

# **SOUTH WALES FIRE & RESCUE AUTHORITY**



## **STATEMENT OF ACCOUNTS**

**2010/2011**

**S. K. F. GREENSLADE, JP. CPFA. IRRV  
TREASURER**

**SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011**

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**Explanatory Foreword**

The following pages show the financial performance for the year commencing the 1st April 2010 and ending on the 31st March 2011 for the South Wales Fire & Rescue Authority.

The Authority's accounts for 2010/2011 consist of the following

Movement in Reserves Statement – 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 or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance, and the Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Fire and Rescue Authority.

Comprehensive Income & Expenditure Statement (CIES) – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

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

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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.

A statement of the responsibilities for this statement of accounts is given on page 8.

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 and provide information not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

**The Outturn for the year 2010/2011**

	<b>BUDGET £000's</b>	<b>ACTUAL £000's</b>	<b>VARIANCE £000's</b>
<b><u>REVENUE</u></b>			
EXPENDITURE	<b>72,640</b>	<b>70,103</b>	<b>2,549</b>
INCOME	<b>-249</b>	<b>-555</b>	<b>-306</b>
NET EXPENDITURE	<b>72,391</b>	<b>69,548</b>	<b>2,855</b>
USE OF RESERVES	<b>-150</b>	<b>0</b>	<b>-150</b>
UNITARY AUTHORITY CONTRIBUTIONS	<b>72,241</b>	<b>72,241</b>	<b>0</b>
SURPLUS /DEFICIT	<b>0</b>	<b>2,693</b>	<b>2,705</b>
<b><u>CAPITAL</u></b> (inc b/f slippage)	<b>10,183</b>	<b>7,461</b>	<b>2,722</b>

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

* Net Expenditure	69,548
** Accounting Adjustments	-71,844
*** Cost of Services	<u>-2,296</u>

\* detailed in 'The Outturn for the Year 2010/11 (above)

\*\* detailed in note 24

\*\*\* detailed in the CIES

**SPENDING REVIEW**

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 2010/11, the proportions were as follows:

	Proportion %
Blaenau Gwent County Borough Council	4.8
Bridgend County Borough Council	9.4
Caerphilly County Borough Council	12.0
Cardiff County Council	22.6
Merthyr Tydfil County Borough Council	3.9
Monmouthshire County Council	6.2
Newport County Borough Council	9.8
Rhondda Cynon Taf County Borough Council	16.3
Torfaen County Borough Council	6.3
The Vale of Glamorgan Council	8.7

***Revenue Spending***

The total net expenditure for the year was £69.5 million, compared with the net revenue budget of £72.2 million. The under spend of £2.7 million was achieved by curtailing expenditure wherever possible to ease anticipated pressures in 2011/12 and maximising income opportunities. The surplus accrued from a number of subjective categories and will be scrutinised by the FAPM committee.

***Capital Expenditure***

Total capital expenditure in the year amounted to £7.461 million.

2009/10		2010/11
2,483	Property – Refurbishments, adaptations, new buildings	2,028
1,418	Vehicles and Plant	3,377
869	Operational and I.C.T. Equipment	2,056
<b>4,770</b>	<b>Total Capital Expenditure</b>	<b>7,461</b>

***Capital Receipts***

The sale of surplus assets namely the land and offices at rear of New Inn Station has generated usable capital receipts of £450,000.

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***Capital Borrowing***

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer deeming it to be prudent, sustainable and affordable. All loans are from the Public Works Loans Board with no other external facility in place at present. Loans for £3 million were taken out in the year in respect of the capital programme. The total principal outstanding as at 31 March 2011 is £32.460 million. All of the outstanding loans are with the PWLB.

***Pension liability***

In 2010/11, 29 wholetime uniformed staff retired. The net cost of the Fire fighters Pension Scheme to the revenue budget continues to grow, as does the liability in terms of future pension commitments. The actuarially assessed liability as at 31 March 2011 was £560.19 million for Fire fighters pension scheme and £17.16 million for the Local Government pension scheme.

With effect from April 2011 increases in pension payments and deferred pensions will be linked to annual increases in the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). As the long term increases to CPI are expected to be less than RPI increases, the result is a reduction in the defined benefit obligation on the balance sheet, together with a reduction in current service costs and interest cost for 2010/11 and in future years. The indexation change also results in negative past service costs, reflecting the reduction in obligation, which are credited to the net cost of services as non distributed costs in 2010/11 in accordance with UITF Abstract 48. A credit of £72million was made in respect of the above, resulting in an overall surplus on the provision of services of £40million.

There is no impact on the General Fund.

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

***Material and unusual charge or credit in the accounts***

A reduction in the provision for bad debts at the 31<sup>st</sup> March has resulted in a credit to the accounts of £93,000. This is in relation to a debt outstanding for which the Finance, Audit and Performance management gave approval to write off 50% of the debt with the remainder outstanding being paid.

***Provisions, Contingencies and Write offs***

The provision for the payment of Retained Duty Service personnel as a result of the part time workers conditions settlement remains in place. Payment is expected to be made during 2011/12.

***Significant changes***

Changes introduced by the 2010 Code of Practice that are applicable to the Statement of Accounts for South Wales Fire & Rescue Authority were;

The move from a UK GAAP accounting basis to an International Financial Reporting Standards (IFRS) basis. The changes bring consistency and comparability between financial reports in the global economy and private sector companies.

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The main changes are:

- The financial statements are presented in amended layouts with additional notes.
- Employee Benefits (leave) - Untaken holiday pay and similar items are accrued for at the year end.
- Capital Grants are recognised immediately rather than being deferred and matched to expenditure.
- Property, plant and equipment – more emphasis on component accounting.
- Leases – 90% test to separate finance and operating leases has been removed.
- Segmental reporting – to correspond with internal reporting and reconciliation to the financial statements.

***Reserve Accounting***

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2011/12. 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.

At the conclusion of the 2007/08 audit, the power to hold reserves was questioned by the Wales Audit Office, which had obtained a legal opinion that stated that the Combined Fire Authorities did not have the power to hold reserves. The South Wales Fire and Rescue Authority did not agree with this advice.

Any such reserves were therefore viewed as unlawful by the WAO. In order to ensure that uncertainties were removed as to whether Combined Fire and Rescue Authorities have the power to hold reserves, the Welsh Government agreed to consult on amendments to the Combination Order. All Welsh Unitary Authorities agreed that it would be beneficial for Fire and Rescue Authorities to have the ability to hold reserves. In consequence, the Wales Assembly Government provided clarification by amendment to the governing Combination Order. This makes explicit the power of Welsh Combined Fire and Rescue Authorities in the matter of holding reserves and came into effect at 1<sup>st</sup> December 2009.

Whilst the position is now clear however, the view of the Wales Audit Office is that the power to hold reserves was not in place at 1st April 2009. For this reason the External Auditor may consider it necessary to issue a “technical” qualification to the accounts for 2010/2011 in respect of the accounting in the comparative period. This does not represent any substantive disagreement between the Responsible Financial Officer and the external auditor.

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

The national economic downturn together with the outcomes of the Comprehensive Spending Review in November 2010, gave an indication of the level of cuts to public services expected in the coming years.

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The Authorities Risk Reduction Plan approved in October 2010 outlined various projects to review structures and processes in place throughout the organisation in an effort to make the necessary reductions for future years. The financial implications of these were clearly reflected in the Medium Term Financial Plan. With austerity in mind a clear message was given to budget holders to identify efficiencies and to generate savings where possible, not only for the future but within the financial year.

The pay freeze for public sector employees together with a strategy of holding vacancies for a minimum of four months has led to significant in year savings against salary budgets. Other subjective categories returned savings of lesser amounts.

It is anticipated that after consideration of reserve prudence, the majority of savings generated in 2010/11 can be used to offset against potential budget increases in 2012/13 and beyond at the discretion of the Fire and Rescue Authority.

***Acknowledgements***

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

***Steve Greenslade  
Treasurer  
30<sup>th</sup> June 2011***

## **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 Funds Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

## **CERTIFICATE OF THE TREASURER**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2011 and its income and expenditure for the year then ended.

Signature: \_\_\_\_\_

Dated: 26th September 2011

**Treasurer**

## **ANNUAL GOVERNANCE STATEMENT 2010/2011**

### **Scope of Responsibility**

South Wales Fire and 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 facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

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

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

### **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**

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

- Focus on the purpose of the Authority and outcomes for the community and creating and implementing a vision for South Wales.

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- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Take informed and transparent decisions which are subject to effective scrutiny and managing risk
- Develop the capacity and capability of members and officers to be effective
- Engage with local people and other stakeholders to ensure robust public accountability

**Review of Effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive leadership team within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors Annual Report, and also by reports made by the external auditors and peer assessors.

A self assessment group has been established which has considered the evidence to support the governance framework.

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

As the provider of Internal Audit Services to South Wales Fire and Rescue Service, RSM Tenon provide the Authority through its Finance Audit and Performance Management Committee with an opinion on the adequacy and effectiveness of the organisation's Governance, Risk Management and Control arrangements.

The Finance Audit and Performance Management Committee receive regular reports from the internal auditors on their progress against the Annual Audit Plan which provides details on the assurance levels that can be placed against the various systems and processes in place. They are also provided with an Annual Assessment at year end. The Members Finance Working group provides in depth scrutiny and analysis.

The Senior Management Team formally reviews the Corporate Risk Register on a quarterly basis and endorses the inclusion of new or emerging risk, whilst the Finance Audit and Performance Management Committee receives an Annual Report highlighting corporate risks and the actions planned to mitigate those risk.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following are relevant:-

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

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- **The Fire Authority** – The Fire Authority is responsible for ensuring that the Fire and Rescue Service in South Wales is:-
  - effective
  - efficient
  - accountable to the public

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

- **Finance Audit and Performance Management Committee** – The committee is responsible for the planning and management of the Authority's financial resources, including authorising expenditure, virement of funds and donations of equipment or other property within the remit of the Authority's Financial Regulations. It oversees the financial reporting process and provides a detailed examination of financial performance, including the extent that this affects the Authority's exposure to risk and weakens the control environment. The committee also provides assurance of the adequacy of the risk management framework and the associated control environment.
- **The Standards Committee** – Promotes and maintain high standards of conduct by all Members and co-opted Members and officers of the Authority.
- **The HR and Equalities Committee** – Monitors staff work/life balance, working conditions and well-being, monitoring of absence and monitors the implementation of Human Resource, Equality, Welsh Language and Staff Development frameworks, policies and procedures, and acts as an Appeals Committee following hearings under disciplinary, grievance and other procedures (including capability), receive and consider reports from the Service's Human Resources and Equality Officers Welsh Language Officers and determine responses where appropriate.
- **The Asset Management Working Group** – review, monitors and challenges the management of the Authority's assets. Particular attention will be paid to:-
  - a. the statutory requirements of the Authority to deliver a service to the public of South Wales,
  - b. the relationship of our assets with key corporate documents of the Authority,
  - c. carrying out specific reviews of the Authority's performance in the management of its assets,
  - d. to consider and challenge the performance review systems and targets,
  - e. to consider the aspects of Sustainable Development and how it impacts upon the work of the Service.

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- **Finance Working Group** – is member led and reports to the Finance, Audit and Performance Management Committee. It demonstrates the Authority's commitment to the efficient and effective deployment of public resources and to give assurance that available funding is utilised as efficiently and effectively as possible to protect the level of service offered to the public within the core priorities defined by the Fire and Rescue Authority. It operates to review, and challenge the make-up of the Authority's revenue and capital budget with a view to cost reduction or value enhancement. Particular attention is paid to:-
- a. Clarity of budget headings.
  - b. The statutory requirements of the Authority to deliver a service to the public of South Wales.
  - c. The national commitments of the Authority to deliver a service on strategic issues such as national resilience.
  - d. The relationship of the budget with key corporate documents of the Authority.
  - e. Carrying out spending reviews of budgets to enable assessments of current spending policy against future financial predictions of the organisation within the Medium Term Financial Strategy.
  - f. Reviewing past performance of selected budget areas when assessing current and future years requirements.
  - g. Reviewing the budget setting process for revenue and capital budgets for improvements that could be made for future years.

Each of the committees and working groups have presented a report to the Fire Authority outlining how they have discharged their responsibilities over the last 12 months.

- The Executive Leadership and Senior Management Teams are responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives. The planning methodology continues to develop the link between operational and financial planning and identify a clearer link between department plans, service objectives, financial requirements and risk management.
- The Executive Leadership Team have considered the evidence gathered to support the 6 principles of good governance that have been adopted by the fire Authority and consider that adequate evidence is available to support the principles and note the areas where improvement can be made.
- The Authority has adopted a comprehensive set of values outlining what we expect of our employees and what the public can expect of us.
- The Authority has continued to develop its risk management arrangements, and risks are regularly reviewed by the Senior Management Team.

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- A Performance Development and Review system continued to be implemented for all staff, and incorporated within this is an analysis of training needs.
- The Authority outsources its internal audit service to a private sector company, who complies with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary, and as such the auditors are required to state whether the system of controls is "adequate" or "inadequate".

The Auditors have undertaken 12 reviews at South Wales Fire and Rescue Service within the 2010/11 financial year. All audits within the plan were completed except for the Audit on Workshops which was cancelled at the request of management and the audit relating to Estate Management which was replaced with an audit on Asset Management.

Of these reviews, three provided green assurance and two provided a red level of assurance. The Auditors carried out three follow up reviews, two reporting that adequate progress had been made and one showing that good progress had been made.

Three advisory reviews were also carried out on areas that Management had identified for review. In addition, a Risk Maturity Review was conducted which concluded that South Wales Fire is a 'risk managed' organisation.

Relating to governance, the Auditors reviewed compliance with the Code of Corporate Governance and found evidence of compliance.

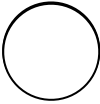
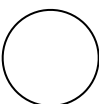

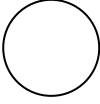
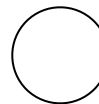

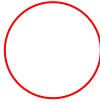

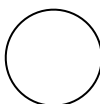
The outcomes of these audits have been reported to the Finance Audit and Performance Management Committee on a regular basis, giving Members an opportunity to understand the Authorities compliance with key controls and to discuss areas of concern with officers and auditors.

Two audits resulted in 'red' opinions. These were Fuel and Financial Systems. For both of these subjects Management has taken, or is in the process of taking steps to implement controls to mitigate the risks.

- The fuel audit identified potential risks in the issue of fuel from one of two stations sampled. The Authority has conducted a review to ascertain the cost of an integrated fuel system and the conclusions are being considered by the Finance, Audit and Performance Management Committee. In the meantime, appropriate controls have been put in place. This should result in mitigation of the risks identified during the audit.
- The Financial Systems audit identified control deficiencies in one element of a system procured to manage discrete stock areas. The findings have been adjusted within the Statement of Accounts with work being undertaken to ensure system integrity. In addition, a full stock take was undertaken to provide supporting data for the accounts.

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For the 12 months ended 31 March 2011, based on the work that the internal auditors undertook, their opinion regarding the adequacy and effectiveness of South Wales Fire and Rescue Service's arrangements for governance, risk management and control is as follows:

	Red	Amber	Green
<b>GOVERNANCE</b>			
<b>RISK MANAGEMENT</b>			
<b>CONTROL</b>			

- The Auditor General has produced his report to discharge his duties under the Local Government Measure (June 2009) and the key messages are as follows:-
  - The Authority has consensual and open leadership, is well run and has begun to improve public accountability by making improvements to its website. It is doing its best to work with partners, but this takes up a considerable amount of time, and it is not clear what benefit this is having for the Community.
  - The Authority's budget has been well managed in recent years, and it is forecasting an under spend in the current financial year (2010-11) which places it on a sound footing going forward into a period of significant change and financial cuts. The Service has a track-record of making sure its services are delivered with the resources it has available.
  - Despite a technical qualification of the Authority's Accounts for 2009-10 due to the disagreement over the accounting treatment for the Authority's general and earmarked reserves balances but the Auditor General confirmed that money had been spent in a proper way.
  - The Authority's five published improvement objectives are clearly set out in its Improvement Plan together with measures of the benefits it expects to secure for citizens in the future.

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- The Authority faces ongoing challenges in relation to the percentage of fires started deliberately, which at 80% is the highest in Wales. The Authority is very conscious of the challenge and its Arson Reduction Team is delivering a number of initiatives with some success.
- While the number of road traffic collisions it attends has slightly increased, fatalities and serious injuries related to these collisions are decreasing and the Authority works in collaboration with the Police and others to improve safety on the roads through the Road Safety Wales Group.
- The Authority has made Health and Safety a key priority, and is taking a number of actions to improve the health and safety of staff. Sickness absence rates are improving for some staff groups but not all, and staff injuries whilst 'on-duty' increased during 2009-10.

The full report is available on the Authority's web site [www.southwales-fire.gov.uk](http://www.southwales-fire.gov.uk)

Signed:  
**Chairman of Fire Authority**

Signed:  
**Chief Fire Officer**

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

I have audited the accounting statements and related notes of

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

for the year ended 31 March 2011 under the Public Audit (Wales) Act 2004.

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

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 2010/11 based on International Financial Reporting Standards (IFRSs).

**Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages ... to ..., the responsible financial officer is responsible for the preparation of the statement of accounts, including pension fund accounts which give a true and fair view.

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

**SCOPE OF THE AUDIT OF THE ACCOUNTING STATEMENTS**

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Basis for qualified opinion on the accounting statements of South Wales Fire and Rescue Authority**

The balance sheet as at 31 March 2009 includes amounts totalling £7,500,000 classified as a general fund balance (£1,995,000) and Earmarked General fund Reserves (£5,505,000). During the year ended 31 March 2010 £3,146,000 of reserve balances brought forward were utilised to meet expenditure incurred in that year.

A legal opinion provided to the Wales Audit Office in 2008 concluded that the statutory framework for Fire Authorities in Wales did not provide for the holding of reserves accumulated from retaining contributions made by its constituent authorities and which exceed the appropriate proportion of the net expenses of the Fire Authority in respect of each financial year. The statutory framework has been amended and with effect from 1 December 2009, Fire Authorities in Wales may hold reserves accumulated from retaining contributions made by its constituent authorities which exceed the appropriate proportion of the net expenses of the Fire Authority in respect of each financial year.

This amendment was not retrospective. Consequently, the accounting statements contain a number of transactions and balances which do not properly reflect the statutory frameworks which applied to the Fire Authority in the years ended 31 March 2009 and 31 March 2010. The following adjustments are therefore required to the accounting statements:

*Statement of Financial Position and Movement in Reserve Statement:*

At 31 March 2009 the general fund balance of £1,955,000 should be reduced by £5,141,000 to a debit of £3,146,000; earmarked general fund reserves of £5,505,000 should be reduced by £3,450,000 to £2,055,000 and creditors should be increased by £8,591,000.

*Comprehensive Income and Expenditure Statement:*

In the year ended 31 March 2010 income from constituent authorities should be increased by £8,591,000 and the Total Comprehensive Income and Expenditure be reduced by £8,591,000 to £197,267,00.

I qualified my audit report on the accounting statements for the years ended 31 March 2009 and 31 March 2010 with regard to this same disagreement.

**Qualified opinion on the accounting statements of South Wales Fire and Rescue Authority**

In my opinion the accounting statements and related notes give a true and fair view of the financial position of South Wales Fire and Rescue Authority as at 31 March 2011.

In my opinion, except for the effects solely on the comparative information for the year ended 31 March 2010 of the matter described in the basis for qualified opinion on the accounting statements of South Wales Fire and Rescue Authority paragraph, the accounting statements and related notes:

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

- give a true and fair view of the income and expenditure of South Wales Fire and Rescue Authority for the year ended 31 March 2011; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

**Opinion on the accounting statements of Fire Fighters Pension Fund**

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

- give a true and fair view of the financial transactions of Fire Fighters Pension Fund during the year ended 31 March 2011 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

**Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

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

Anthony Barrett  
**Appointed Auditor**  
**Wales audit Office,**  
**24 Cathedral Road,**  
**Cardiff,**  
**CF11 9LJ**  
**29<sup>th</sup> September 2011**

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**Movement in Reserves Statement year ending 31<sup>st</sup> March 2011**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	-1,995	-5,505	0	-7,500	402,533	395,083
<hr/>						
<b>Movement in reserves during 2009/10</b>						
Surplus or (deficit) on the provision of services	32,037			32,037		32,037
Other Comprehensive Income and Expenditure					173,821	173,821
<b>Total Comprehensive Income and Expenditure</b>	<b>32,037</b>	<b>0</b>	<b>0</b>	<b>32,037</b>	<b>173,821</b>	<b>205,858</b>
Adjustments between accounting basis & funding basis under regulations (note 6)	-30,859		-25	-30,884	30,884	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,178</b>	<b>0</b>	<b>-25</b>	<b>1,153</b>	<b>204,705</b>	<b>205,858</b>
Transfers to/from Earmarked Reserves (note 7)	-1,541	1,541		0		0
<b>Increase/Decrease in 2009/10</b>	<b>-363</b>	<b>1,541</b>	<b>-25</b>	<b>1,153</b>	<b>204,705</b>	<b>205,858</b>

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010 carried forward</b>	-2,358	-3,964	-25	-6,347	607,288	600,941
<hr/>						
<b>Movement in Reserves during 2010/11</b>						
Surplus or (deficit) on the provision of services	-40,292			-40,292	0	-40,292
Other Comprehensive Income and Expenditure				0	-31,747	-31,747
<b>Total Comprehensive Income and Expenditure</b>	<b>-40,292</b>	<b>0</b>	<b>0</b>	<b>-40,292</b>	<b>-31,747</b>	<b>-72,039</b>
Adjustments between accounting basis & funding basis under regulations	37,270	627	-450	37,447	-37,447	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-3,023</b>	<b>627</b>	<b>-450</b>	<b>-2,845</b>	<b>-69,194</b>	<b>-72,039</b>
Transfers to/from Earmarked Reserves	779	-779		0		0
<b>Increase/Decrease in 2010/11</b>	<b>-2,243</b>	<b>-152</b>	<b>-450</b>	<b>-2,845</b>	<b>-69,194</b>	<b>-72,039</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>-4,602</b>	<b>-4,116</b>	<b>-475</b>	<b>-9,193</b>	<b>538,095</b>	<b>528,902</b>

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**Comprehensive Income and Expenditure Statement for year ending 31<sup>st</sup> March 2011**

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
8,485	-2,629	5,856	Community Safety	7,928	-2,412	5,516
66,609	-505	66,104	Fire Fighting & Rescue Operations	66,372	-2,837	63,535
176	-170	6	Fire Service Emergency Planning	156	-141	15
152	0	152	Corporate and democratic core	154	0	154
296	0	296	Non distributed costs (noted 3)	-71,516	0	-71,516
<b>75,719</b>	<b>-3,304</b>	<b>72,415</b>	<b>Cost of Services</b>	<b>3,094</b>	<b>-5,390</b>	<b>-2,296</b>
0	-25	-25	Other operating expenditure			
941		941	Interest Payable – debt	1,255		1,255
511		511	Interest – PFI	535		535
166		166	Interest – Finance Leases	138		138
30,380		30,380	Pension Interest Charges	33,940		33,940
	-44	-44	Investment Income		-188	-188
<b>31,998</b>	<b>-69</b>	<b>31,929</b>	<b>Financing and investment income and expenditure</b>	<b>35,868</b>	<b>-188</b>	<b>35,680</b>
	-72,307	-72,307	Taxation and non-specific grant income		-73,676	-73,676
		<b>32,037</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>-40,292</b>
-533	-7,466	-7,999	Surplus or deficit on revaluation of Property, Plant and Equipment assets	1,722	-29	1,693
181,820		181,820	Actuarial gains/losses on pension assets / liabilities	-33,440		-33,440
		<b>173,821</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-31,747</b>
		<b>205,858</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-72,039</b>

***SOUTH WALES FIRE & RESCUE AUTHORITY  
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**Balance Sheet as at 31<sup>st</sup> March 2011**

<b>1 April 09</b>	<b>31 March 10</b>		<b>31 March 11</b>	<b>Notes</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	
77,781	77,564	Property, Plant & Equipment	81,026	10
5	4	Long Term Debtors	3	14
<b>77,786</b>	<b>77,568</b>	<b>Long Term Assets</b>	<b>81,029</b>	
0	1,005	Short Term Investments	6,015	15
458	544	Inventories	557	13
2,654	4,184	Short Term Debtors	1,657	14
5,689	10,171	Cash and Cash Equivalents	5,539	15
<b>8,801</b>	<b>15,904</b>	<b>Current Assets</b>	<b>13,768</b>	
-6,509	-1,489	Short Term Borrowing	-1,485	11
-4,515	-6,513	Short Term Creditors	-5,236	16
-411	-418	Provisions	-418	17
<b>-11,435</b>	<b>-8,420</b>	<b>Current Liabilities</b>	<b>-7,139</b>	
-3,068	-2,558	Deferred Liability – Finance Leases	-2,021	33
-16,961	-29,460	Long Term Borrowing	-31,158	11
-6,336	-6,215	Other Long Term Liabilities - PFI	-6,031	34
-443,870	-647,760	Liability related to defined benefit pension schemes	-577,350	36
<b>-470,235</b>	<b>-685,993</b>	<b>Long Term Liabilities</b>	<b>-616,560</b>	
<b>-395,083</b>	<b>-600,941</b>	<b>Net Assets</b>	<b>-528,902</b>	
7500	6,347	Usable Reserves	9,193	18
-402,583	-607,288	Unusable Reserves	-538,095	19
<b>-395,083</b>	<b>-600,941</b>	<b>Total Reserves</b>	<b>-528,902</b>	

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

**Cash Flow Statement**

<b>2009/10</b>		<b>2010/11</b>	
<b>£000</b>		<b>£000</b>	
32,037	Net (surplus) or deficit on the provision of services	-40,292	
-31,847	Adjustments to net surplus or deficit on the provision of services for non-cash movements	39,412	
69	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	638	
<hr/>		<hr/>	
259	Net cash flows from Operating Activities	-242	
-5,132	Investing Activities	-8,116	
9,354	Financing Activities	3,726	
<hr/>		<hr/>	
4,482	Net increase or decrease in cash and cash equivalents	-4,632	
5,689	Cash and cash equivalents at the beginning of the reporting period	10,171	
<hr/>		<hr/>	
10,171	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,539</b>	
<hr/>		<hr/>	

**NOTES TO THE FINANCIAL STATEMENTS**

**ACCOUNTING POLICIES**

The Authority's accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting for United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). The accounting principles used are as disclosed below.

**INCOME AND EXPENDITURE**

**Revenue**

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

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

**CASH AND CASH EQUIVALENTS**

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

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

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STATEMENT OF ACCOUNTS 2010-2011***

**CHARGES TO REVENUE FOR NON CURRENT ASSETS**

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

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

**EMPLOYEE BENEFITS**

**BENEFITS PAYABLE DURING EMPLOYMENT**

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

**TERMINATION BENEFITS**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line 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. 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.

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**POST EMPLOYMENT BENEFITS**

**PENSIONS**

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

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

The fire fighters pension scheme is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pension payments as they fall due. Employee and employer contributions are based on a percentage of pensionable pay set nationally by the Welsh Government and this is subject to triennial revaluation by 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 note 22, 36 and the 'Firefighters Pension Fund Account' on page 90 for more detail. It is through the pension fund that the Authority discharges its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the scheme.

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

**2. Corporate and Control Room Staff**

This is a funded scheme with pensions paid from the underlying investment funds managed by Rhondda Cynon Taff County Borough Council pension fund (the 'fund') which is part of the Local Government Pension Scheme (LGPS). Actuaries determine the employer's contribution rate. Further costs, which arise in respect of certain pensions paid to retired employees, are paid on an unfunded basis. Please see note 36 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 after the reporting period), and
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

**EXCEPTIONAL ITEMS**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

significant the items are to an understanding of the Authority's financial performance.

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

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

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

**FINANCIAL INSTRUMENTS**

***Recognition***

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Authority's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

All other financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instrument.

***De-recognition***

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Authority has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

***Classification and Measurement***

Financial assets are categorised as 'Fair Value through Income and Expenditure', Loans and receivables.

Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

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**Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'**

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are also categorised as held for trading unless they are designated as hedges.

Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Authority's loans and receivables comprise of cash and cash equivalents, debtors, accrued income and 'other debtors'.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

**Other financial liabilities**

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

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Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

**Determination of fair value**

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from discounted cash flow analysis.

**Impairment of financial assets**

At the Statement of Financial Position date, the Authority assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

**INVESTMENTS**

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

**FOREIGN CURRENCY TRANSLATION**

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

**GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

**INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the balance sheet at the lower of cost and NRV. The cost of inventories is assigned using FIFO/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

***SOUTH WALES FIRE & RESCUE AUTHORITY  
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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 Finance Costs in the Statement of Comprehensive Income.

**Operating Leases**

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

**OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

**PROPERTY PLANT AND EQUIPMENT**

***Recognition***

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- the cost of the individual asset is at least £10,000;
- the items form a group of assets which individually have a cost of at least £250, collectively have a cost of at least £10,000, where the assets are functionally interdependent, they broadly have simultaneous

***SOUTH WALES FIRE & RESCUE AUTHORITY  
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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**

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

All assets are measured subsequently at fair value.

Land and property assets are valued 5 yearly with a 3 yearly interim valuation also carried out. Annual impairment reviews are carried out in other years. The 5 yearly and 3 yearly interim revaluations are carried out by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuations are carried out on the basis of a Modern Equivalent Asset as required by HM Treasury. The annual reviews are conducted using the most appropriate information available at the date of the review. A revaluation was carried out as at 31 March 2010.

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

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

**Subsequent expenditure**

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

**Depreciation**

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

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Freehold land is considered to have an infinite life and is not depreciated. Equipment is depreciated evenly over the estimated life of the asset of 5 years. The economic useful life of fleet assets varies but falls within a 3-20 year range on which the annual depreciation charge is based.

Property, plant and equipment reclassified as 'Held for Sale', ceases to be depreciated upon the reclassification. Assets in the course of are not depreciated until the asset is brought into use or reverts to the authority, respectively.

**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 an 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'.

**DISPOSAL FIXED ASSETS**

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

**PRIVATE FINANCE INITIATIVE (P.F.I.)**

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 grants (PFI credits) and the Fire and Rescue Authority funds the balance by making contributions from the annual revenue budget.

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

**PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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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 general future expenditure. These are disclosed within the balance sheet and their purposes are explained in the notes to the balance sheet.

**VALUE ADDED TAX**

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

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

In applying the accounting policies set out on pages 23-32, 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.

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- The Authority is deemed to control the services provided under the PFI agreement for the Cardiff Gate Training Centre and also to control the residual value of the centre at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the centre, valued at £5.341 million, are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

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

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

The items in the Authority's Balance Sheet at 31 March 2011 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	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.  It is estimated that the annual depreciation charge for buildings would increase every year that useful lives had to be reduced.
Provisions	The Authority has made a provision of £417,635 for the settlement of claims for back pay arising from the Part time workers less favourable conditions, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding to the provision needed.

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**3. MATERIAL ITEMS OF INCOME & EXPENSE**

The disposal of office buildings and land at New Inn took place during the year. Sale proceeds of £450k were offset against £450k in carrying value. In addition, government grants and donated assets equating to £224k and £2.45m respectively were also recognised as income in the CIES. All stipulations were satisfied during the year.

In line with actuarial guidance a credit (income) of £72million has been posted to 'Non distributed cost' in the Comprehensive income and expenditure statement, which has resulted in a Surplus on the Provision of Services of £40million rather than a deficit of £31million.

The decision to move from RPI to CPI is currently before the courts in judicial review proceedings. The outcome of this is not yet known and a contingent liability note has now been included in the Statement of Accounts accordingly.

**4. EVENTS AFTER BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Treasurer on 26<sup>th</sup> September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

**5. RESTATEMENT OF OPENING BALANCES**

**CHANGE FROM UK GAPP TO IFRS**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transaction, with the result that some amounts presented in the financial statements are different to the equivalent figures presented in the Statement of Accounts for 2009/10. The following explain the material differences between the amounts presented in the 2009/10 statements and the equivalent amounts presented in the 2010/11 financial statements.

**SHORT TERM ACCUMULATING COMPENSATED ABSENCES**

Short-term accumulating compensated absences refers to benefits that employees received as part of their contract of employment, entitlement to which is built up as they provide services to the authority. The most significant benefit covered by this heading is holiday pay.

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Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the authority is required to accrue for any annual leave earned but not to be taken at 31<sup>st</sup> March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

## **GOVERNMENT GRANTS**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in grants deferred account and recognised as income over the life of the asset which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

## **LEASES**

The definition of Finance Leases and Operating Leases under the Code has changed which has resulted in a number of assets that were previously classified as Operating leases being re-classified as Finance leases. These changes are effective from the date the lease was entered into.

As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The fair value of the assets leased and accumulated depreciation from the lease date has been added to property, plant and Equipment in the opening 1 April 2009 Balance Sheet.
- The outstanding liability on the lease has been taken to the Balance Sheet as a Long Term liability in the opening 1 April 2009 Balance Sheet. The difference between the value of the outstanding liability and net assets is recorded in the Capital Adjustment Account.
- The rentals paid under the operating lease arrangements have been reversed in the Comprehensive Income and Expenditure Statement

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and replace with a charge for interest only and depreciation. The difference between the charges has been set against Reserves.

**FIREFIGHTERS PENSION FUND**

Under the requirements of IAS19, the Government Actuary's Department have valued expected injury awards for active members. This is a change from previous practice and has required:

- As additional Pensions Liability and Reserve to be added to the opening 1 April 2009 balance Sheet.
- Adjustment to Fire Fighting and Rescue Operations (for current service cost), Non Distributable Costs (for past service cost) and Financing and Investment Income (for interest on increased liability)

The above have resulted in the following changes being made to the 2009/10 financial statements:

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**Summary of Changes**

**Opening Balance Sheet 1<sup>st</sup> April 2009**

	<b>2009/10 Statements £000</b>	<b>Absences £000</b>	<b>PFI £000</b>	<b>Grants £000</b>	<b>Leases £000</b>	<b>Pensions £000</b>	<b>Restated £000</b>
Plant Property and Equipment	74,974				2,807		<b>77,781</b>
Creditors	-3,956	-559					<b>-4,515</b>
Deferred Grants	-299			299			<b>0</b>
Deferred Liabilities (Finance Leases)					-3,068		<b>-3,068</b>
Pensions Liabilities	-427,690					-16,180	<b>-443,870</b>
Unusable Reserves	385,882	559		-299	261	16,180	<b>402,583</b>

**Balance Sheet as at 31<sup>st</sup> March 2010**

	<b>2009/10 Statements £000</b>	<b>Absences £000</b>	<b>PFI £000</b>	<b>Grants £000</b>	<b>Leases £000</b>	<b>Pensions £000</b>	<b>Restated £000</b>
Plant Property and Equipment	75,269				2,295		<b>77,564</b>
Creditors	-6,046	-467					<b>-6,513</b>
Deferred Grants	-1,250			1,250			<b>0</b>
Deferred Liabilities (Finance Leases)					-2,558		<b>-2,558</b>
Pensions Liabilities	-621,000					-26,760	<b>-647,760</b>
Unusable Reserves	581,048	467		-1,250	263	26,760	<b>607,288</b>

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**2009/10 Comprehensive Income & Expenditure Account**

	<b>2009/10 Statements £000</b>	<b>Absences £000</b>	<b>PFI £000</b>	<b>Grants £000</b>	<b>Leases £000</b>	<b>Pensions £000</b>	<b>Restated £000</b>
Net Cost of Services	71,240	-92			-163	1,430	<b>72,415</b>
Finance and Investment Income	1,529		-121		166		<b>1,574</b>
Pension Interest Charges	29,270					1,110	<b>30,380</b>
Disposal of Assets	-25						<b>-25</b>
<b>Net Operating Expenditure</b>	<b>102,014</b>						<b>104,343</b>

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**6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS**

**Adjustments between accounting basis and funding basis under regulations**

2009/10			2010/11			
General Fund Balance £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000
			<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
			<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
-10,862		10,862	-4,306			4,306
		951	2,675	627		-3,079
25						450
-10,837	0	11,813	-1,631	627	0	1,677
			<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
1,545		-1,545	1,808			-1,808
411		-411	231			-231
		-951				-236
1,956	0	-2,907	2,039		0	-2,263
			<b>Adjustment primarily involving the Capital Receipts Reserve:</b>			
	-25				-450	0
0	-25	0	0		-450	0
			<b>Adjustments primarily involving the Pensions Reserve:</b>			
						0
-39,510		39,510	21,770			-21,770
17,440		-17,440	15,200			-15,200
-22,070	0	22,070	36,970		0	-36,970
			<b>Adjustment primarily involving the Accumulated Absences Account:</b>			
						0
92		-92	-108			108
-30,859	-25	30,884	37,270	627	-450	-37,447
			<b>Total Adjustments:</b>			

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**7 TRANSFERS TO AND FROM EARMARKED RESERVES**

	<b>Balance at 1 April 2009 £000</b>	<b>Transfers out 2009/10 £000</b>	<b>Transfers in 2009/10 £000</b>	<b>Balance at 31 March 2010 £000</b>	<b>Transfers Out 2010/11 £000</b>	<b>Transfers In 2010/11 £000</b>	<b>Balance at 31 March 2011 £000</b>
Renewal and Repair reserve	410	-410	0	0	0	0	0
Capital Investment Reserve	272	0	0	272	0	0	272
Vehicle Equipment Reserve	25	-25	0	0	0	0	0
Headquarters relocation reserve (note 21)	743	-743	0	0	0	0	0
Pay reserve	500	0	0	500	0	0	500
Vehicle & Plant Reserve (note 21)	1,000	-373	0	627	-627	0	0
Change Management Reserve	500	-345	0	155	0	450	605
PFI Equalisation Reserve	2,055	0	355	2,410	0	329	2,739
<b>Total</b>	<b>5,505</b>	<b>-1,896</b>	<b>355</b>	<b>3,964</b>	<b>-627</b>	<b>779</b>	<b>4,116</b>

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**8. FINANCING AND INVESTMENT INCOME & EXPENDITURE**

2009/10		2010/11
£000		£000
1,618	Interest payable and similar charges	1,928
30,380	Pensions interest cost and expected return on pensions assets	33,940
-44	Interest receivable and similar income	-188
<b>31,954</b>	<b>Total</b>	<b>35,680</b>

**9. INTANGIBLE ASSETS**

The Authority holds no intangible assets.

**10. PLANT, PROPERTY AND EQUIPMENT**

The movement in fixed asset valuation is shown below;

**Fixed Assets 2010/11**

<b><u>Cost/Valuation</u></b>	<b>Land &amp; Buildings £000's</b>	<b>Vehicles &amp; Equipment £000's</b>	<b>Training Centre P.F.I £000's</b>	<b>Total £000's</b>
Gross book value at 31.3.10	63,055	21,173	6,800	91,028
				0
Additions	2,028	5,433		7,461
Donated Assets		2,451		2,451
Disposal of assets	-450			-450
Non enhancing expenditure	-1,722			-1,722
Gross book value at 31.3.11	<b>62,911</b>	<b>29,056</b>	<b>6,800</b>	<b>98,767</b>
<b><u>Depreciation &amp; Impairments</u></b>				
Accum depreciation as at 31 March 2010		12,254	1,210	13,464
Annual depreciation	1,485	2,572	249	4,306
Revaluation	-29			-29
Accumulated depreciation as at 31.3.11	<b>1,456</b>	<b>14,826</b>	<b>1,459</b>	<b>17,741</b>
Net book value at 31 March 2010	63,055	8,919	5,590	77,564
Net book value at 31 March 2011	<b>61,454</b>	<b>14,230</b>	<b>5,341</b>	<b>81,026</b>

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**Fixed Assets 2009/10**

	Land & Buildings £000's	Vehicles & Equipment £000's	Training Centre P.F.I. £000's	Total £000's
<b><u>Cost/Valuation</u></b>				
Gross book value at 31.3.09	68,306	18,691	6,800	93,797
Additions	2,254	2,516		4,770
Disposals of assets		-34		-34
Non enhancing expenditure	-1,533			-1,533
Impairment	-5,972			-5,972
Gross book value at 31.3.10	63,055	21,173	6,800	91,028
<b><u>Depreciation &amp; Impairments</u></b>				
Accum depreciation as at 31 March 2009	5,055	9,997	964	16,016
Annual depreciation	1,306	2,297	246	3,849
Revaluation - Accumulated Depreciation	-6,361	-16		-6,377
Less depreciation on assets sold		-24		-24
Accumulated depreciation as at 31.3.10	63,055	12,254	1,210	77,564
Net book value at 31 March 2009	63,251	8,694	5,836	77,781
Net book value at 31 March 2010	63,055	8,919	5,590	77,564

\* All properties are freehold

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**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

£000s	Long-Term		Current	
	31 March 2010	31 March 2011	31 March 2010	31 March 21011
<b>Borrowing</b>				
Financial liabilities (principal amount)	29,460	31,158	1,302	1,302
+ Accrued Interest (note accrued interest will be S/T)			187	183
<b>Total borrowings</b>	<b>29,460</b>	<b>31,158</b>	<b>1,489</b>	<b>1,485</b>
<b>PFI and finance lease liabilities</b>	<b>8,773</b>	<b>8,052</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost			<b>6,046</b>	<b>4,682</b>
<b>Investments</b>				
<b>Loans and receivables (principal amount)</b>			1,000	6,000
+ Accrued interest			5	15
<b>Loans and receivables at amortised cost (1)</b>				
<b>Total investments</b>			<b>1,005</b>	<b>6,015</b>
<b>Total debtors</b>	<b>4</b>	<b>3</b>	<b>4,184</b>	<b>1,657</b>

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

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

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

These are explained in more detail below

### **Unusual Movements**

It will be up to the Authority to decide what would be an unusual movement, but the introduction of a material figure where there previously was £nil, or a change of, say 20% in a material figure, may require an explanation.

### **Reclassification**

Reclassification of a financial instrument can only occur if it is allowed through the definitions of the Code, and as a consequence should be relatively rare.

In the case of financial liabilities this is the change of accounting treatment from either:

- ✓ Amortised cost; or
- ✓ Fair value through profit or loss.

For financial assets;

- ✓ Loans and receivables;
- ✓ Available for sale;
- ✓ Equity instrument for which a reliable fair value cannot be determined; or
- ✓ Fair value through profit or loss.

An example of such a change would be a move where an equity holding which was not quoted on a liquid market becomes so.

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**De-recognition of Instruments**

De-recognition of a financial instrument would usually involve its extinguishment, and so would not require reporting, subject to the “Unusual Movements” considerations above.

De-recognition is expected to impact where the Authority has transferred financial assets to a third party.

**Collateral**

This is likely to be an exceptional situation but a note is needed if the Authority has either:

- ✓ Pledged collateral for liabilities or contingent liabilities (clients should check in this case as there is no legal power to enter into an agreement of this nature); or
- ✓ Holds collateral and is permitted to sell or re-pledge the collateral even if there has been no default.

A financial guarantee may fulfil this area. Similarly if the Authority has soft loans (usually social services) whereby a debtor has been subject to a legal charge on a property, these assets may also apply. Whilst the Guidance errs on the side of non-disclosure, you may feel more comfortable disclosing these figures and adding an explanation.

**Allowance for Credit Losses**

Section 7.4.2.6 of the Code states when financial assets are impaired by credit losses and the authority records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it should disclose a reconciliation of changes in that account during the period for each class of financial assets.

**Defaults and Breaches**

This again is likely to be an exceptional situation, but a note will be required in the event that loans recognised under financial liabilities are subject to defaults or breaches. Note details are required for:

- ✓ Details of any defaults of payments due under contract;
- ✓ The carrying amount of the loan in default at the 31 March; and
- ✓ Whether the default was remedied before the financial statements were authorised.

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**(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:

<b>Financial Instruments Gains and Losses</b>				
	2009/10		2010/11	
	Financial Liabilities measured at amortised cost £000s	Financial Assets Loans and receivables £000s	Financial Liabilities measured at amortised cost £000s	Financial Assets Loans and receivables £000s
Interest expense	1,618		1,928	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,618</b>		<b>1,928</b>	
Interest income		44		188
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>44</b>		<b>188</b>
<b>Net gain/(loss) for the year</b>	<b>-1,618</b>	<b>44</b>	<b>-1,928</b>	<b>188</b>

With this statement, for material and relevant transactions, accounting policies are required for:

- ✓ Fair value – How carrying amounts have been determined (quoted market prices/independent appraisals/DCF etc.).
- ✓ Any significant assumptions;
- ✓ The basis for reporting realised/unrealised gains/losses, interest and other items.

In addition for financial assets or liabilities not being carried at fair value (e.g. amortised cost) the Code of Practice requires disclosure of these fair values by each class of assets and liabilities. This will apply to:

- ✓ Debt – Essentially this will be a table detailing the carrying amount and fair value. Fair value will be simply the carrying amount +/- discounts and premiums calculated under the PWLB method, plus any accrued interest.
- ✓ Loans and receivables – Whilst items such as debtors and short term investments will be at amortised cost, longer term vanilla investments (with more than 364 days to run from the balance sheet date) will require a fair value to be made and disclosed based on the comparison of prevailing market rates against the actual investment rates. This will clearly depend upon materiality – based on maturity, principal, accrued interest and the rate differential.

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**12. Fair value of Assets and Liabilities carried at Amortised Cost**

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

- ✓ For loans from the PWLB and other loans payable, borrowing from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- ✓ For loans receivable prevailing benchmark market rates have been 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.

The fair values calculated are as follows:

<b>£000s</b>	<b>31 March 2010</b>		<b>31 March 2011</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
PWLB debt	30,762	31,755	32,460	34,230
Non-PWLB debt	0	0	0	0
<b>Total debt</b>	<b>30,762</b>	<b>31,755</b>	<b>32,460</b>	<b>34,230</b>

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

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**13. INVENTORIES**

	Consumables		Memorabilia		Equipment		Petrol & Diesel		Vehicle Maintenance spares		PPE & Uniforms		Total	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
<b>Balance outstanding at start of year</b>	0	0	1	1	0	77	60	78	171	143	226	245	458	544
Purchases	0	83	0	0	0	145	452	506	105	76	383	201	940	1,010
Recognised as an expense in the year	0	-52	-1	0	0	-131	-433	-471	-133	-67	-287	-184	-854	-905
Written off balances	0	0	0	0	0	0	0	0	0	0	0	-92*	0	-92
<b>Balance outstanding at year-end</b>	0	31	0	1	0	91	79	113	143	152	322	170	544	557

\*New PPE issued 2010/11. PPE issued directly from supplier to individuals.

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**14. DEBTORS**

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Sundry Debtors	997	795	468
HM Customs & Excise (VAT)	399	712	543
Payments in Advance	642	688	216
Provision for irrecoverable debts	-20	-120	-28
Pension Debtor	636	2,109	458
<b>Total</b>	<b>2,654</b>	<b>4,184</b>	<b>1,657</b>

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Long Term Debtors	<b>5</b>	<b>4</b>	<b>3</b>

**15. CASH & CASH EQUIVALENTS**

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Cash held by the Authority	25	26	27
Bank Current Accounts	662	1,142	5,512
Short Term deposits	5,002	9,003	0
<b>Total</b>	<b>5,689</b>	<b>10,171</b>	<b>5,539</b>

This represents the cashbook balance at 31<sup>st</sup> March 2011, which includes cheques drawn by the Authority, which have not been presented to the Authority's bank for payment by the 31<sup>st</sup> March 2011.

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Short term investments	0	1,005	6,015
<b>Total</b>	<b>0</b>	<b>1,005</b>	<b>6,015</b>

**16. CREDITORS**

	At 1.4.09	At 31.3.10	At 31.3.11
	£000	£000	£000
Short term borrowing repayable within 1 year	6,509	1,489	1,485
<b>Creditors</b>			
Revenue creditors	3,791	5,703	4,580
Capital creditors	165	343	81
Accumulated absences accrual (note 5)	559	467	575
<b>Total</b>	<b>4,515</b>	<b>6,513</b>	<b>5,236</b>

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
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**17. PROVISIONS**

	At 1.4.09 £000	At 31.3.10 £000	At 31.3.11 £000
Provisions	411	418	418

The provision has been created in respect of a legal ruling relating to part time worker regulations; the payment date is remains uncertain.

**18. USABLE RESERVES**

These are capital receipts which are available for financing capital expenditure but which had not been applied for that purpose at 31st March 2011. Capital receipts of £450,000 were received during the year.

The Authority holds the following earmarked reserves;

- A Capital Investment reserve was established in 2003/04 for the purpose of assisting investment signalled via the Integrated Risk Management Process.
- A pay reserve was set up during 2006/07 to enable costs arising from the following years pay award above the level budgeted for to be met from this reserve.
- The PFI Equalisation reserve exists to match PFI funding and unitary charge payments over the period of the contract.
- A Headquarters relocation reserve was established from the revenue surplus in 2007/08, to mitigate the cost of the new headquarters move or to meet cash flow costs whilst Lanelay Hall is being marketed.
- A change in management reserve was established to fund upfront costs which enable efficiencies to be achieved in future years.
- A vehicles and plant reserve was created to fund the purchase of water ladder tenders in 2009/10. The whole of the reserve was used to purchase vehicles in 2010/11.

Details of the General Fund Balance are given in notes supporting the Income and Expenditure Account.

**19. UNUSABLE RESERVES**

31 March 2010		31 March 2011	
£000		£000	
-7,466	Revaluation Reserve (note 20)	-7,169	
-33,473	Capital Adjustment Account (note 21)	-32,661	
647,760	Pensions Reserve (note 22)	577,350	
467	Accumulated Absences Account (note 5)	575	
<b>607,288</b>	<b>Total Unusable Reserves</b>	<b>538,095</b>	

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**20. REVALUATION RESERVE**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
<b>0</b>	<b>Balance at 1 April</b>	<b>-7,466</b>
-7,466	Upward revaluation of assets	-29
	Difference between fair value depreciation and historical cost depreciation (netted off total dep impacting CAA - Note 21)	280
	Accumulated gains on assets disposed of in the year (netted off £450k disposal proceeds to impact CAA - note 21)	46
<hr/>		<hr/>
	<b>Balance at 31 March</b>	<b>297</b>
<b>-7,466</b>		<b>-7,169</b>

**21. 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 as 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 as finance for the costs of acquisition, construction and enhancement.

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

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

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**Capital Adjustment Account**

	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April</b>	<b>-41,845</b>	<b>-33,473</b>
Movement from other Reserves (note 7)	-1,116	-627
MRP (note 30)	-1,545	-1,808
Depreciation & impairments (net of Reval Res adj note 20)	10,862	4,026
Non enhancing expenditure	1,533	1,722
Capital expenditure financed from revenue resources (CERA)	-411	-231
Capital Grants	-951	-224
Donated Assets	0	-2,451
Non current asset disposal (net of Reval Res adj note 20)		405
	<hr/>	<hr/>
<b>Balance as at 31 March</b>	<b>-33,473</b>	<b>-32,661</b>

**22. Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require any benefits earned to be financed as the Authority makes employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
<b>443,870</b>	<b>Balance at 1 April</b>	<b>647,760</b>
181,820	Actuarial gains or losses on pensions & liabilities	-33,440
39,510	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	-21,770
-17,440	Employer's pensions contributions and direct payments to pensioners payable in the year	-15,200
<hr/>		<hr/>
<b>647,760</b>	<b>Balance at 31 March</b>	<b>577,350</b>
<hr/>		<hr/>

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

**23. CASHFLOW STATEMENT**

**CASH FLOW STATEMENT – OPERATING ACTIVITIES**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
70,833	Contributions from Constituent Authorities	72,241
4,046	Grants received	1,965
-44	Interest received	-188
18,569	Other receipts from operating activities	19,246
<hr/>		<hr/>
<b>93,404</b>	<b>Cash Inflows generated from operating activities</b>	<b>93,264</b>
-56,145	Cash paid to and on behalf of employees	-56,463
-36,562	Cash paid to suppliers of goods and services	-35,788
-866	Interest paid	-1,255
428	Other payments for operating activities	
<hr/>		<hr/>
<b>-93,145</b>	<b>Cash outflows generated from operating activities</b>	<b>-93,506</b>
<hr/>		<hr/>
<b>259</b>	<b>Net cash flows from operating activities</b>	<b>242</b>
<hr/>		<hr/>

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**CASH FLOW STATEMENT – INVESTING AND FINANCING ACTIVITIES**

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
-4,592	Purchase of property, plant and equipment, investment property and intangible assets	-7,723
0	Purchase of short-term and long-term investments	0
-1,618	Other payments for investing activities	-1,255
25	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	450
44	Proceeds from short-term and long-term investments	188
1009	Other receipts from investing activities	224
<hr/>		<hr/>
<b>-5,132</b>	<b>Net cash flows from investing activities</b>	<b>-8,116</b>
<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
14,000	Cash receipts of short and long-term borrowing	3,000
1,326	Other receipts from financing activities	1,306
630	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	722
-6,602	Repayments of short and long-term borrowing	-1,302
0	Other payments for financing activities	0
<hr/>		<hr/>
<b>9,354</b>	<b>Net cash flows from financing activities</b>	<b>3,726</b>

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
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**24. AMOUNTS REPORTED FOR RESOURCE ALLOCATION**

(reconciliation of current management accounts in Comprehensive Income Statement)

**NET REVENUE EXPENDITURE**

	<b>2009/10</b>	<b>2010/11</b>
<b><u>Employee Costs</u></b>	<b>£000</b>	<b>£000</b>
Whole time uniformed staff	38,778	38,098
Retained fire fighters	7,125	7,171
Control staff	2,120	2,067
Non-uniformed staff	8,195	8,359
<b>Salaries, NI &amp; superannuation.</b>	<b>56,218</b>	<b>55,695</b>
<b><u>Pensions</u></b>	<b>678</b>	<b>693</b>
<b><u>Travel and Subsistence, Leased Cars</u></b>	<b>875</b>	<b>1,011</b>
<b><u>Total Employee Costs</u></b>	<b>57,771</b>	<b>57,399</b>
<b><u>Premises Related Expenses</u></b>	<b>4,196</b>	<b>3,789</b>
<b><u>Training Expenses</u></b>	<b>1,320</b>	<b>1,121</b>
<b><u>Supplies &amp; Services</u></b>	<b>2,709</b>	<b>2,281</b>
<b><u>Transport Related Expenses</u></b>	<b>1,264</b>	<b>1,221</b>
<b><u>Third Party Payments (agency &amp; contracted)</u></b>	<b>555</b>	<b>609</b>
<b><u>Other Expenditure</u></b>	<b>432</b>	<b>377</b>
<b><u>Capital Costs/Leasing</u></b>	<b>3,002</b>	<b>3,306</b>
	<b>71,249</b>	<b>70,103</b>
<b><u>Income</u></b>	<b>-351</b>	<b>-555</b>
<b><u>EXPENDITURE BUDGET</u></b>	<b>70,898</b>	<b>69,548</b>
<b><u>Use of Reserves</u></b>		
<b><u>CONTRIBUTION BUDGET 2009/2010</u></b>	<b>70,898</b>	<b>69,548</b>

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	<b>2009/10</b>	<b>2010/11</b>
<b>Net Expenditure in the analysis</b>	<b>£000</b> <b>70,898</b>	<b>£000</b> <b>69,548</b>
<b>Net expenditure of service not included in the analysis</b>	<b>0</b>	<b>0</b>
<b>Amounts in the Comprehensive Income and Expenditure Statement not reported to the Management in the Analysis</b>		
Depreciation	10,862	4,306
PFI Operating Costs	1,065	1,001
Equipment Purchased from earmarked reserves	1,460	0
Government Grants/Donated Assets	0	-2,675
Increase in pension provision	7	0
Accumulated leave accrual	-92	108
	<b>13,302</b>	<b>2,740</b>
<b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b>		
Pensions (IAS 19)	8,310	70,910
Revenue Contribution to Capital (CERA)	411	231
Interest Charges	941	1,255
Minimum Revenue Provision (MRP)	914	1,086
Operating Lease Charges	675	675
Fire & Rescue Authority Contribution to P.F.I.	577	615
Investment Income received	-44	-188
	<b>11,784</b>	<b>74,584</b>
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>72,415</b>	<b>-2,296</b>

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
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**25. MEMBERS ALLOWANCES**

During 2010/2011, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

	<b>2009/10</b>	<b>2010/11</b>
Chair	9,823	9,823
Vice Chair	7,550	7,550
Member	1,108	1,108
Total of members' allowances	<b>41,369</b>	<b>42,129</b>
Total of members' expenses	<b>5,152</b>	<b>3,585</b>

**26. OFFICERS REMUNERATION**

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

		<b>Salary</b>	<b>Expenses</b>	<b>Benefits in Kind (lease car)</b>	<b>Total Excluding Pension</b>	<b>Pension</b>	<b>Gross remuneration</b>
<b>Title</b>	<b>Year</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Chief Fire Officer</b>	2009/10	124	3	6	133	14	147
	2010/11	124	3	6	133	5	138
<b>*Deputy Chief Fire Officer</b>	2009/10	99	1	4	104	21	125
	2010/11	92	1	4	97	20	117
<b>** Asst Chief Fire Officer - Operational Planning &amp; Development</b>	2009/10	53	1	1.3	55.3	7.5	62.8
	2010/11	0	0	0	0	0	0
<b>***Asst Chief Fire Officer - Planning, Development &amp; Support</b>	2009/10	81	1	3	85	17	102
	2010/11	93	2	4	99	20	119
<b>Asst Chief Officer - People Services</b>	2009/10	70	1	0	71	13	84
	2010/11	74	0	1	75	14	89
<b>Asst Chief Officer - Corporate Support</b>	2009/10	70	0	4	74	13	87
	2010/11	83	1	4	88	15	103
<b>**** Director of Finance &amp; Asset Management</b>	2009/10	28	0	0	28	5	33
	2010/11	0	0	0	0	0	0

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\*The Deputy Chief Fire Officer (DCFO) retired on 7<sup>th</sup> March 2011 at an annualised salary of £99,011.

\*\* The Assistant Chief Fire Officer (ACFO) – Operational Planning & Development (OPD) retired on 31<sup>st</sup> July 2009.

\*\*\* The Assistant Chief Fire Officer (ACFO) left his post on the 14<sup>th</sup> March 2011 at an annualised salary of £92,823 to take up the position of Deputy Chief Fire Officer (DCFO) at an annualised salary of £99,011 on the 15<sup>th</sup> March 2011.

\*\*\*\* The Director of Finance & Asset Management retired with effect from 1<sup>st</sup> September 2009.

The Authority engages the services of Mr. Steve Greenslade as its Treasurer and statutory Responsible Financial Officer. Mr Greenslade is a Director of Monmouthshire County Council, a constituent Authority to the South Wales Fire and Rescue Authority. He is responsible to the Fire and Rescue Authority for the statutory duties of the office held and acts as the Authority's principal financial advisor. Payment for his services is made to Monmouthshire County Council, therefore, he is not included in the table above.

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

<b>Bracket</b>	<b>Number 2009/10</b>	<b>Number 2010/11</b>
£60,000 to £64,999	12	12
£65,000 to £69,999	13	16
£70,000 to £74,999	9	8
£75,000 to £79,999	2	
£80,000 to £84,999	1	
£85,000 to £89,999	1	2
£90,000 to £94,999	3	3
£95,000 to £99,999		
£100,000 to £104,999	1	1
£105,000 to £109,999		
£110,000 to £114,999		
£115,000 to £119,999		2
£120,000 to £124,999	1	
£125,000 to £129,999	1	1
£130,000 to £134,999		
£135,000 to £139,999		1
£140,000 to £144,999	1	
£145,000 to £149,999		

- Remuneration in regards to the above table includes gross salary (includes allowances i.e. CPD payments), employers pension contributions to the scheme on behalf of employee and lease car allowances.

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**27. EXTERNAL AUDIT COSTS**

Fees payable to the statutory auditors equate to £57,000 with regard to external audit services received and represents a zero increase on 2008/09 fees.

	<b>2009/2010</b>	<b>2010/2011</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	46	48
Fees payable to the Auditor General for Wales in respect of Statutory inspection	11	11
Fees payable in respect of other services provided by the appointed auditor	0	0

**28. GRANTS & DONATED ASSETS**

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 received;

	<b>2009-2010</b>	<b>2010-2011</b>
	<b>£'000</b>	<b>£'000</b>
Arson Reduction Team	259	275
Arson RAP	159	134
Community Safety – Home Fire Safety Grant	357	493
Dragon/Phoenix Programme	194	175
Confined Space	-	157
Industrial Lift	-	68
Command Training	-	55
Media Match Fund	-	50
Grass Fire Initiative	54	3
Staywise Cymru	40	22
Control Room Resilience	53	15
CCTV for Fire Appliances	229	9
WAG Funded Capital	994	-
High risk Home Safety Team	37	47
USAR	723	741
Fire brake	25	-
Voluntary Sector Co-ordinator	-	30
CSP Collaborative Funding	-	95
NFSC Partnership Delivery	-	72
RTC Activities	-	31
HFSC Equipment	100	-
HFSC Data Tables	149	-
Firelink	126	-
New Dimensions	170	227
Other grants	79	86
<b>TOTAL</b>	<b>3,748</b>	<b>2,785</b>

Donated Assets;

	<b>£000's</b>
Vehicles	1,971
Equipment	480
	<u>2,451</u>

***SOUTH WALES FIRE & RESCUE AUTHORITY  
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The above assets were transferred on the 1<sup>st</sup> Jan 2011 from Welsh Government (WG). The assets relate specifically to New Dimension activities of the Service and the transfer was determined by the Long Term Capability Management (LTCM) agreement set out between Welsh FRS and WAG.

**29. 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 council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to bargain freely with the Authority.

**RELATED PARTY TRANSACTIONS**

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

- Each member of the Fire & Rescue Authority is also a member of one the constituent authorities
- The Treasurer to the Fire & Rescue Authority is a Director of Monmouthshire County Council..

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

	<b>Receipts</b>	<b>Payments</b>
	<b>£000</b>	<b>£000</b>
<b>Funding Received from constituent authorities</b>		
Blaenau Gwent CBC	3,475	2
Bridgend CBC	6,781	4
Caerphilly CBC	8,672	7
Cardiff CC	16,340	89
Merthyr Tydfil CBC	2,804	1
Monmouthshire CC	4,449	610
Newport CBC	7,079	4
Rhondda Cynon Taf CBC	11,776	76
Torfaen CBC	4,583	4
The Vale of Glamorgan Authority	6,282	5
	<b>72,241</b>	<b>802</b>

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

<b>Related Party Organisation</b>	<b>Nature of relationship</b>	<b>Number of transactions</b>	<b>Payments in year £</b>
Firebrake	Trustee	1	35,000

The ACO Corporate Support is married to the Acting Chief Executive of Merthyr Tydfil CBC.

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

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
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**30. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

	2009/10	2010/11
	£000	£000
<i>Opening Capital Financing Requirement</i>	35,936	36,625
Property, Plant & Equipment (breakdown in note 31)	4,770	7,461
 <i>Sources of finance</i>		
Capital receipts	0	
Government grants and other contributions	-1,009	-224
Sums set aside from revenue	-1,116	-627
Direct revenue contributions (note 31)	-411	-231
MRP/loans fund principal (note 21)	-1,545	-1,808
<i>Closing Capital Financing Requirement</i>	36,625	41,196
 <i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (supported by government financial assistance)	689	4,571
Increase in underlying need to borrowing (unsupported by government financial assistance)		
Assets acquired under finance leases		
Assets acquired under PFI/PPP contracts		
<i>Increase/(decrease) in Capital Financing Requirement</i>	689	4,571

Capital expenditure is incurred on schemes, which have a life beyond one year, and is largely financed by loans or revenue contributions.

Outstanding retention monies have been accrued.

Capital expenditure during the year was as follows:

<b>Scheme</b>	<b>£000</b>
Industrial Lift & Confined Space Unit	236
Operational Equipment	1,910
Vehicles	3,377
ICT	146
Britannia Station – Land purchase	70
Station Refurbishments	1,722
	<hr/> <b>7,461</b> <hr/>

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**31. FINANCING OF CAPITAL SPEND**

Capital expenditure in the year was financed as follows:

	2009/2010	2010/2011
	£000	£000
External loans	1,834	3,000
Revenue account (note 30)	411	231
B/f slippage	400	1,724
Reserves (note 7)	1,116	627
Grant funding (note 3)	1,009	224
Internal Borrowing		1,655
Total (note 30)	<u>4,770</u>	<u>7,461</u>

**32. CAPITAL COMMITMENTS**

The Authority is committed to capital expenditure in future periods arising from contracts entered into at the balance sheet date. The estimate of capital expenditure committed at 31<sup>st</sup> March 2011 and to be made in 2011/12 is £1,880,120. This expenditure relates to the purchase of water ladder chassis and bodies contained within the capital programme for 2011/12.

**33. LEASES**

**Authority as a Lessee**

**Finance 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.

	31 March 2010	31 March 2011
	£000	£000
Vehicles	<u>2,295</u>	<u>1,783</u>

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 2010	31 March 2011
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):	509	538
Finance costs payable in future years	165	138
Minimum lease payments	<u>674</u>	<u>676</u>

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

	Minimum Lease Payment		Finance Lease Liabilities	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	675	675	538	567
Later than one year and not later than five years	1,882	1,393	1,606	1,206
Later than five years	456	268	415	248
	<b>3,013</b>	<b>2,336</b>	<b>2,559</b>	<b>2,021</b>

**34. 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 £15.4m (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 funding 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 2011, the balance on the PFI equalisation earmarked reserve is £2.739 million.

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

2009/10 £'000	Unitary Charge	2010/11 £'000
1,062	Service Charge Element	1,001
511	Interest Element	535
121	Finance Lease Liability	184
1,694	<b>Total</b>	1,720

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

Unitary Charge	2011/12 £'000	2012/13 to 2016/17 £'000	2017/18 to 2021/22 £'000	2022/23 to 2026/27 £'000	2027/28 to 2030/31 £'000
Service Charge Element	1,079	6,386	7,644	8,651	6,451
Interest Element	485	2,283	1,903	1,342	388
Finance Lease Liability	203	756	976	1,804	2,292
<b>Total</b>	<b>1,767</b>	<b>9,425</b>	<b>10,523</b>	<b>11,797</b>	<b>9,131</b>

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**PFI and other Long Term Liabilities**

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

2009/10 £'000		Movement £'000	2010/11 £'000
6,215	PFI Lease Liability	-184	6,031

**35. TERMINATION BENEFITS**

The Authority terminated the contracts of a number of employees in 2010/11. The total costs of termination were charged within the year with the only future liabilities being in respect of future pensions. These liabilities are contained within pension liabilities under IAS 19 and included within pension disclosure note 36 below.

**36. PENSION SCHEMES (IAS 19)**

**Defined Benefit Schemes**

**Participation in Pension Schemes**

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

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Rhondda Cynon Taf County Borough Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

**Transactions Relating to Post-employment Benefits**

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

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**Fire Authority Pension Disclosures 2010/11**  
**For Firefighters' pension Scheme 1992**

**South Wales Fire & Rescue Service**

<b>Past Service Liabilities</b>	<b>Value at 31-Mar-2009 £ Million</b>	<b>Value at 31-Mar-2010 £ Million</b>	<b>Value at 31-Mar-2011 £ Million</b>
Liability in respect of			
Active members (past service)	(182.73)	(288.41)	(247.09)
Deferred pensions	(1.93)	(3.35)	(2.42)
Pensions in Payment (excluding injury)	(213.69)	(285.71)	(271.53)
<b>Total</b>	<b>(398.35)</b>	<b>(577.47)</b>	<b>(512.04)</b>
Net pensions surplus / (deficit)	(398.35)	(577.47)	(521.04)
<b>Analysis of movement in scheme liability</b>	<b>2009/10 £ Million</b>	<b>2010/11 £ Million</b>	<b>2010/11 £ Million</b>
Net surplus / (deficit) at the beginning of year	(398.35)	(577.47)	
Movement in the year:			
Current service cost (net of employee contributions)	(6.23)	(11.30)	
Costs covered by employee contributions	(2.65)	(2.80)	
Past service cost	-	60.56	
Pensions transfers-in	(0.36)	(0.01)	
Interest on pension liabilities (i.e. Finance Income)	(27.17)	(30.72)	
Benefits paid (recurring element)			13.85
Benefits paid (lump sum)			2.88
Payments to and on account of leavers			0.16
Total benefits paid	18.61	16.89	16.89
Actuarial gain / (loss)	(161.32)	23.81	
Net surplus / (deficit) at the end of year	(577.47)	(521.04)	
The actuarial gain(loss) can be further analysed as follows:			
Actual less expected return in pensions assets			
Experience gains & losses arising on the pension liabilities	14.64	20.30	
Changes in assumptions underlying the present value of the pension liabilities	(175.96)	3.51	
Actuarial gain / (loss)	(161.32)	23.81	
<b>History of Experience gains and losses</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Experience gains / (losses) on the scheme liabilities			
Amount (£ Million)	21.31	14.64	20.30
Percentage of the liability at the end of year	5.3%	2.5%	3.9%
Total actuarial gain (loss)			
Amount (£ Million)	67.29	(161.32)	23.81
Percentage of the liability at the end of year	16.9%	-27.9%	4.6%

Note: Employer contributions of £5,417,636 were received during 2010/11

Note: Current Service Costs (inclusive of Member Contributions) for 2011/12 is 53.2% of Pensionable Pay

Note: The negative past service cost due to the switch in benefit indexation from RPI to CPI is £60.56 million.

***SOUTH WALES FIRE & RESCUE AUTHORITY***  
***STATEMENT OF ACCOUNTS 2010-2011***  
**South Wales Fire and Rescue Service**  
**For Firefighters' Pensions Scheme 1992**

**Fund Account 01 April 2010 to 31 March 2011 (£'000s)**

**Contributions Receivable**

From Employer	
Normal	5,418
Early Retirements	-
Other	-
From Members	2,799

**Transfers in**

Individual	14
Other	-

**Benefits Payable**

Pensions	-13,849
Commutations and lump sum retirement benefits	-2,860
Lump Sum death benefits	-21
Other	-

**Payments to and on account of leavers**

Refund on contributions	-
Individual transfers	-159
Other	-

**Net amount payable/receivable\*** -8,658

**Net Asset Statement at 31 March 2011†**

**Net Current assets and liabilities**

Contributions due from employer	-
Unpaid pension benefits	-
Other	-

\* Net amount payable/receivable is before any top-up grant receivable or amount payable to the sponsoring department.

† This is the net asset statement before any top-up grant receivable or amount payable to the sponsoring department.

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**Fire Authority Pension Disclosures 2010/11 – Injury Awards**  
**For Firefighters’ Pension Scheme 1992**

**South Wales Fire & Rescue Service**

<b>Past Service Liabilities</b>	<b>Value at 31-Mar-2009 £ Million</b>	<b>Value at 31-Mar-2010 £ Million</b>	<b>Value at 31-Mar-2011 £ Million</b>
Liability in respect of			
Active members	(16.18)	(26.76)	(21.79)
Pensions in Payment (injury awards)	(7.75)	(10.11)	(9.61)

Net pensions surplus / (deficit) (23.93) (36.87) (31.40)

Liabilities are valued on an actuarial basis using the Projected Unit Method

<b>Analysis of movement in scheme liability</b>	<b>2009/10 £ Million</b>	<b>2010/11 £ Million</b>	<b>2010/11 £ Million</b>
Net surplus / (deficit) at the beginning of year	(23.93)	(36.87)	
Movement in the year:			
Current service cost	(0.72)	(1.17)	
Past Service Cost	-	4.13	
Interest on pension liabilities (i.e. Finance Income)	(1.63)	(1.97)	
Benefits paid (recurring element)			0.57
Benefits paid (lump sum)			-
Pension payments to and on account of leavers			-
Total benefits paid	0.55	0.57	0.57
Curtailment and settlements		-	-
Actuarial gain / (loss)	(11.14)	3.91	
Net surplus / (deficit) at the end of year	(36.87)	(31.40)	

The actuarial gain(loss) can be further analysed as follows:

Actual less expected return in pensions assets	-	-
Experience gains & losses arising on the pension liabilities	(0.63)	1.88
Changes in assumptions underlying the present value of the pension liabilities	(10.51)	2.03
Actuarial gain / (loss)	(11.14)	3.91

<b>History of Experience gains and losses</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Experience gains / (losses) on the scheme liabilities			
Amount (£ Million)	1.12	(0.63)	1.88
Percentage of the liability at the end of year	4.7%	-1.7%	6.0%
Total actuarial gain (loss)			
Amount (£ Million)	1.12	(11.14)	3.91
Percentage of the liability at the end of year	4.7%	-30.2%	12.5%

Note: The negative past service cost due to the switch in benefit indexation from RPI to CPI is £4.13 million

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

**Fire Authority Pension Disclosures 2010/11  
For Firefighters' Pension Scheme 2006**

**South Wales Fire & Rescue Service**

<b>Past Service Liabilities</b>	<b>Value at 31-Mar-2009 £ Million</b>	<b>Value at 31-Mar-2010 £ Million</b>	<b>Value at 31-Mar-2011 £ Million</b>
Liability in respect of			
Active members (past service)	(3.53)	(9.24)	(7.71)
Deferred pensions	-	(0.01)	(0.03)
Pensions in Payment (excluding injury)	-	-	(0.01)
<b>Total</b>	<b>(3.53)</b>	<b>(9.25)</b>	<b>(7.75)</b>
Net pensions surplus / (deficit)	(3.53)	(9.25)	(7.75)
<b>Analysis of movement in scheme liability</b>	<b>2009/10 £ Million</b>	<b>2010/11 £ Million</b>	<b>2011/12 £ Million</b>
Net surplus / (deficit) at the beginning of year	(3.53)	(9.25)	
Movement in the year:			
Current service cost (net of employee contributions)	(0.87)	(2.00)	
Costs covered by employee contributions	(0.44)	(0.49)	
Past service cost	-	1.03	
Pensions transfers-in	(0.06)	(0.35)	
Interest on pension liabilities (i.e. Finance Income)	(0.29)	(0.57)	
Total benefits paid	0.02	-	-
Curtailment and settlements	-	-	
Actuarial gain / (loss)	(4.08)	3.88	
Net surplus / (deficit) at the end of year	<b>(9.25)</b>	<b>(7.75)</b>	
The actuarial gain(loss) can be further analysed as follows:			
Actual less expected return in pensions assets	-	-	
Experience gains & losses arising on the pension liabilities	(0.19)	3.93	
Changes in assumptions underlying the present value of the pension liabilities	(3.89)	(0.05)	
Actuarial gain / (loss)	<b>(4.08)</b>	<b>3.88</b>	
<b>History of Experience gains and losses</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Experience gains / (losses) on the scheme liabilities	(0.03)	(0.19)	3.93
Amount (£ Million)	-0.8%	-2.1%	50.7%
Percentage of the liability at the end of year			
Total actuarial gain (loss)			
Amount (£ Million)	0.27	(4.08)	3.88
Percentage of the liability at the end of year	7.6%	-44.1%	50.1%

Note: Employer contributions of £632,874 were received during 2010/11

Note: Current Service Cost (inclusive of member Contributions) for 2011/12 is 41.1% of Pensionable Pay

Note: The negative past service cost due to the switch in benefit indexation from RPI to CPI is £1.03 million

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

**South Wales Fire and Rescue Service  
For New Firefighters' Pensions Scheme 2006**

**Fund Account 01 April 2010 to 31 March 2011 (£'000s)**

**Contributions Receivable**

From Employer	
Normal	633
Early Retirements	-
Other	-
From Members	489

**Transfers in**

Individual	350
Other	-

**Benefits Payable**

Pensions	-
Commutations and lump sum retirement benefits	(2)
Lump Sum death benefits	-
Other	-

**Payments to and on account of leavers**

Refund on contributions	-
Individual transfers	-
Other	-

**Net amount payable/receivable\*** 1,470

**Net Asset Statement at 31 March 2011†**

**Net Current assets and liabilities**

Contributions due from employer	-
Unpaid pension benefits	-
Other	-

\* Net amount payable/receivable is before any top-up grant receivable or amount payable to the sponsoring department.

† This is the net asset statement before any top-up grant receivable or amount payable to the sponsoring department.

***SOUTH WALES FIRE & RESCUE AUTHORITY  
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**DISCLOSURE UNDER IAS 19 (LGPS FUNDED BENEFITS)**

**Introduction**

The disclosures below relate to the funded liabilities within the Rhondda Cynon Taff County Borough Council Pensions Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires South