a commitment of £15.8m (Net Present Value) over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Government and Fire and Rescue Authority resources.

The Authority meets the costs of the Unitary Charge from its own resources and receives an annual grant from the Welsh Government. The profile of funding from the Assembly reduces annually until the expiry of the contract term whereas the unitary charge payable by the Authority increases annually over the same period. This results in a "surplus" of resources for PFI when compared to payments for the initial period of the contract period. These surplus amounts are set-aside in an earmarked reserve to fund the later part of the contract period where annual payments are greater than annual resources.

As at 31 March 2015, the balance on the PFI equalisation earmarked reserve is £3.535 million.

The total unitary payment is divided into the service charge element, the repayment of the liability element and the interest element. The charges are shown below:-

2013/14 £'000	Unitary Charge	2014/15 £'000
1,247	Service Charge Element	1,194
507	Interest Element	510
109	Finance Lease Liability	171
<b>1,863</b>	<b>Total</b>	<b>1,875</b>

These payments will be made over the life of the PFI contract and estimates for subsequent years are as detailed below at current prices:-

<b>Unitary Charge</b>	<b>2014/15</b>	<b>2015/16 to</b>	<b>2020/21 to</b>	<b>2025/26 to</b>	<b>2030/31</b>
	<b>£'000</b>	<b>2019/20</b>	<b>2024/25</b>	<b>2029/30</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Service Charge Element	1,194	6,913	7,654	7,996	827
Interest Element	510	2,267	2,070	1,883	158
Finance Lease Liability	171	885	1,541	2,776	373
<b>Total</b>	<b>1,875</b>	<b>10,065</b>	<b>11,265</b>	<b>12,655</b>	<b>1,358</b>

Annual funding from the Welsh Government has been and will be receivable for the life of the contract and is detailed in the table below;

<b>Funding</b>	<b>2014/15</b>	<b>2015/16 to</b>	<b>2020/21 to</b>	<b>2025/26 to</b>	<b>2030/31</b>
	<b>£'000</b>	<b>2019/20</b>	<b>2024/25</b>	<b>2029/30</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Grant	1,278	5,803	4,824	3,845	336

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI Training Centre that has come onto the Authority's Balance Sheet in accordance with the SORP 2009. This will be written down over the life of the PFI contract.

<b>2013/14</b>		<b>Movement</b>	<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
5,746	PFI Lease Liability	171	5,575

## 42. PENSIONS (IAS 19)

### (i) Local Government Services & Control Staff

In 2014/15 the Authority paid employer pension contributions of £1.058 million in addition to a £159k deficiency contribution to 'the fund' which provides members with defined benefits related to pay and service. For the last 3 years the deficit contribution figure has been expressed as a cash amount to protect the fund from payroll variations. Under current pension Regulations, contribution rates are set to meet 100% of the overall liabilities of 'the Fund'.

Pension contributions to be paid into the scheme for the financial year 2015/16 are estimated to be £1.1 million for the employer

Further information on the RCT Pension Fund can be found in the Pensions Fund Annual Report and Accounts which is available on request from the Pensions Section, Rhondda Cynon Taf C.B.C. Bronwydd House, Porth, Rhondda, CF39 9DL or on the website [rctpensions.org.uk](http://rctpensions.org.uk)

**(ii) Fire fighters**

The Fire fighters' pension scheme is an unfunded scheme with defined benefits. In 2014/15 the Authority paid employer pension contributions of £5.6 million. Pensions paid from revenues equated to £810k. For 2015/16, the employer contribution to the scheme is estimated to be £5.7 million and the current estimate for pensions paid from revenue is £762k. The majority of pension payments to retired fire fighters are paid from a separate Pension Fund account administered by the Authority, details of the Fund and how it operates can be found on page 84.

