

Appendix 1

SOUTH WALES FIRE AND RESCUE AUTHORITY



STATEMENT OF ACCOUNTS

2017/2018

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NARRATIVE REPORT

The purpose of this narrative is to explain the structure of the accounts, briefly describe the activity and structure of the South Wales Fire and Rescue Authority (the Authority) and consider the overall financial position of the Authority in the current economic context.

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, the financial performance and accountability of resources for the Authority for the financial year 2017/18.

The Authority's accounts for 2017/2018 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.

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

Comprehensive Income and Expenditure Statement (CIES) – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local 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.

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. The Account consolidates the 1992, 2006, 2015 and the 2016 Retained Modified Firefighter Pension Schemes.

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.

South Wales Fire and Rescue Authority

South Wales Fire and Rescue Authority (the Authority) is responsible for providing an efficient and effective fire and rescue service to the communities of South Wales. The Authority covers 10 unitary authority areas and is made up of 24 elected members drawn from those authorities representative to the number of registered electors.

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 2017/18, the proportions were as follows:

	Values £000	Proportion %
Blaenau Gwent County Borough Council	3,221	5
Bridgend County Borough Council	6,603	9
Caerphilly County Borough Council	8,378	12
Cardiff County Council	16,858	24
Merthyr Tydfil County Borough Council	2,743	4
Monmouthshire County Council	4,301	6
Newport County Borough Council	6,871	10
Rhondda Cynon Taff County Borough Council	11,033	16
Torfaen County Borough Council	4,259	6
The Vale of Glamorgan Council	5,939	8
Total (note 31)	70,206	100

Financial Performance in 2017/18

The total net revenue expenditure for the year was £70.544 million, compared with the budget of £70.206 million. The over spend of £338k was largely a result of re-prioritising key property projects and investment in supernumerary posts utilised to progress improvement projects. These have been partially offset by an under spend in the on-call fire fighter salaries budget and savings made on Control staff costs as a consequence of the Joint Public Service Centre (JPSC). In addition, increased spending in NNDR, energy and personal protective equipment (PPE) have also contributed to the overall over spend position.

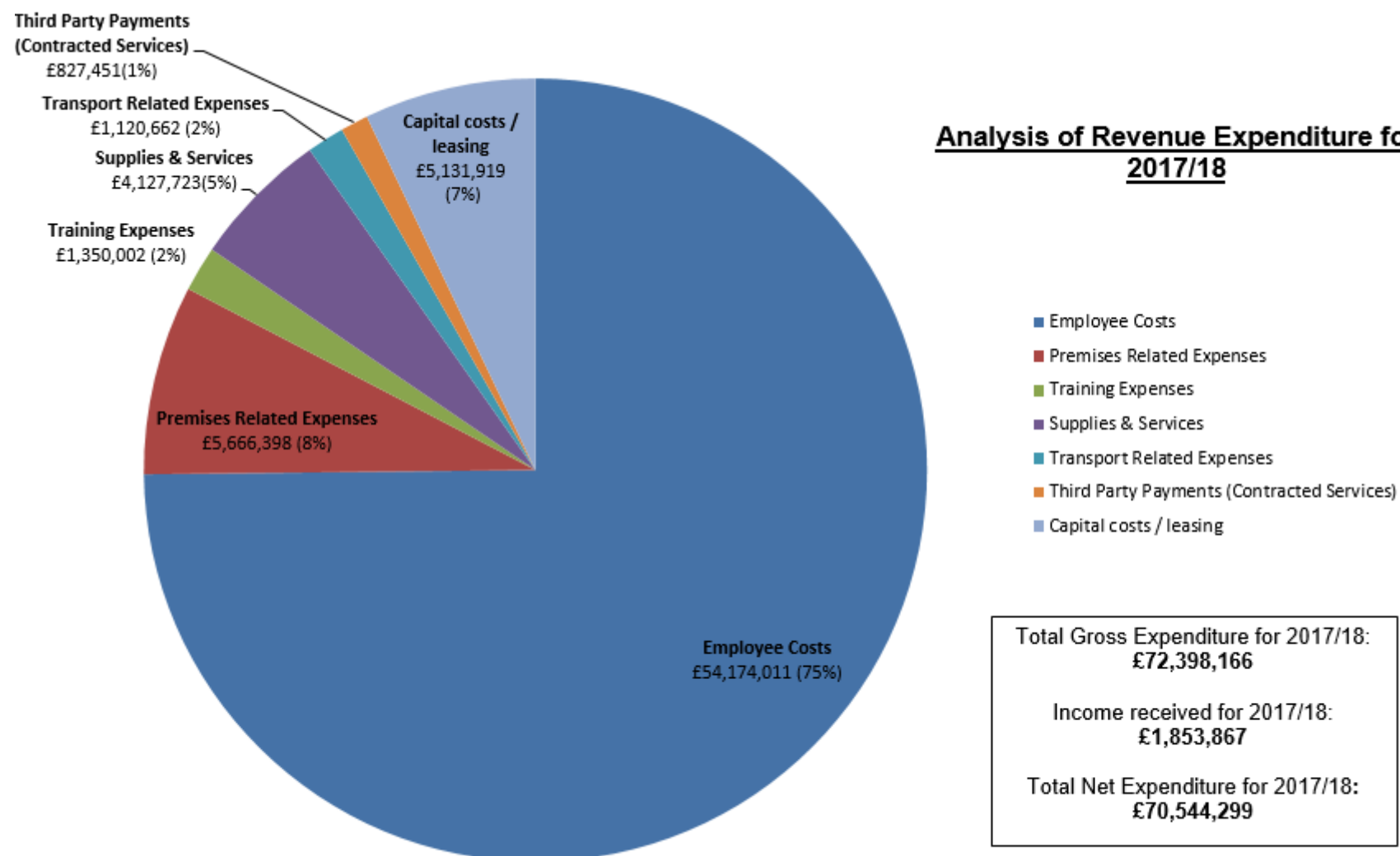
Budget Outturn	Budget £000	Actual £000	Variance £000
Revenue			
Expenditure (note 5)	71,281	72,398	1,117
Income (note 5)	(1,075)	(1,854)	(779)
Net Expenditure (note 5)	70,206	70,544	338
Unitary Authority (note 31)	70,206	70,206	0
(Surplus) /Deficit	0	338	338
Capital (inc slippage)			
Capital Spending (note 9)	8,285	4,234	(4,051)

Revenue Sources of Funding

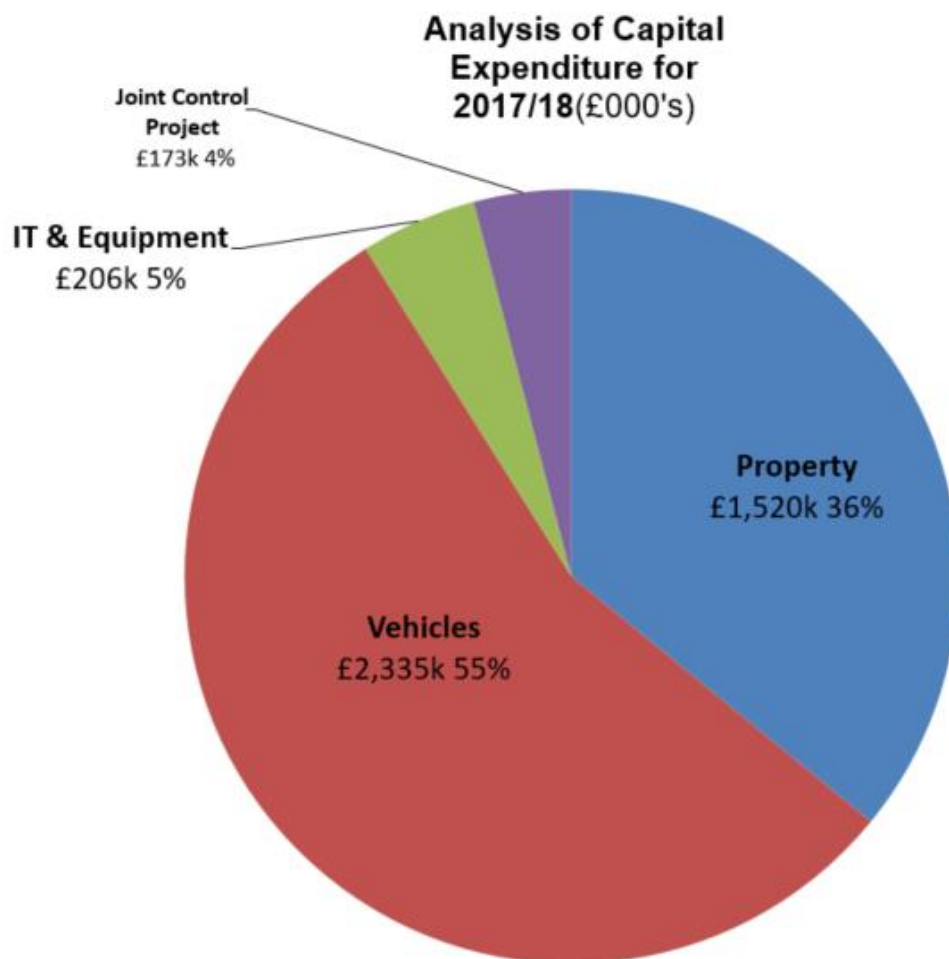
2016/17		2017/18
£000		£000

69,511	Unitary Authority Contributions (above & note 31)	70,206
2,556	Revenue Grants (note 30)	3,100
68	Interest Receivable (note 7)	72
1,200	PFI. Grant (note 36)	1,161
1,072	Other income, e.g. fees, reimbursements	1,580

Expenditure by type 2017/18



Capital expenditure in the year amounted to £4.2 Million



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), Welsh Government (WG) in respect of 'Invest To Save' funding for the collaborative Joint Public Service Centre Project and Salix Finance Ltd in respect of interest free funding to support the installation of sustainable LED Lighting. In accordance with its Treasury Management Strategy the Authority has continued to utilise cash balances to fund the capital programme therefore no PWLB loans were taken out in the year.