**Transactions Relating to Post-employment Benefits**

In accordance with the requirements of International Accounting Standard No 19 – Retirement Benefits (IAS19) the Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in 'Accounting Policies', the Authority participates in two schemes, the Fire fighters' Pension Scheme for full time Fire fighters which is unfunded, and the Local Government Pensions Scheme (RCT Pension Fund) for other employees which is administered by Rhondda Cynon Taf County Borough Council. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

To comply with IAS19 the Authority appoints actuaries on an annual basis to assess the assets and liabilities of both schemes. Aon Hewitt was appointed to assess the Local Government Pension Scheme and the Government Actuary's Department the fire fighters scheme as they relate to past and current employees of South Wales Fire Authority. For the Local Government Pension scheme the actuary assessed that the net liability to the Authority as at 31 March 2015 was £18.75 million (*31 March 2014, £16.21 million*) and for the Fire fighters schemes the liability was £788.42 million as at 31 March 2015 (*31 March 2014, £721.52 million*). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found overleaf.

## Movements on the Pension Fund

2013/14 £000	Movements on Pension Reserve	2014/15 £000
	Income & Expenditure Account	
	<b>Net Cost of Service</b>	
	Current Service Cost	
-18,560	- Fire fighters	-15,840
-1,920	- Local Government Pension Scheme	-1,610
	Past Service Cost	
0	- Fire fighters	0
-120	- * Local Government Pension Scheme	-270
	<b>Net Operating Expenditure</b>	
	Interest Cost	
-31,570	- Fire fighters	-31,730
-2,730	- Local Government Pension Scheme	-2,390
	Expected Return on Pension Assets	
0	- Fire fighters	0
1,640	- Local Government Pension Scheme	1,730
	<b>Total Post-employment benefit charged to the surplus or deficit on the provision of services</b>	
<b>-53,260</b>		<b>-50,110</b>
	Actuarial gains and losses	
45,060	- Fire fighters	-36,520
10,400	- * Local Government Pension Scheme	-1,850
<b>2,200</b>	<b>Total Post-employment benefit charged to the C.I.E.S</b>	<b>-88,480</b>
	<b>Movement on Reserve Statement</b>	
758,510	Opening Balance 1 April	737,730
-2,200	Reversal of Net Changes for IAS 19	88,480
	Actual Amount Charged against the General Fund	
	Balance for pensions in the year	
	Employer Contributions	
-1,890	Local Government Pension Scheme	-1,850
-17,170	Retirement benefits paid to fire fighters	-17,270
480	Transfers in	80
<b>-20,780</b>	<b>Movement on Pension Reserve</b>	<b>69,440</b>
<b>737,730</b>	<b>Closing Balance</b>	<b>807,170</b>

\*The LGPS movements on pension reserve are inclusive of unfunded pension benefits arrangements;  
2014/15 – Interest cost of £20k, actuarial loss of £50k and net benefits paid out £30k

## Pension Schemes – Assets / Liabilities

The Authority's estimated share of assets and liabilities from 31 March 2011 to 31 March 2015 were as follows:

	31 March				
	2011	2012	2013	2014	2015
Estimated share of liabilities in the Fire fighters Pension Scheme	-560,190	-614,360	-733,140	-721,520	-788,420
Estimated share of liabilities in the Rhondda Cynon Taff Pension Fund	-46,000	-53,630	-61,360	-56,170	-65,260
<b>Total liabilities</b>	<b>-606,190</b>	<b>-667,990</b>	<b>-794,500</b>	<b>-777,690</b>	<b>-853,680</b>
Share of assets in the Rhondda Cynon Taff Pension Fund	28,840	30,360	35,990	39,960	46,510
<b>Net Pension Deficit</b>	<b>-577,350</b>	<b>-637,630</b>	<b>-758,510</b>	<b>-737,730</b>	<b>-807,170</b>

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The Fire fighters' Scheme has been valued by the Government Actuary's Department and the LGPS Fund liabilities have been valued by Aon Hewitt, an independent firm of actuaries. The main assumptions used in the calculations are as follows:

### Basis for estimating assets and liabilities

	Fire Fighters' Scheme		LGPS Fund	
	2014 %	2015 %	2014 %	2015 %
Rate of Inflation;				
RPI	3.7	3.35	3.4	
CPI	2.5	2.2	2.4	
Rate of increase in Salaries	4.5	4.2	3.9	3.4
Rate of Increase in Pensions	2.5	2.2	2.4	1.9
Rate if Discounting Scheme Liabilities	4.4	3.3	4.3	3.3
<b>Future Life Expectancy at 65</b>				
Men				
Current Pensioners	23.5	22.5	22.9	23
Future Pensioners	26.6	24.8	25.1	25.2
Women				
Current Pensioners	25.5	22.5	25.8	25.9
Future Pensioners	28.6	24.8	28.2	28.3

The Fire fighters Pension scheme is an unfunded scheme and as such holds no assets to generate income to meet the schemes liabilities. Funding for the payments made from the scheme is met from employers and employees contributions in the year and an annual grant from the Welsh Government.

The Local Government scheme is a funded scheme and as such has built up assets over the years to generate income to meet future liabilities. Assets in the RCT Pension Fund are valued at fair value, principally bid value for investments, and consist of:

	%
<b>2015</b>	
Equity Investments	69.0
Bonds	21.4
Other Assets	9.6
<b>Total</b>	<b>100.0</b>
<b>2014</b>	<b>%</b>
Equity Investments	71
Bonds	20.2
Other Assets	8.8
<b>Total</b>	<b>100.0</b>

The overall return on pension assets was 14.7% for 2014/15 (2013/14: 7.4%).

The movement in the net pension deficit for the year can be analysed as followed based on the present value of the scheme liabilities.

2013/14 £000 Fire fighters	2013/14 £000 LGPS	Liabilities	2014/15 £000 Fire fighters	2014/15 £000 LGPS
-733,140	-61,360	<b>Balance as at 1 April</b>	-721,520	-56,170
-18,560	-1,920	Current Service cost	-15,840	-1,610
-31,570	-2,730	Interest	-31,730	-2,390
-3,710	-470	Contributions by scheme members	-4,060	-490
45,060	9,030	Actuarial Gains and Losses	-36,520	-6,030
20,880	1,400	Benefits Paid	21,330	1,700
0	-120	Past Service Cost	0	-270
-480	0	Transfers in	-80	0
0	0	Expected rate of return	0	0
<b>-721,520</b>	<b>-56,170</b>	<b>Net Pension Liabilities at Year End</b>	<b>-788,420</b>	<b>-65,260</b>

<b>2013/14</b>	<b>Assets</b>	<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>LGPS</b>		<b>LGPS</b>
<b>35,990</b>	<b>Balance 1 April</b>	<b>39,960</b>
1,640	Return on Pension Assets	1,730
1,370	Actuarial Gain/Losses on Assets	4,180
1,860	Contributions by employer	1,820
470	Contributions by Scheme members	490
-1,370	Net benefits paid out	-1,670
<b>39,960</b>	<b>Net Pension Assets at Year End</b>	<b>46,510</b>

#### Changes to the fair value of assets during the accounting period

	<b>Period ending 31 March 2014 £000</b>	<b>Period ending 31 March 2015 £000</b>
Opening fair value of assets	35.99	39.96
Interest Income on assets	1.64	1.73
Re-measurement gains/ (losses) on assets	1.37	4.18
Contributions by the employer	1.86	1.82
Contributions by participants	0.47	0.49
Net benefits paid out #	(1.37)	(1.67)
Net increase in assets from disposals/ acquisitions	0.00	0.00
Settlements	0.00	0.00
Closing fair value of assets	39.96	46.51

# Consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses.

#### Actual return on assets

	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Interest income on assets	1.64	1.73
Re-measurement gain/ (loss) on assets	1.37	4.18
Actual return on assets	3.01	5.91

### **43. CONTINGENT LIABILITIES**

The Part-Time Workers (Prevention of less favourable treatment) Regulations came into force on 1<sup>st</sup> July 2000. As a consequence of a court case under certain circumstances Retained Duty Fire fighters are permitted to buy into the Uniformed Staff Pension Scheme. Where Retained Fire fighters choose to buy into the Pension Scheme there will be a considerable liability for the Authority to bear the cost of such pensions. A detailed calculation of the liability has not yet been fully agreed and an element may be funded by the Welsh Government. At present the costs and timing of any such liability, if any, is unquantifiable.

#### 44. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Authority has adopted the CIPFA Code of Practice on Treasury Management which ensures the Authority has measures in place to manage the above risks. At the beginning of the financial year Members are presented with a report outlining the Treasury Management Strategy to be followed for the year and setting out the Prudential Indicators (PI's) for the year. Half way through the year a report detailing progress against strategy and if necessary a revision of the PI's. At year end the final report sets out how the Authority has performed during the year. How the Authority manages risks arising from financial instruments are detailed in the treasury reports presented to Members and can be accessed from [www.southwales-fire.gov.uk](http://www.southwales-fire.gov.uk)

The highest credit risk is for the investments and these are managed through the Treasury Management Strategy as detailed above. In the current market the Authority only invests short term, up to a maximum of 12 months, with institutions that are on the Authority's counterparty list. On a daily basis the Authority is updated with any changes to the credit status of institutions on the counterparty list and if any institutions are down graded and fail to meet the criteria set out in the Treasury Management Strategy then they are removed from the list. If an institute failed to repay an investment then the financial loss to the Authority could be in excess of £1m. However, due to careful management of the portfolio no institutions have failed to repay monies due.

The Authority has ready access to borrowing from the Public Works Loan Board and 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 borrowing at a time of unfavourable interest rates.

As assessment of the financial effect of 1% increase in interest rates has been undertaken; interest on variable rate and temporary borrowing would have increased by £126k; and interest from investments would have increased by £129k.

The maturity analysis of financial liabilities is provided in note 14 (2) Financial Instruments.

**Interest rate risk** - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across

differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury activities, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

**Price risk** - The Authority, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

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

## FIRE FIGHTERS PENSION FUND ACCOUNT

2013/14		2014/2015
£000	Income to the fund	£000
	Contributions receivable:	
	from employer	
-5,700	normal contributions	-5,571
-82	other contributions	-162
-3,722	from members	-4,056
<b>-9,504</b>		<b>-9,789</b>
-476	Transfers in from other Authorities	-76
<b>-9,980</b>	<b>Total Income to the Fund</b>	<b>-9,865</b>
	<b>Spending by the Fund</b>	
	Benefits Payable:	
16,452	Pension payments	17,134
3,342	Pension commutations & lump-sum retirement benefits	3,346
	Other Payments	59
<b>19,794</b>		<b>20,539</b>
	Payments to and on account of leavers:	
482	Transfers out to other authorities	141
	<b>Total Spending by the Fund</b>	
<b>10,296</b>	Net amount payable for the year	<b>10,815</b>

2013/2014	2013/2014	Net Asset Statement	2014/2015	2014/2015
£000	£000		£000	£000
Inc/Exp	Asset		Asset	Inc/Exp
	<b>1,826</b>	<b>*Opening net current asset/ liability</b>	<b>8,528</b>	
-1,826		Previous year top up received/ paid		-8,528
-1,768		Annual grant received from sponsoring dept		-6,334
10,296		Annual net pension costs		10,815
	6,702	Net asset/liability from income & expenditure	-4,047	
-8,528		Top up receivable/ payable to sponsoring dept		4,481
<b>0</b>	<b>8,528</b>	<b>*Closing net current asset/ liability</b>	<b>4,481</b>	<b>0</b>

\* asset/liability values refer to those within the South Wales Fire & Rescue Service balance sheet

## NOTES TO THE FIRE FIGHTERS PENSION FUND ACCOUNT

The Fund was established 1 April 2007 and covers both the 1992 and 2006 Fire fighters' Pension Schemes and is administered by the Authority. Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government (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 WG and 80% of the estimate is paid in addition to the surplus/deficit (asset/Liability) which is payable/receivable from the previous year. As such, the asset/liability is held on the Authority balance sheet. The 2014/15 estimate includes an assessment of the number of fire fighters retiring within the year and as a result, an estimate of pension payments is calculated. In 2014/15 a total of 31 fire fighters retired compared to the estimate of 20. This means that the top up grant received was lower than pension costs which results in a deficit on the fund. At the year end the year WG became a debtor to Authority due to the underpayment and with a value of £4.5 million.

The accounting policies for the Pension Fund Account are consistent with the accounting policies on pages 36 – 44.

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 contribution rates for the 2006 (new) and 1992 (old) schemes were 11% and 21.3% respectively. Employee rates are determined by a tiered system according to salary bands with higher earners contributing at a higher rate relative to their salary, i.e. rates start at 8.5% and end at 17% for the current period.

**The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period; this is the responsibility of the Authority. Details of the long term pension obligations can be found in Note 26 and 42 to the core financial statements.**