Capital Financing Costs

The charge made to the service revenue account to reflect the cost of fixed assets used in the provision of services was £4.5 million. This is a notional charge for depreciation and an adjustment is made to nullify the effect on the general fund balance. The actual cost to the service for financing capital is £1.3 million loan interest, £3 million minimum revenue provision and a £890k revenue contribution.

Non Financial Performance in 2017/18

In 2017/18 the Authority successfully delivered a balance of prevention, protection and emergency response services, with the improvement objectives for the year continuing to be aimed at reducing deliberate fire setting and improving and ensuring the future sustainability of the Service.

The Finance Audit and Performance Management Committee regularly received reports on service performance and indicators as well as scrutinising the progress report cards against each of the strategic objectives.

The following table highlights some of the activity in making South Wales safer in the past twelve months.

	2016/17	2017/18
Fires attended	5,798	5,792
Deliberate fires attended	4,054	4,202
Secondary Fires (grass, refuse etc.) attended	3,542	3,834
Road Traffic Collisions attended	1,170	1,139
Home Fire Safety checks undertaken	19,916	17,396
Business Fire Safety Audits undertaken	1,015	890
Crimes and Consequences attendees	2,561	1,733
Phoenix programme attendees	487	310

The Authority continues to work collaboratively with a number of partners in relation to asset co-location, procurement, and delivery of prevention and education services. Examples of partnership work included the refurbishment work of Barry Fire Station which is now a joint location for Fire, and Ambulance and the establishment of the Joint Public Service Centre at South Wales Police Headquarters, which has relocated the control centres of South and Mid and West Fire and Rescue Services' into Bridgend.

Future Financial Plans

Looking longer term the current austerity measures are likely to continue into the foreseeable future, with further funding cuts anticipated. The 2018/19 revenue budget approved by the Fire and Rescue Authority in December gave an increase of 1.36% taking the annual budget to £71.163 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 £0.8 – £7.3 million by 2021/22, a programme of transformational projects delivering savings continues.

The capital programme continues to invest in our asset portfolio, in particular refurbishment of stations, construction of the Compartment Fire Behaviour Training (CFBT) facility and vehicle replacement. Investment also continues in operational equipment and ICT, ensuring our personnel have the best equipment available.

Pension liability

In 2017/18, 24 whole-time and 6 RDS uniformed staff retired. The actuarially assessed liability as at 31 March 2018 was £898 million for Fire Fighters' pension scheme and £24 million for the Local Government pension scheme (LGPS). This is an increase in liability of £48 million and £2 million respectively since the previous year end.

Under International Accounting Standard (IAS) 19 (Employee Benefits) the Authority is required to provide details of assets and future liabilities for pensions payable to employees, both past and present. This is outlined in greater detail in the disclosures to the accounts (note 37).

Provisions, Contingencies and Write offs

The provision remains for the outstanding payments to on-call fire fighters as a result of the part time workers' conditions settlement.

Reserve Accounting

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2018/19. 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.

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.

Additional Information

Additional information about these accounts is available from the Head of Finance and 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 the Authority (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. 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 2017/18 ("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.

CERTIFICATE OF THE TREASURER & FIRE & RESCUE AUTHORITY CHAIR

I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2018 and its income and expenditure for the year then ended.

Signature: _____ **Treasurer**

Date: 11 February 2019

I confirm that these accounts were approved by the Fire Authority;

Signature: _____ **Fire & Rescue Authority Chair**

Date: 11 February 2019

ANNUAL GOVERNANCE STATEMENT YEAR ENDING MARCH 2018

This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the “Delivering Good Governance Framework”. This Annual Governance Statement explains how the Authority has complied with the new framework and its seven core principles of good governance to ensure that resources are directed in accordance with agreed policy and agreed priorities.

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.

This statement explains how the Authority has complied with Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014, in relation to the publication of a statement on internal control.

To date, the financial audit cannot be formally concluded and an audit certificate issued until the Auditor General has completed further consideration of matters relating to the Fire Fighters’ Pension Fund. A detailed audit opinion is provided in the ‘Audit Report of the Auditor General to South Wales Fire & Rescue Authority.

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.

The Governance Framework has been in place at the Authority for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The Governance Framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements and are as follows:

The Authority is responsible for ensuring that the Fire & Rescue Service in South Wales is effective, efficient, and accountable to the public.

Membership is made up of Members of the 10 unitary authorities covered by the Fire & Rescue Service area as defined by the Fire Service (Combination Scheme) Order 1995.

The Authority is organised into committees and working groups which are appointed at the annual meeting. Each committee and working group has a comprehensive set of terms of reference which, together with details of their membership, can be found on the [website](#).

The Executive Leadership Team (ELT), comprising the Chief Fire Officer, Corporate Directors and Treasurer, is responsible for strategic leadership, political interface and corporate challenge. The Senior Management Team (SMT) includes the same officers and Heads of Service, both uniformed and corporate, and provide organisational leadership, functional challenge and service delivery.

The Treasurer is responsible for the proper administration of the Authority's financial affairs as required by Section 112 of the Local Government Finance Act 1988, and the Authority's financial management arrangements are assessed against the governance requirements set out in the Chartered Institute of Public Finance and Accountancy Statement on the Role of the Chief Finance Officer in Public Organisations (2009).

Constitutional Documents – The Authority has a suite of constitutional documents that can be found on its website. These include General Standing Orders, Procedural Standing Orders, Contract Standing Orders, Scheme of Delegations and Financial Regulations. These documents are regularly reviewed by the Monitoring Officer and Treasurer, and any identified changes needed are reported to the Authority for their approval.

In order to provide a practical method of operational and financial management throughout the organisation, officers have been given certain powers by the Authority in the form of Officer Delegations. Under the Local Government Act 1972, a list of these powers must be maintained and this is done by the Monitoring Officer who regularly reviews their effectiveness, and reports and agrees any changes with the Fire & Rescue Authority. These powers form an integral part of the Governance arrangements and were last reviewed in 2017.

The Medium Term Financial Strategy (MTFS) covers the period 2017-2018 to 2021-2022 and forms the cornerstone of the detailed budget construction annually. It provides a view on potential funding both nationally and locally and ensures the financial resilience and sustainability of the Authority in the coming years. The Strategy considers:

- An assessment of potential un-hypothecated grant settlements and local taxation yields for constituent councils based on best, worst and anticipated figures.
- Intelligence from outturn for last financial year and current year's revenue budget as the base.
- A view on relevant indices to be applied to the base.

- A snapshot of transformational projects currently identified within the period of the MTFS.
- A planned approach to reserves as a result of the MTFS projection and Reserve Strategy.
- A view on potential funding gaps and planned approaches to these over the period in question.

Strategic Plan – The plan outlines the direction that the organisation is taking and how we intend to meet the challenges over the period in order to continue to deliver high quality services that meet the needs of our communities.

The Authority's performance against the Strategic Plan, Statutory and local indicators is reported regularly to the Authority and Finance Audit and Performance (FAPM) Committee together with an overall report on these reported annually to the Authority and on our website through the document "How did we do in 2016-2017 and what we plan to do in 2018-2019".

Strategic Planning Framework – Our vision is to make South Wales safer by reducing risk. We recognise that safer communities can only be achieved by challenging and improving the way we work through a safe and competent workforce and effectively managing our resources. We therefore set a strategic direction for the organisation through our Strategic Plan which normally covers a five year period and addresses the requirements of the Well-being of Future Generations (Wales) Act 2015 together with the requirements of the Welsh Government's Wales Fire and Rescue Services National Framework Document 2016. Each directorate and department formulate their own plans in support of the strategic objectives which are reported on quarterly.

Risk Management Policy - sets out the process we use to identify and control exposure to uncertainty, which may impact on the achievement of our objectives or activities. The Authority's senior managers identify, review and score the Corporate Risks assessing them in terms of likelihood and impact; identify any actions in place and any further actions required to prevent the likelihood of risk occurring or to mitigate the impact should they occur. The Corporate Risk Register records these risks, and they are regularly monitored and reported. Strategic Risks are reported to the Fire Authority (FA) with Department Risks reported to the FAPM Committee.

The FAPM Committee considers the effectiveness of the Authority's risk management arrangements and the work of the Internal and External Auditors, and meets with the auditors privately following each committee meeting.

There are established arrangements for effective financial controls through the Authority's accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures and regular reporting to Authority Members and comparing actual revenue and capital expenditure to annual budgets. The Authority's Treasury Management arrangements follow professional practice and are subject to annual review by Members.

The Service has signed up to the Wales Fire & Rescue Services' Procurement Strategy which makes the best of opportunities to deliver efficiencies and other improvements in the acquisition of goods, services and the awarding of contracts across the Fire & Rescue Services in Wales.

The Director of Corporate Services is the designated Monitoring Officer in accordance with the Local Government and Housing Act 1989, and ensures compliance with established policies, procedures, laws and regulations.

The Authority has in place counter fraud arrangements and whistleblowing arrangements which are regularly reviewed by officers. There are agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000 which have been agreed by the Office of the Surveillance Commissioner and key staff have recently received training in the application of these regulations.

Internal Audit is outsourced to a private sector organisation, TIAA Limited, who work to the Public Sector Internal Audit Standards which are applicable to all Internal Audit providers in Wales. The Annual Internal Audit Plan is agreed by the Finance, Audit & Performance Management Committee which receives regular reports on the audits undertaken together with TIAA's annual report.

The Auditor General for Wales is the Authority's statutory auditor, with the audit provided by the Wales Audit Office. They provide challenge under the Public Audit (Wales) Measure 2004, The Local Government (Wales) Measure 2009, the Local Government Act 1999 and the Code of Audit Practice. They issue annual reports or statements on the performance of the Authority, namely to:

- Examine and certify if the financial statements are true and fair.
- Assess if proper arrangements to secure economy, efficiency and effectiveness in the use of resources have been made.
- Audit and assess if the duties and requirements of the Measure have been met.
- Undertake studies to enable considered recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.

The Auditor General and Wales Audit Office, present their Audit Plan to Members annually and regularly report progress and outcomes to them. The Wales Audit Office also has private meetings with Members following Finance, Audit & Performance Management Committee meetings where they can discuss issues without officers being present. All reports are published on the Wales Audit Office website (www.audit.wales).

The Annual Pay Policy Statement is approved by the Authority and published in accordance with the Localism Act 2011.

Members' allowances are paid in accordance with the Independent Remuneration Panel recommendations.

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 (the public sector Regulations), all public authorities are required to publish gender pay gap information by reporting the percentage differences in pay between their male and female employees. Public authorities must publish the required information based on data captured on the snapshot date of 31 March 2017 within 12 months. Accordingly the Authority published this information within the deadline.

All users of the Authority's ICT equipment use an online acceptance tool which individuals have to pass through before using internet facilities, agreeing to the organisation's ICT policies.

Related party returns are completed and signed by the Authority's Members and senior officers in accordance with the Code of Practice on Local Authority Accounting in the UK. These returns help to establish transactions and balances as required by the relevant accounting standard (International Accounting Standard 24, Related Party Disclosures). They indicate if the Officers within the Authority have been involved in any transactions with individuals or any relatives or close acquaintances.

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 Service who have responsibility for the development and maintenance of the governance environment, and the work and reports of the internal and external auditors. The work of peer assessors is also considered.

The regular and ongoing processes that have been applied to maintain, review and improve effectiveness of the Governance Framework include:

- Regular review of policies – procedures by the officer responsible and by the Service Senior Management Team.
- Regular review of the constitutional documents and ethical governance arrangements by the Monitoring Officer and Treasurer, which were last updated in February 2017
- The FAPM Committee regularly scrutinises the revenue and capital expenditure against the allocated budget together with regular scrutiny of the performance of the Service against the Strategic Plan.
- Senior officers regularly review the organisational risks with regular reports to Members through the Fire and Rescue Authority and the Finance Audit and Performance Management Committee.
- The Authority received annual reports from each of its committees and working group outlining the work that had been undertaken throughout the year, giving Members the opportunity to challenge and scrutinise any area that they feel fit.
- The appointed internal auditor 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 Head of Internal Audit has confirmed in her annual report that in her opinion the organisation has adequate and effective management, control and governance processes to manage the achievements of its objectives.

Head of Internal Audit Opinion

"TIAA is satisfied that for the areas reviewed during the year that South Wales Fire and Rescue Service has reasonable and effective risk management, control and governance processes in place. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the Authority's risk management, control and governance processes or the ongoing financial viability which must be obtained by the Authority from its various sources of assurance."

- The Auditor General's overall opinion of the Authority's 2016-2017 Statement of Accounts was positive, and the Auditor General has recently reported that he is intending to place a positive (unqualified) opinion on the 2017-18 statement of accounts. These positive outcomes are in no small measure down to the significant amount of work undertaken by the accountancy staff of the Fire & Rescue Service. A number of recommendations previously made continue to lead to improvements in our processes and these recommendations are being further developed. The Auditor General issued the following statement on the Authority's 2016-2017 accounts:

Auditor General's Opinion

"In my opinion the accounting statements and related notes (including the expenditure and funding analysis)

- give a true and fair view of the financial position of South Wales Fire and Rescue Authority as at 31 March 2017 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 2016-17."

- Furthermore, the Auditor General concludes the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- The South Wales Fire and Rescue [Authority Annual Audit Letter](#) states that the Auditor General for Wales is "satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources."
- [South Wales Fire and Rescue Authority: Annual Improvement Report 2016-17](#) prepared on behalf of the Auditor General for Wales states that "Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Authority is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18."

5. How We Met Significant Governance Issues and Challenges for 2017-2018

The Welsh Language (Wales) Measure 2011 replaced the Welsh Language Act 1993 and as part of the new legislation, in Wales the Welsh language has equal legal status with English and must not be treated less favourably. Public bodies no longer need to develop and implement Welsh Language schemes but instead now must comply with a set of national Welsh Language Standards.

The Welsh Language Commissioner has issued a Compliance Notice which sets out which Standards apply to South Wales Fire & Rescue Authority, along with any exemptions and their implementation dates.

The establishment of the Joint Control Centre with Mid and West Wales Fire & Rescue Service and South Wales Police was achieved in October 2017.

The Service has begun to rollout the Business Management Information System (BMIS) which is enabling us for the first time to link and display our overall performance to help inform us of how well we are doing as a Service and drive decision making. The functions that the system has delivered are our Business Plans and Station Community Risk

Management Plans (CRMPs), and our statistical performance data (including incident statistics). The previous OWLe system was replaced.

The aim of the Well-being of Future Generations Act 2015 is to improve the social, economic, environmental and cultural well-being of Wales. As one of the statutory partners on nine Public Service Boards, we supported the development of the Local Well-being Plans.

The services wellbeing statement is published in the Strategic Plan 2018-2023 which is available on our website.

In order to evaluate the success and outcomes of our fire safety interventions we have developed Safe and Well Visits that incorporate feedback from the recipient. We are also working with Local health boards to share information to identify the extent of unreported injuries resulting from fires to enable identification of potential vulnerable people or higher risk premises. Our success with one health board will be developed with other partners in 2018-2019.

The changes in the political landscape following the Local Government Elections and General Election brought significant change to the Fire & Rescue Authority from a membership perspective. A comprehensive Members' induction process was carried out not only informing Members of the work and statutory duties of the Authority and Service but also informing them of the challenges likely to occur in the future.

6. Significant Governance Issues and Challenges for 2018-2019

Over the next 12 months the Service will continue the rollout of the Business Management Information System (BMIS) which is enabling us for the first time to link and display our overall performance to help inform us of how well we are doing as a Service and drive decision making.

BMIS's further functions will include our corporate risks, actions arising from audits and projects information as well as additional statistical information.

The services integrated Core HR and Payroll system will be further developed this year with the rollout of the expenses, training, health and safety, sickness monitoring and time recording elements.

As one of the statutory partners on nine Public Service Boards, we will be supporting the local Well-being Plans, and will be required to evidence through annual review how the goals are being achieved. We will therefore need to ensure that we are able to deliver against the needs and expectations of each Public Service Board's objectives without impacting on the day-to-day service delivery of the organisation.

Changes to pension and tax legislation continues to provide challenges to the organisation and the capacity to deal with the complex issues with existing resources continues to be of concern with various options being explored.

Public Sector Funding continues to be a challenge. The impact of spending reductions in the public sector is a key issue for the Authority and the position that local authorities face is always taken into account when the Authority sets its annual budget, and the implications are always carefully considered when determining the Medium Term Financial Strategy.

Following a review of asset management arrangements the external auditor recommended that the Authority agrees common measures with the other Welsh Fire and Rescue Authorities around land and buildings to enable comparison of performance and the identification of developing trends and develop an action plan to record and enable monitoring of the work of the Estates Project Review Group. The auditor required us to define a process for updating asset and property condition records.

The Chief Fire and Rescue Adviser conducted a thematic review: ‘Learning lessons to avoid safety critical incidents’ to establish how well Fire and Rescue Authorities in Wales learn lessons from incidents to improve public and firefighter safety. There were eight recommendations from the thematic review; the full report is available on the Chief Fire and Rescue Adviser’s [website](#) on this [link](#).

In February 2017 the Welsh Government published for consultation a White Paper “Reforming Local Government: Resilient and Renewed”. Whilst the main focus was on Local Authorities, reference was made to Fire & Rescue Authorities. Specifically in regard to increasing accountability for governance and funding arrangements and reviewing the lack of separation between executive and scrutiny functions, and budgets being set without any formal external challenge or control.

It was proposed that governance arrangements change so that their membership will resemble that of Joint Governance Committees, and budgets would be set on a pooled basis by agreement. This would not change the role, number or boundaries of Fire and Rescue Authorities, or their existence as separate organisations empowered to employ staff, spend money and exercise functions on their own account.

It was also proposed that the 2009 Local Government Measure will no longer apply to Fire and Rescue Authorities from the same date as Local Authorities. Fire and Rescue Authorities will not be subject to the new improvement and performance regime set out for Local Authorities. A full consultation will be undertaken in due course as to the new governance, funding and performance management arrangements for Fire and Rescue Authorities.

Given the above we are still awaiting a further consultation document which will explore the issues and which is likely to bring considerable changes to the way that Fire & Rescue Authorities are run.

Further to this in March 2018 the Welsh Government published new plans to strengthen local government in Wales. The Green Paper consultation “Delivering for People Strengthening Local Government” sets out proposals to explore the possibility of creating larger, stronger councils. The Green Paper sets out for debate, possible options on how this could be achieved – from voluntary mergers, to a phased approach with early adopters merging first, followed by other authorities, to a comprehensive merger programme.

The proposals contained in the Green Paper would be delivered in combination with offering further powers and freedoms to local government, proposals to reinvigorate local democracy, increase transparency, provide more effective scrutiny and better support for elected members. This would form part of a broader approach which includes strengthened regional working in key areas.

Fire and Rescue Authorities were not directly referenced in this most recent consultation. However we will clearly monitor progress of this as it may have significant impact on the governance of the Fire and Rescue Authority.

7. Governance Action Plans

Governance Action Plan 2017-2018					
Issue	Action	Outcome	Lead Officer	Completion Date	Progress
Member Development and support	To provide members induction following elections and identify future training needs	Effective leadership throughout the Authority	Deputy Chief Officer	October 2017	Completed. Member induction training delivered.
Review of organisation structure to deliver Corporate objectives	Implement a new structure to support agreed strategic priorities	Strategic projects delivered	Executive Leadership Team		Ongoing rolled onto 2018/2019
Joint Public Service Centre (JPSC)	Creating a joint control centre with Mid & West FRS based in South Wales Police Public Service Centre	Improved services for citizens and service efficiencies delivered	Chief Fire Officer	October 2017	Completed. The JPSC was operational from October 2017.
Identify savings/projects for Medium Term Financial Strategy	Review revenue budget to identify savings and monitor impact of projects on future savings	Improved financial resilience to mitigate future funding reductions	Senior Management Team	December 2017	Completed. The budget setting process for 2018-2019 was delivered with minimal growth.
New public facing website	Public access pages on website to be improved taking advantage of new technologies	Improvements to content and accessibility for all users of our website	Head of Service Performance and Communications		Ongoing. Website launched in May 2018. Future developments planned as part of normal business.

Governance Action Plan 2017-2018					
Issue	Action	Outcome	Lead Officer	Completion Date	Progress
Business Management Information System	Implementation of a new system to collate performance, risk, audit and project data	Improved performance management and decision making using multiple data sources	Head of Service Performance and Communications		Ongoing. Business Information Management System (BMIS) launched in May 2018. Future developments will include our corporate risks, actions arising from audits and projects information as well as additional statistical information planned as part of normal business.
Welsh Language Standards	To ensure compliance with the relevant standards and guidance	Improved service delivery and wider engagement with communities	Director of Human Resources	March 2018	Completed. The service continues to support the Welsh Language Standards as part of Normal Business.

Governance Action Plan 2018-2019				
Issue	Action	Outcome	Lead Officer	Completion Date
Review of organisation structure to deliver Corporate objectives	Implement a new structure to support agreed strategic priorities	Strategic projects delivered	Executive Leadership Team (ELT)	September 2018
Phase 2 of Core Rollout	The services integrated Core HR and Payroll system will be further developed looking to rollout the expenses, training, health and safety, sickness monitoring and time recording elements.	Improved performance management and decision making using single system	Director of Human Resources	March 2019
Middle Manager Review	Review the Middle Manager Structure within the Service	Develop a Middle Manager structure that is efficient and effective to deliver our services.	Head of Finance	September 2018
Operational Response Review	Review the tactical Officer Roster	To deliver cover in an efficient and effective use of resources to ensure resilience at potentially high risk events and large scale exercises.	Head of Operational Risk Management	September 2018
Support Public Service Boards (PSB)	Support the nine PSB Boards we support in delivering their Local Wellbeing Plans	To ensure that we are able to deliver against the needs and expectations of each PSB's objectives without impacting on the day-to-day service delivery of the organisation.	ELT	March 2019
Co-location Projects	To review potential projects for co-location with Blue Light and Public Sector partners.	To deliver cover in an efficient and effective use of resources to ensure resilience at potentially	Head of Finance	March 2019

Governance Action Plan 2018-2019				
Issue	Action	Outcome	Lead Officer	Completion Date
Member Champions	<p>Lead Members to be appointed as Champions in key functions of the Service to provide additional scrutiny.</p> <p>Meetings to be arranged post each FA meeting between Champions and respective Head of Department for the following functions:</p> <ul style="list-style-type: none"> • ICT • Property • Fleet • Equipment 	The appointment of a nominated Member portfolio lead to each of the asset management strategies (Property, Fleet, Equipment and ICT) will ensure adequate engagement in the delivery and monitoring of the Capital Programme.	Monitoring Officer	September 2018
Scrutiny Arrangement Review	To review the scrutiny arrangements for working groups.	To ensure that robust scrutiny is applied to the decision making of the committees.	Monitoring Officer	September 2018

8. We propose to take steps to address all of the above matters to further enhance our governance arrangements during the coming year as outlined in the plan above. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review. However due to external influences beyond our control it may not be possible to achieve everything identified.

Internal documents referred to in this statement can be found on our website at www.southwales-fire.gov.uk

Signed:

Fire & Rescue Authority Chair

Signed:

Chief Fire Officer

Date:

AUDITORS REPORT

Auditor General for Wales report to the Members of South Wales Fire & Rescue Authority

Opinion

I have audited the financial statements of

- the South Wales Fire & Rescue Authority; and
- the Fire Fighters Pension Fund Account

for the year ended 31st March 2018 under the Public Audit (Wales) Act 2004.

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

The Fire Fighters' Pension Fund's 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 2018 based on International Financial Reporting Standards (IFRSs).

As I stated in my report dated 25 September 2018, in my opinion the financial statements:

- give a true and fair view of the financial position of South Wales Fire & Rescue Authority and the Fire Fighters' Pension Fund as at 31st March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018.

Basis for opinion

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

Conclusions relating to going concern

As stated in my report dated 25 September 2018, I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

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

Other information

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

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

Report on other requirements

Opinion on other matters

As stated in my report dated 25 September 2018, in my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Fire & Rescue Authority and its environment obtained in the course of the audit, as stated in my report dated 25 September 2018, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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 financial 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.

Certificate of completion of audit

My report dated 25 September 2018 contained an audit opinion on the 2017-18 accounts and explained that the audit could not be formally concluded until I completed my consideration of matters relating to the Fire Fighters' Pension Fund. This work has now been completed and the audit issues resolved.

I certify that I have completed the audit of the accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Practice issued by the Auditor General for Wales.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
19 February 2019

24 Cathedral Road
Cardiff
CF11 9LJ

MOVEMENT IN RESERVES STATEMENT (MiRS)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2017 carried forward	-3,000	-15,591	-752	-19,343	836,005	816,662
Total Comprehensive Income and Expenditure	22,084	0	0	22,084	28,279	50,363
Adjustments between accounting basis and funding basis under regulations (note 3)	-21,746	278	-35	-21,503	21,503	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	338	278	-35	581	49,782	50,363
Transfers to/(from) Earmarked Reserves	-338	338	0	0	0	0
(Increase)/Decrease in 2017/18	0	616	-35	581	49,782	50,363
Balance as at 31 March 2018 carried forward	-3,000	-14,975	-787	-18,762	885,787	867,025

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 carried forward	-3,000	-13,350	-527	-16,877	675,746	658,869
Total Comprehensive Income and Expenditure	15,073	0	0	15,073	142,720	157,793
Adjustments between accounting basis and funding basis under regulations (note 3)	-17,381	67	-225	-17,539	17,539	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	-2,308	67	-225	-2,466	160,259	157,793
Transfers to/(from) Earmarked Reserves	2,308	-2,308	0	0	0	0
(Increase)/Decrease in 2016/17	0	-2,241	-225	-2,466	160,259	157,793
Balance as at 31 March 2017 carried forward	-3,000	-15,591	-752	-19,343	836,005	816,662

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)

2016/17				2017/18			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
62,523	-3,749	58,774	Fire Fighting costs	73,522	-4,922	68,600	
62,523	-3,749	58,774	Cost of Services	73,522	-4,922	68,600	
0	-22	-22	Other operating income & expenditure (note 6)	0	-12	-12	
27,100	-68	27,032	Financing and investment income and expenditure (note 7)	24,935	-72	24,863	
0	-70,711	-70,711	Taxation and non-specific grant income (note 8)	0	-71,367	-71,367	
		15,073	Deficit on Provision of Services			22,084	
150	0	150	Impairment losses on non current assets charged to revaluation reserve (note 21)	0	0	0	
142,570	0	142,570	Re-measurement of the net defined benefit (asset) / liability (note 23 & 37)	28,279	0	28,279	
142,720	0	142,720	Other Comprehensive (Income) and Expenditure (MIRS)	28,279	0	28,279	
		157,793	Total Comprehensive (Income) and Expenditure			50,363	

BALANCE SHEET

31 March 2017		31 March 2018	
£000		£000	Notes
80,478	Property, Plant and Equipment	80,500	9
603	Intangible assets	283	9
0	Long Term Debtors	600	15
81,081	Long Term Assets	81,383	
0	Assets Held for Sale	0	10
558	Inventories	701	14
6,674	Short Term Debtors	4,372	15
10,488	Cash and Cash Equivalents	7,304	16
4,000	Short Term Investment	5,000	13
21,720	Current Assets	17,377	
-383	Short Term Liabilities	-81	36
-3,634	Short Term Borrowing	-3,274	11
-4,789	Short Term Creditors	-4,796	17
-38	Provisions	-38	18
-8,844	Current Liabilities	-8,189	
-33,809	Long Term Borrowing	-30,987	11
-4,780	Other Long Term Liabilities – PFI	-4,699	36
-872,030	Liability related to defined benefit pension schemes	-921,910	37
-910,619	Long Term Liabilities	-957,596	
-816,662	Net Assets	-867,025	
-19,343	Usable Reserves	-18,762	19
836,005	Unusable Reserves	885,787	20
816,662	Total Reserves	867,025	

CASH FLOW STATEMENT

2016/17		2017/18
£000		£000
15,073	Net deficit on the provision of services (CIES & note 25)	22,084
-31,737	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 25)	-27,665
-1,880	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 25)	-1,644
-18,544	Net cash (inflow)/outflow from Operating Activities	-7,225
5,633	Investing Activities (note 26)	5,007
4,175	Financing Activities (note 26)	5,402
-8,736	Net (increase) or decrease in cash and cash equivalents	3,184
1,752	Cash and cash equivalents at the beginning of the reporting period	10,488
10,488	Cash and cash equivalents at the end of the reporting period (note 16)	7,304

Note

A detailed breakdown of the above is provided in note 25 and 26

ACCOUNTING POLICIES

GENERAL

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position for the year ended 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), 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.

INCOME AND EXPENDITURE

Revenue

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

- Fees, charges and rents due 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 from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

- Depreciation attributable to the assets used by the service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

The Authority is not required to raise contributions 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 MiRS.

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 ('accumulated absences') 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. Fire Fighter Pension Schemes (FPS)

The Fire Fighters pension schemes are unfunded defined benefit schemes, 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 23, 37 and the 'Fire fighters Pension Fund Account' 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 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 37 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).

UK EXIT FROM THE EUROPEAN UNION

The United Kingdom Government invoked article 50 of the Lisbon Treaty on March 29 2017 to begin the process of leaving the European Union. Negotiations over the exit began in June 2017 and are expected to take two years.

There are no immediate changes to reporting requirements, and the Authority will continue to monitor the short and longer term impacts of market volatility, funding streams and the effect on the fair value of financial assets and liabilities. The risks associated with these will also be considered at a strategic level.

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

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

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

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

FINANCIAL INSTRUMENTS

A Financial Instrument is defined as 'any contract that gives rise to a financial asset of one entity and a financial liability 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.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments are made in accordance with the annual treasury strategy and are reported in the Balance Sheet at a non-tradable, market value (in sterling), supported by an additional note providing itemised detail.

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 cost of service 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.

PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES

Recognition

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

Property, Plant, Equipment and Intangibles are capitalised where:

- it is held for use in delivering services;
- 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.

Measurement (Valuation Basis)

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.

Property is subsequently valued for the financial statements on the basis of 'fair value' (FV) and, where the property is of a specialist nature, i.e. operational and there is no active market, depreciated replacement cost (DRC) has been applied.

Land and building assets are valued every 5 years by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Annual impairment reviews are carried out in other years internally. 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.

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

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

- Assets under construction - depreciated historical cost.

- Surplus assets – fair value.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

The Revaluation Reserve contains revaluation gains recognised since 31 March 2010 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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.

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'.

Depreciation

Depreciation is provided for on all Property, Plant, Equipment and Intangible assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight line allocation over the remaining useful life (if bought before 31 December in the year of account).
- Land – depreciation is not applied to land
- Software is depreciated on a straight line basis over periods of up to 5 years.
- No residual value is accounted for

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

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal of assets are categorised as capital receipts and credited to the Capital Receipts Reserve to be used only for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against contributions, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 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.

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

IFRS 9 – Financial Instruments

IFRS 15 – Revenue from Contracts with Customers including amendments to IFRS 15

Clarifications to IFRS 15 Revenue from Contracts with Customers

Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 – Statement of Cash Flows: Disclosure Initiative

IFRS 16 - Leases

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, 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.

Note 2 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION

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 2018 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 & Intangibles (note 9)	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.
Pension Liabilities (note 37)	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.

Note 3 - 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

2016/17					2017/18			
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
-4,466			4,466	Adjustments primarily involving the Capital Adjustment Account:	-4,509			4,509
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
				Charges for depreciation and impairment of non-current assets				
				Revaluation losses on Property Plant and Equipment				
				Capital grants and contributions applied				
				Fair value adjustment on assets held for sale				
				Adjustment to deferred liability on finance leases				
				Postings to PFI				
70			-70	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	169			-169
101	-101				53	-53		
22		-224	202		12		-35	23
-4,273	-101	-224	4,598		-4,275	-53	-35	4,363
2,816	168		-2,816	Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	3,036	331		-3,036
				Statutory provision for the financing of Capital Investment				
				Capital expenditure charged against the General Fund				
				Adjustments primarily involving the capital receipts reserve:				
				Transfer of cash sale proceeds credited as part of the gain/loss on disposal				
291			-459	Contribution from the Capital Receipts Reserve to finance new capital expenditure	890			-1,221
3,107	168	0	-3,275		3,926	331		-4,257
-37,980			37,980	Adjustment primarily involving the Deferred Capital Receipts Reserve:	-41,040			41,040
				Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
				Adjustments primarily involving the Pensions Reserve:				
				Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement				
				Employer's pension contributions and direct payments to pensioners payable in the year				
22,040			-22,040		19,440			-19,440
-15,940	0	0	15,940		-21,600			21,600
-275			275	Adjustment primarily involving the Accumulated Absences Account:	203			-203
				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 24)				
-17,381	67	-224	17,538	Total Adjustments:	-21,746	278	-35	21,503

Note 4 - EXPENDITURE AND FUNDING ANALYSIS (EFA)

2016/17				2017/18		
Net Expenditure Chargeable to General Fund £000	Adjustments between the funding & Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to General Fund £000	Adjustments between the funding & Accounting Basis £000	Net Expenditure in the CIES £000
67,203	-8,429	58,774	Fire Fighting Services	70,544	-1,944	68,600
67,203	-8,429	58,774	Net Cost of Services	70,544	-1,944	68,600
-69,511	25,810	-43,701	Other Income and Expenditure	-70,206	23,690	-46,516
-2,308	17,381	15,073	(Surplus) / Deficit (Note 4 and Note 5)	338	21,746	22,084
-3,000			Opening General Fund Balance	-3,000		
-2,308			+/- (Surplus) / Deficit on General Fund	338		
2,308			Transfers to / (from) earmarked reserves	-338		
-3,000			Closing General Fund Balance at 31 March	-3,000		

				2017/18
Adjustments from General Fund to arrive at the CIES Amounts	Adj's for Capital Purposes £000	Net change for the Pensions Adj's £000	Other Differences £000	Total £000
Fire Fighting Services	797	-1,450	-1,291	-1,944
Net Cost of Services	797	-1,450	-1,291	-1,944
Other income and expenditure from the Expenditure and Funding Analysis	-12	23,050	652	23,690
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services	785	21,600	-639	21,746

				2016/17
Adjustments from General Fund to arrive at the CIES Amounts	Adj's for Capital Purposes £000	Net change for the Pensions Adj's £000	Other Differences £000	Total £000
Fire Fighting Services	1,637	-9,190	-876	-8,429
Net Cost of Services	1,637	-9,190	-876	-8,429
Other income and expenditure from the Expenditure and Funding Analysis	-22	25,130	702	25,810
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services	1,615	15,940	-174	17,381

Note 5 - EXPENDITURE AND INCOME ANALYSED BY NATURE

The Authority's Income & Expenditure (I&E) is analysed as follows:

	2016/17 £000	2017/18 £000
Expenditure		
Salaries, NI & Superann	51,317	52,731
Pensions (ill health)	964	988
Travel & Subsistence	395	455
Total Employee Costs	52,676	54,174
Premises Related Expenses	4,356	5,666
Training Expenses	1,381	1,350
Supplies & Services	3,694	4,128
Transport Related Expenses	1,173	1,121
Contracted Services	890	827
Capital Costs / leases	4,375	5,132
Gross Expenditure	68,545	72,398
Income	-1,342	-1,854
- Surplus / Deficit for the year	67,203	70,544

Reconciliation of I&E to the Provision of Services in the CIES

Amounts in the CIES not reported In the I&E

Accumulated absences	275	-203
IAS 19 adjustments	15,940	21,600
PFI operating costs	1,205	1,213
Financing adj re: PFI /Leases	504	496
Depreciation (Inc impairments)	4,466	4,509
Capital grant	-70	-169
Non-current asset disposal	-22	-12
Contributions from constituent authorities	-69,511	-70,206
Grant	-1,200	-1,161

Amounts included in I&E not in the CIES

CERA	-291	-890
MRP (exc PFI & Leases)	-2,469	-2,653
Finance lease charges	-90	-90
Contribution to PFI	-867	-894

Surplus / Deficit on the Provision of Services	15,073	22,084
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Note 6 - OTHER OPERATING EXPENDITURE AND INCOME

2016/17		2017/18
£000		£000
-22	Net (Gain)/Loss on disposal of non-current assets	-12
-22	Total	-12

Note 7 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17		2017/18
£000		£000
1,970	Interest payable and similar charges	1,885
25,130	Pensions interest cost and expected return on pensions assets	23,050
-68	Interest receivable and similar income	-72
27,032	Total	24,863

Note 8 - TAXATION AND NON SPECIFIC GRANT INCOME

2016/17		2017/18
£000		£000
69,511	Local Authority Contributions (note 31)	70,206
1,200	Government Grants – PFI (note 36)	1,161
70,711	Total	71,367

Note 9 - PLANT, PROPERTY, EQUIPMENT (PPE) & INTANGIBLE ASSETS

Fixed Assets 2017/18

	Land & Buildings	Vehicles & Equipment	Training Centre / PFI	PPE Total	Intangible Assets Total	AUC Total
<u>Cost/Valuation</u>	£000	£000	£000	£000	£000	£000
Gross book value at 31 March 2017	65,045	30,588	5,750	101,383	1,244	168
Additions	1,520	2,681	0	4,201	25	8
Assets under construction	0	0	0	0		
Reclassification of Assets Under Construction	0	158	0	158	10	-168
Disposal of Assets	0	-950	0	-950	0	0
Impairment	-307	-225		-532		
Gross book value at 31 March 2018	66,258	32,252	5,750	104,260	1,279	8
<u>Depreciation and Impairments</u>						
Accumulated depreciation at 31 March 2017	3,998	16,401	506	20,905	809	0
Annual depreciation	1,781	1,841	159	3,781	195	0
Disposal of Assets	0	-926	0	-926	0	0
Accumulated depreciation as at 31 March 2018	5,779	17,316	665	23,760	1,004	0
Net book value at 31 March 2017	61,047	14,187	5,244	80,478	435	168
Net book value at 31 March 2018	60,479	14,936	5,085	80,500	275	8

Note: all properties with exception of PFI are freehold.

'Assets under construction' additions relate to the breathing apparatus project which will be progressed during 18/19. Other assets under construction relate to a new command and control system which is operated between the Authority, Mid & West Wales Fire and Rescue Service (MWWFRS) and South Wales Police (which also hosts the system). The system was operational during 2017/18, with each partner committed to using the system for at least 8 years. The Authority and MWWFRS will share the costs of the project equally (50:50).

Fixed Assets 2016/17

	Land & Buildings	Vehicles & Equipment	Training Centre / PFI	PPE Total	Intangible Assets Total
<u>Cost/Valuation</u>	£000	£000	£000	£000	£000
Gross book value at 31 March 2016	65,021	31,639	5,750	102,410	0
Additions	394	1,850	0	2,244	61
Impairment	-150	0	0	-150	0
Assets under construction	0	0	0	0	168
Reclassification of Equipment to Intangibles	0	-1,183	0	-1,183	1,183
Disposal of Assets	0	-1,718	0	-1,718	0
Impairment	-220	0	0	-220	0
Gross book value at 31 March 2017	65,045	30,588	5,750	101,383	1,412
<u>Depreciation and Impairments</u>					
Accumulated depreciation at 31 March 2016	2,019	16,763	347	19,129	0
Annual depreciation	1,979	1,900	159	4,038	208
Reclassification of Equipment to Intangibles	0	-601	0	-601	601
Disposal of Assets	0	-1,661	0	-1,661	0
Accumulated depreciation as at 31 March 2017	3,998	16,401	506	20,905	809
Net book value at 31 March 2016	63,002	14,876	5,403	83,281	0
Net book value at 31 March 2017	61,047	14,187	5,244	80,478	603

Note: all properties with exception of PFI are freehold.

'Assets under construction' relates to a new command and control system which is operated between the Authority, Mid & West Wales Fire and Rescue Service (MWWFRS) and South Wales Police (which also hosts the system). The system was operational during 2017/18, with each partner committed to using the system for at least 8 years. The Authority and MWWFRS will share the costs of the project equally (50:50).

Note 10 - HELD FOR SALE ASSETS

Land & Buildings 2016/17 £000	Cost/Valuation	Land & Buildings 2017/18 £000
145	Net book value of AHFS at 31 March (note 9)	0
-145	Disposal of AHFS	0
0	Net book value at 31 March of AHFS	0

Note 11 - 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 2017	31 March 2018	31 March 2017	31 March 2018
Borrowing	£'000	£'000	£'000	£'000
Financial liabilities (principal amount)	33,809	30,987	3,416	2,916
+ Accrued Interest (accrued interest is short term)	0	0	218	358
Total borrowings	33,809	30,987	3,634	3,274
PFI and finance lease liabilities	4,780	4,698	383	81
Creditors				
Financial liabilities at amortised cost	0	0	4,789	4,796
Investments				
Loans and receivables (principal amount)	0	0	4,000	5,000
+ Accrued interest	0	0	10	35
Cash and Cash Equivalents	0	0	4,000	5,000
Total investments	0	0	8,010	10,035
Total debtors	0	600	6,674	4,372

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. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

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				
	2016/17		2017/18	
	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 in Surplus or Deficit on the Provision of Services	1,970	0	1,885	0
Interest income in Surplus or Deficit on the Provision of Services	0	68	0	72
Net gain/(loss) for the year	1,970	68	1,885	72

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 17 £000's	Actual 31 March 18 £000's
Less than 1 year	0%	25%	3,416	2,916
Between 1 and 2 years	0%	30%	2,916	4,510
Between 2 and 5 years	0%	50%	7,747	4,740
Between 5 and 10 years	0%	70%	7,408	7,303
More than 10years	0%	95%	15,738	14,434
Total			37,225	33,903

The debt portfolio comprises of both Equal Installment of Principal (EIP) and Maturity loans and the average debt rate equates to 4.228%. Loans outstanding at the balance sheet date comprise £31.84 million with PWLB, £2 million with WG as invest to save borrowing became payable over a 3 year period commencing 2017/18 and £62k with Salix. Invest to save funding is interest free financing for the Joint Public Sector Centre that will provide sustainable budget savings. Salix Funding of £83k became payable over a 6 year period commencing 2016/17. Salix Finance Ltd is an independent, not for profit company partly funded by Welsh Government. It delivers 100% interest-free financing to the public sector to improve energy efficiency and reduce carbon emissions.

Note 12 - FAIR VALUE OF ASSETS & 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.

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.

Fair values pertaining to loans are as follows:

£000s	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	34,148	40,668	31,841	37,398
Non-PWLB debt	3,076	3,076	2,062	2,062
Total debt	37,224	43,744	33,903	39,460

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.

Note 13 - SHORT TERM INVESTMENTS

In accordance with the treasury management strategy, £5 million of short term investments have been made during the year with a 95 day notice period.

Note 14 - INVENTORIES

An analysis of year end stock balances and movements during the year is shown below.

	Consumables		Equipment		Petrol & Diesel		Vehicle Maintenance spares		PPE & Uniforms		Home Fire Safety		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance outstanding at start of year	26	12	45	47	67	74	63	59	385	325	30	41	616	558
Purchases	30	49	73	111	355	350	68	56	251	584	556	468	1,333	1,618
Recognised as an expense in the year	-44	-50	-74	-100	-348	-344	-72	-58	-411	-605	-504	-462	-1,453	-1,619
*Written-off balances	0	15	3	0	0	0	0	0	100	127	-41	2	62	144
Balance outstanding at year-end	12	26	47	58	74	80	59	57	325	431	41	49	558	701

* Includes returned stock, obsolete write off and price/quantity variances.

Note 15 - DEBTORS

31 March 2017 £000		31 March 2018 £000
4,304	Central Government Bodies	1,752
972	Other Local Authorities*	2,044
5	NHS Bodies	176
0	Public Corporations and Trading Funds	26
1,393	Other Entities and Individuals	974
6,674	Total	4,972

* Includes long term debtors of £600k

Note 16 - CASH & CASH EQUIVALENTS

31 March 2017 £000		31 March 2018 £000
1	Cash held by the Authority	1
6,487	Bank current accounts	2,303
4,000	Fixed term deposits	5,000
10,488	Total	7,304

Note 17 - CREDITORS

31 March 2017 £000		31 March 2018 £000
1,214	Central government bodies	1,346
339	Other local authorities	548
80	NHS Bodies	7
99	Public Corporations and Trading Funds	56
2,340	Other Entities and Individuals	2,325
717	Accumulated Absences (note 24)	514
4,789	Total	4,796

Note 18 - PROVISIONS

31 March 2017 £000		31 March 2018 £000
38	Provisions	38
38	Total	38

The provision is in respect of a legal ruling relating to the part time worker regulations.

Note 19 - USABLE RESERVES

Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000		Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
407	-407	0	0	Day Crewing Reserve	0	0	0
9,156	-2,281	0	6,875	Change Management Reserve	-205	4	6,674
3,697	0	101	3,798	PFI Equalisation Reserve	0	53	3,851
90	0	328	418	Managed Under Spend Reserve	-351	34	101
0	0	4,500	4,500	Compartment Fire Behaviour Training (CFBT) Reserve	-151	0	4,349
527	-600	825	752	Capital Receipts	0	35	787
13,877	-3,288	5,754	16,343	<i>Total (excluding General Fund)</i>	-707	126	15,762
3,000	0	0	3,000	General Fund	0	0	3,000
16,877	-3,288	5,754	19,343	Total Usable Reserves	-707	126	18,762

Movement in earmarked reserves have occurred during the year, as follows;

- The revenue over spend will be funded from the change management reserve as much of this relates to investment in change programmes. Other movements in the year relate to the final costs of the command and control system as part of the collaborative Joint Public Service Centre; energy efficiency costs in regards to property and a transfer from the managed under spend reserve.
- The PFI equalisation reserve exists to ensure the necessary funds are available to accommodate future payments to the PFI provider.
- £351k has been spent from the managed under spend reserve, additional funds of £34k have been transferred in and £4k has been transferred to the change management reserve as requested by service managers.
- Movements on the CFBT reserve relate to the initial costs of the project.
- Capital receipts are ring fenced to fund capital investment although none have been applied as at the balance sheet date. Capital receipts of £35k were received during the year.

General Fund

In addition to the earmarked reserves above, the General Fund Balance is sustained at a minimum level deemed adequate to provide a level of operational resilience in respect of major incidence/catastrophes.

Note 20 - UNUSABLE RESERVES

31 March 2017		31 March 2018
£000		£000
-13,937	Revaluation Reserve (note 21)	-13,237
-22,805	Capital Adjustment Account (note 22)	-23,400
872,030	Pensions Reserve (note 23)	921,910
717	Accumulated Absence Reserve (note 24)	514
<hr/>		<hr/>
836,005	Total Unusable Reserves	885,787

Note 21 - 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 and gains are realised.

The reserve contains only revaluation gains accumulated since 31 March 2010, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17		2017/18
£000		£000
-14,943	Balance at 1 April	-13,937
150	Impairment adjustment	
850	Difference between fair value and historical cost depreciation (Note 22)	700
6	Accumulated gains on disposal of assets	0
-13,937	Balance at 31 March	-13,237

Note 22 - 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 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.

2016/17	Capital Adjustment Account	2017/18
£000		£000
-22,673	Balance as at 1 April	-22,805
-2,816	MRP (note 32)	-3,036
3,396	Depreciation (net of revaluation)	3,276
220	Impairments (note 9)	532
-291	Capital expenditure financed from revenue resources (CERA) (note 32)	-890
-70	Capital Grants (note 32)	-169
-168	Assets funded from General Fund (note 32)	-331
197	Net non-current asset disposal	23
-600	Assets funded from capital receipts	0
-22,805		-23,400

Note 23 - 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.

2016/17 £000		2017/18 £000
713,520	Balance at 1 April	872,030
142,570	Remeasurements of the net defined benefit liability (asset)	28,280
37,980	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	41,040
-22,040	Employer's pensions contributions and direct payments to pensioners payable in the year	-19,440
872,030	Balance at 31 March	921,910

Note 24 - 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.

2016/17 £000		2017/18 £000
-442	Balance at 1 April	-717
442	Settlement or cancellation of accrual made at the end of the preceding year	717
717	Amounts accrued at the end of the current year (note 17)	514
-275	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. (note 3)	203
-717	Balance at 31 March	-514

Note 25 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

2016/17 £000		2017/18 £000
15,073	Net Deficit on the Provision of Services	22,084
	Adjustments to Net Deficit for Non Cash Movements;	
-59	Increases/(Decrease) in stock	143
-11,168	Increase/(Decrease) in debtors	-1,703
149	(Increase)/Decrease in creditors	-211
-4,466	Depreciation charge (inc impairment)	-4,509
22	Gain on asset disposal	12
-15,940	IAS 19 adjustments	-21,600
-275	Other non cash-items charged to the net deficit on the provision of services	203
-31,737	Less Total	-27,665
	Adjustments for items included in the net deficit on the Provision of Services that are Investing and Financing Activities;	
-1,970	Interest Payable	-1,885
68	Interest Receivable	72
22	Capital Grants	169
-1,880	Less Total	-1,644
-18,544	Net Cash Flow from Operating Activity	-7,225

Note 26 - CASH FLOW – INVESTING AND FINANCING ACTIVITIES

2016/17		2017/18
£000		£000
2,457	Purchase of property, plant and equipment, investment property and intangible assets	4,234
4,000	Purchase of short and long term investments	5,000
-824	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-35
0	Proceeds from short-term and long-term investments	-4,000
0	Capital Grants received	-192
5,633	Net cash (in)/outflow from investing activities	5,007
0	Cash receipts of short and long-term borrowing	0
-58	Other receipts from financing activities	-48
347	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	383
1,909	Repayments of short and long-term borrowing	3,322
1,977	Other payments for financing activities	1,745
4,175	Net cash (in)/outflow from financing activities	5,402

Note 27 - MEMBERS' ALLOWANCES

During 2017/2018, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

2016/17		2017/18
£000		£000
59	Total of members' allowances	54
4	Total of members' expenses	3
63	Total	57

The Fire Authority comprises 24 councillors from the 10 Local Authorities that combined to form it. All members' expenses were paid as a reimbursement of costs in pursuance of duties.

Note 28 - OFFICERS' REMUNERATION

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

		Salary	Expenses	*Benefits in Kind	Total Excluding Pension	Employers Pension	Gross remuneration
Title	Year	£000	£000	£000	£000	£000	£000
Chief Fire Officer	2017/18	130	1	6	137	33	170
	2016/17	129	2	6	137	33	170
Deputy Chief Officer	2017/18	99	2	0	101	15	116
	2016/17	98	2	0	100	14	114
Asst Chief Fire Officer - Service Delivery	2017/18	98	1	4	103	25	128
	2016/17	97	1	4	102	25	127
Asst Chief Fire Officer - Technical Services	2017/18	96	1	4	101	14	115
	2016/17	97	1	4	102	14	116
Asst Chief Officer - People Services (A)	2017/18	70	1	0	71	11	82
	2016/17	92	2	0	94	13	107
Asst Chief Officer - People Services (B)	2017/18	25	0	4	26	4	30

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

* In 2017/18 there was a change in post holder for People Services with B's appointment on 27/11/2017 and A's departure on 31/12/2017

* Asst CFO – Technical services took unpaid leave 10/04/2017 – 16/04/2017

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

Salary Bracket	Number 2016/17	Number 2017/18
£60,000 to £64,999	10	13
£65,000 to £69,999	1	2
£70,000 to £74,999	0	2
£75,000 to £79,999	2	1
£80,000 to £84,999	3	2
£85,000 to £89,999	0	0
£90,000 to £94,999	1	0
£95,000 to £99,999	2	2
£100,000 to £104,999	1	1
£105,000 to £109,999	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	0
£135,000 to £139,999	0	1

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 or arrears of pay. Individuals reported in the above salary brackets are also included in the senior officers' remuneration table above.

The median remuneration across the Service for 2017/18 is £30k and the ratio of the CFO remuneration to the median remuneration is 4.35:1.

For 2016/17 the median remuneration across the Service was £30k and the ratio of the CFO remuneration to the median remuneration is 4.35:1.

Note 29 - EXTERNAL AUDIT COSTS

2016/2017		2017/2018
£000		£000
27	Fees / refunds for previous years	-11
76	Current year fees paid / due to the Auditor General for Wales	72
103	Total	61

Note 30 - 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. (Grants from Welsh Government are marked WG)

2016/17	Revenue	2017/18
£'000		£'000
751	Community Risk Reduction (WG)	718
936	New Dimensions and USAR Funding (WG)	911
38	MTFA (WG)	20
60	Crown Premises Inspector (WG)	60
121	Other*	195
632	Fire Link (WG)	632
18	PPE & Defibrillators (WG)	0
0	Anti-Social Behaviour	26
0	Water Equipment (WG)	252
0	High Rise Living Team (WG)	113
0	Mobile Phones & Tablets (WG)	173
2,556		3,100
	Capital	
23	CS Domestic Abuse Vehicles (WG)	0
47	Lightweight PPE (WG)	0
0	Phoenix Simulator (WG)	21
0	NR Chemical Detection Unit (WG)	45
0	Water Rescue (WG)	103
70		169

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

Note 31 - 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 and Rescue Authority has a number of links with constituent authorities. Each member of the Fire and Rescue Authority is also a member of one of the constituent local government authorities.

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

	In Year Transactions		Balances Outstanding at 31 st March, 2018	
	Income	Expenditure	Owed to Authority (Debtor)	Owed by Authority (Creditor)
	£000	£000	£000	£000
Blaenau Gwent CBC	3,221	3	0	0
Bridgend CBC	6,603	0	0	0
Caerphilly CBC	8,378	7	0	0
Cardiff CC	16,858	105	0	2
Merthyr Tydfil CBC	2,743	3	0	0
Monmouthshire CC	4,301	4	0	0
Newport CBC	6,871	14	0	0
Rhondda Cynon Taf CBC	11,033	147	0	4
Torfaen CBC	4,259	3	0	0
The Vale of Glamorgan CBC	5,939	9	0	0
	70,206	295	0	6

Payments include the costs for supplies and services. Also included are associated costs of unfunded pensions, fire pension reforms and payroll charges. National Non Domestic Rates (NNDR) and salary deductions have been excluded from the above.

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

			In Year Transactions		Balances Outstanding at 31 st March, 2018	
Related Party Organisation	Nature of relationship	No. of transactions	Income £	Expenditure £	Owed to Authority (Debtor) £	Owed by Authority (Creditor) £
University Of South Wales	FAPM Member – Employee	10	0	4,928	0	0
Law Society	FAPM Member – Member of professional association	1	0	636	0	0
Welsh Assembly Government	FAPM Member – Employee	5	0	2,951	0	0
Aneurin Bevan	FAPM Member – Nominee	1	0	1,281	0	0
Gwent Police	Deputy Chief Officer - Spouse	7	39,454	61,373	7,422	15,441

The Deputy Chief Officer is the spouse of the Chief Executive of Merthyr Tydfil County Borough Council. There are 8 payments (refuse collection) made to Merthyr Tydfil County Borough Council as detailed in the earlier table.

Welsh Government is regarded as a related party due to its control of relevant legislation and funding. Significant financial transactions with Welsh Government include Invest to Save where during 2017/18 the Authority paid £1 million against the loan with £2 million outstanding at the year end. In addition, further transactions relate to a top up grant for funding Fire Fighters' pensions (see Firefighter's Pension Fund Account see Note 37) and grants (see Note 30).

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

Note 32 - CAPITAL EXPENDITURE AND CAPITAL FINANCING

2016/17		2017/18
£000		£000
45,810	<i>Opening Capital Financing Requirement (CFR)</i>	44,338
2,473	Property, Plant and Equipment investment (note 9)	4,234
2,473	Total Additions	4,234
	<i>Sources of finance</i>	
-70	Government grants and other contributions (note 30)	-169
-168	Sums set aside from revenue (note 22)	-331
-291	Direct revenue contributions (note 22)	-890
-2,816	MRP/loans fund principal (note 22)	-3,036
-600	Capital Receipts	0
44,338	<i>Closing Capital Financing Requirement (CFR)</i>	44,146
	<i>Increase in underlying need to borrow</i>	
-1,472	Increase/(Decrease) in CFR	-192

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.

Note 33 - FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

2016/17		2017/18
£000		£000
0	External loans	0
291	Revenue contribution (note 32)	890
168	Reserves (note 22)	331
70	Grant funding (note 30)	169
1,344	Internal Borrowing	2,844
600	Capital Receipts (note 22 & 32)	0
2,473	Total	4,234

Note 34 - 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 2018 for future periods equates to £1.437m (2016/17:£2.118m). The commitments relate to property refurbishments and the ICT programme.

Note 35 - 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 2017	31 March 2018
	£000	£000
Vehicles	86	0

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 2017	31 March 2018
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):	90	0
Finance costs payable in future years	0	0
Minimum lease payments	90	0

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

	Minimum Lease Payment		Finance Lease Liabilities	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Not later than one year	90	0	90	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	90	0	90	0

Note 36 - 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 2018, the balance on the PFI equalisation earmarked reserve is £3.851 million. The total unitary payment is divided into the service charge element, the repayment of the liability element and the interest element and these payments will be made over the life of the PFI contract. Annual funding from the Welsh Government has been and will be receivable for the life of the contract. The PFI Finance Lease Liability will be written down over the life of the PFI contract.

The below table details the aforementioned movement;

PFI Element		2016/17 £'000	2017/18 £'000	2018/19 £'000	Payable 2 - 5 years £'000	Payable 6 - 10 years £'000	Payable 11 - 16 years £'000
Unitary Charge							
	Service Charge	1,205	1,213	1,571	5,843	8,196	3,528
	Interest	504	496	390	1,781	1,820	868
	Finance Lease	257	293	81	1,021	1,971	1,706
		1,966	2,002	2,042	8,645	11,987	6,102
Grant Funding		-1,200	-1,161	-1,122	-4,094	-4,236	-1,756
Fire Authority Contribution		-867	-894	-920	-3,966	-5,664	-3,167
Net contribution to equalisation		-101	-53	0	585	2,087	1,179
Equalisation Account							
	O/balance	-3,697	-3,798	-3,851	-3,851	-3,266	-1,179
		-101	-53	0	585	2,087	1,179
	C/balance	-3,798	-3,851	-3,851	-3,266	-1,179	0
Lease liability @ 31 March							
	Short Term	293	81	9			
	Long Term	4,780	4,699	4,690	3,678	1,706	
		5,073	4,780	4,699	3,678	1,706	0

Note 37 - PENSIONS (IAS 19)

(i) Local Government Services and Control Staff

In 2017/18 the Authority paid employer pension contributions of £1.46 million to 'the fund' which provides members with defined benefits related to pay and service. For the last 7 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 2018/19 are estimated to be £1.023 million for the employer.

The LGPS is a funded defined benefit plan (but also includes certain unfunded pensions) with benefits earned up to 31 March 2015 being linked to final salary. Benefits after 31 March 2015 are based on a Career Average Revalued Earning scheme (CARE).

The unfunded pension arrangements (Compensatory Added Years) relate to termination benefits made on a discretionary basis upon early retirement.

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

(ii) Fire Fighters

The Fire Fighters' pension scheme is an unfunded scheme with defined benefits. In 2017/18 the Authority paid employer pension contributions of £5.347 million. Pensions paid from revenues equated to £988k. For 2018/19, the employer contribution to the scheme is estimated to be £5.53 million and the current estimate for pensions paid from revenue is £951k. 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 78.

On 1 April 2015 the 2015 pension scheme was introduced in addition to the original 1992 FPS and the (new) 2006 NFPS. The 2015 scheme introduced new contributions rates for both employers and employees and resultant pensioner benefits in an attempt at affordability. Members of the 1992 and 2006 schemes who do not meet the prescribed criteria, will transition into the 2015 scheme under a tapering arrangement. The three schemes are combined in the following tables.

On 1st April 2016 the retained Modified Pension Scheme was introduced. The scheme allowed individuals who were employed as Retained members of staff between the years 2000 – 2006 the opportunity to buy back service. If the individuals were still employees then they could enter into the Retained Modified Pension Scheme which benefits from the same contribution rates as the 1992 scheme.

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 2018 was £24 million (*31 March 2017, £22 million*) and for the Fire Fighters’ schemes the liability was £898 million as at 31 March 2018 (*31 March 2017, £850 million*). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found overleaf.

2016/17 £000	Movements on Pension Reserve	2017/18 £000
	Income and Expenditure Account	
	Net Cost of Service	
	Current Service Cost	
-10,620	- Fire Fighters	-15,100
-1,730	- Local Government Pension Scheme	-2,340
	Past Service Cost	
-500	- Fire Fighters	-540
0	- * Local Government Pension Scheme	-10
	Net Operating Expenditure	
	Interest Cost	
-24,610	- Fire Fighters	-22,480
-2,230	- Local Government Pension Scheme	-2,080
	Expected Return on Pension Assets	
0	- Fire Fighters	0
1,710	- Local Government Pension Scheme	1,510
-37,980	Total Post-employment benefit charged to the surplus or deficit on the provision of services	-41,040
	Remeasurements of the net defined benefit liability (asset)	
-136,540	- Fire Fighters	-27,820
-6,030	- * Local Government Pension Scheme	-460
-180,550	Total Post-employment benefit (charged)/credited to the C.I.E.S	-69,320
	Movement on Reserve Statement	
713,520	Opening Balance 1 April	872,030
180,550	Reversal of Net Charges for IAS 19	69,320
	Actual Amount Charged against the General Fund	
	Balance for pensions in the year	
	Employer Contributions	
-1,270	Local Government Pension Scheme	-1,490
-20,870	Retirement benefits paid to Fire Fighters	-18,570
100	Transfers in	620
158,510	Movement on Pension Reserve	49,880
872,030	Closing Balance	921,910

*The LGPS movements on pension reserve are inclusive of unfunded pension benefits arrangements;
2017/18 – Interest cost of £20k, actuarial loss of £30k and net benefits paid out £30k

Pension Schemes – Assets / Liabilities

The Authority's estimated share of assets and liabilities from 31 March 2014 to 31 March 2018 were as follows:

	31 March				
	2014	2015	2016	2017	2018
Estimated share of liabilities in the Fire Fighters' Pension Scheme	-721,520	-788,420	-698,060	-849,560	-897,550
Estimated share of liabilities in the Rhondda Cynon Taff Pension Fund	-56,170	-65,260	-63,980	-80,250	-85,480
Total liabilities	-777,690	-853,680	-762,040	-929,810	-983,030
Share of assets in the Rhondda Cynon Taff Pension Fund	39,960	46,510	48,520	57,780	61,120
Net Pension Deficit	-737,730	-807,170	-713,520	-872,030	-921,910

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	
	2017 %	2018 %	2017 %	2018 %
Rate of Inflation;				
RPI			3.1	3.2
CPI	2.35	2.3	2.0	2.1
Rate of increase in Salaries	4.35	4.3	3.25	3.35
Rate of Increase in Pensions	2.35	2.3	2.0	2.1
Rate of Discounting Scheme Liabilities	2.65	2.55	2.6	2.6
Future Life Expectancy at 65 Men				
Current Pensioners	22.4	21.9	22.8	22.9
Future Pensioners	24.7	23.9	25.0	25.1
Women				
Current Pensioners	22.4	21.9	24.9	25
Future Pensioners	24.7	23.9	27.2	27.3

Sensitivity analysis

The scheme actuary of the LGPS scheme has estimated the approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation. In each case, only the assumption mentioned is altered, all other assumptions above remain the same.

Discount rate assumption

Adjustment to discount rate	+0.1%p.a.	-0.1%p.a.
Present value of total obligation (£m)	83.16	86.57
% change in present value of total obligation	-2.0%	2.0%
Projected service cost (£m)	2.41	2.57
Approximate % change in projected service cost	-3.1%	3.2%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1%p.a.	-0.1%p.a.
Present value of total obligation (£m)	85.31	84.40
% change in present value of total obligation	0.5%	-0.5%
Projected service cost (£m)	2.49	2.49
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

Adjustment to discount rate	+0.1%p.a.	-0.1%p.a.
Present value of total obligation (£m)	86.11	83.61
% change in present value of total obligation	1.5%	-1.5%
Projected service cost (£m)	2.57	2.41
Approximate % change in projected service cost	3.2%	-3.1%

Post retirement mortality assumption

Adjustment to discount rate	-1 year	+1 year
Present value of total obligation (£m)	87.40	82.31
% change in present value of total obligation	3.0%	-3.0%
Projected service cost (£m)	2.58	2.40
Approximate % change in projected service cost	3.7%	-3.6%

The scheme actuary of the Fire Fighters' Pension scheme has estimated the approximate impact of changing the key assumptions on the present value of the defined benefit obligation.

	Impact on defined benefit obligation	
	%	£ million
Rate of discounting scheme liabilities +0.5%p.a.	-9.5%	-86
Long term rate of increase in salaries +0.5% p.a.	1.5%	14
Rate of increase in pensions / deferred revaluation +0.5% p.a.	7.5%	68
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	2.5%	22

Assets

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:

	%
2018	
Equity Investments	74.8
Bonds	17.9
Other Assets	7.3
Total	100.0
2017	
Equity Investments	72.6
Bonds	19.4
Other Assets	8.0
Total	100.0

The overall return on pension assets was 5.1% for 17/18 (2016/17: 18.7%)

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

2016/17 £000 Fire Fighters	2016/17 £000 LGPS	Liabilities	2017/18 £000 Fire Fighters	2017/18 £000 LGPS
-698,060	-63,980	Balance as at 1 April	-849,560	-80,250
-10,620	-1,730	Current Service cost	-15,100	-2,340
-24,610	-2,230	Interest	-22,480	-2,080
-3,920	-500	Contributions by scheme members	-4,120	-510
-136,540	-13,210	Actuarial Gains and Losses	-27,820	-1,930
24,790	1,400	Benefits Paid	22,690	1,640
-500	0	Past Service Cost	-540	-10
-100	0	Transfers in	-620	0
-849,560	-80,250	Pension Liabilities at Year End	-897,550	-85,480

Changes to the fair value of assets during the accounting period

2016/17		2017/18
£000	Assets	£000
LGPS		LGPS
48,520	Balance 1 April	57,780
1,710	Return on Pension Assets	1,510
7,180	Actuarial Gain/Losses on Assets	1,470
1,240	Contributions by employer	1,460
500	Contributions by Scheme members	510
-1,370	Net benefits paid out*	-1,610
57,780	Pension Assets at Year End	61,120

* 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. Excluding £30k unfunded pension payments.

Actual return on assets

	31 March 2017	31 March 2018
	£ Million	£ Million
Interest income on assets	1.71	1.51
Re-measurement gain/ (loss) on assets	7.18	1.47
Actual return on assets	8.89	2.98

Note 38 - CONTINGENT LIABILITIES

The Part-Time Workers (Prevention of less favourable treatment) Regulations came into force on 1st July 2000. As a consequence of a court case under certain circumstances on-call Fire Fighters are permitted to buy into the Uniformed Staff Pension Scheme. Where on-call 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.

There are a number of national issues ongoing on the basis of discrimination also, discrimination in relation to the introduction of the new 2015 scheme and the value of which is yet to be determined.

Note 39 - 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

The highest credit risk is for the investments and these are managed through the Treasury Management Strategy as detailed above. The current strategy states the Authority will 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 downgraded 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.

The maturity analysis of financial liabilities is provided in note 11 (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 the 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 (FFPF)

2016/2017		2017/2018
£000	Income to the fund	£000
	Contributions receivable:	
	from employer	
-5,452	normal contributions	-5,347
-375	other contributions	-379
-3,918	from members	-3,966
-546	Past service contributions (retained modified scheme)	-138
-10,291		-9,830
-100	Transfers in from other pension funds	-681
-10,391	Total Income to the Fund	-10,511
	Spending by the Fund	
	Benefits Payable:	
18,698	Pension payments	18,980
4,815	Pension commutations and lump-sum retirement benefits	2,942
616	Other Payments	41
24,129		21,963
	Payments to and on account of leavers:	
9	Transfers out to other authorities	87
24,138	Total Spending by the Fund	22,050
13,747	Net amount payable for the year	11,539
-13,747	Annual top up grant receivable from Welsh Government	-11,539
0	Net amount payable for the year	0

2016/2017	Net Asset Statement	2017/2018
£000		£000
	Current Assets;	
2,072	Top up grant due from Welsh Government	0
1,568	Payments in advance to pensioners	1,645
3,640		1,645
	Current Liabilities;	
0	Top up grant due to Welsh Government	-1,078
-3,640	Amount owed to general fund	-567
0		0

NOTES TO THE FIRE FIGHTERS' PENSION FUND ACCOUNT

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

Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government (WG) and subject to triennial revaluations by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by the top up grant receivable 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 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, any asset/liability on the Pension Fund is matched by a corresponding value on the Authority balance sheet. The 2017/18 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 2017/18 a total of 30 (including 1 deferred member) Fire Fighters retired compared to the estimate of 36. At the year end WG was a debtor to the Authority with a value of £567k.

The accounting policies for the Pension Fund Account are consistent with the accounting policies. 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 Fire Fighters' Pension Regulations the employer contribution rates for the 1992, 2006, 2015 and Retained Modified Schemes were 25.5%, 16.8%, 14.3% and 25.5% 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 Fire Fighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period. Details of the long term pension obligations can be found in Note 23 and 37 to the core financial statements.

Additional Note to the Firefighters' Pension Fund Account

The Firefighters' Pension (Wales) Scheme (Amendment) Order 2014 came into force on 31 December 2014 with an effective date of 1 July 2013. The Order included an amendment to the pension regulations which introduced new powers for the Authority to make certain temporary allowances and emoluments pensionable under an Additional Pension Benefit (APB) arrangement. During November 2017 it became apparent that Welsh Fire and Rescue Services had not implemented the Order and temporary allowances had been treated in accordance with previous regulations. On 26 March 2018 the Authority approved a report to implement the requirements of the Order with an effective date of 1 April 2018. As a consequence of the delays in implementing the Order a small number of retirees have received pension settlements which are not in accordance with the relevant regulations. Whilst the Authority is satisfied that the amounts are not material, work is currently in progress to address any residual issues around the legality and funding of these payments and to agree any remedial actions necessary.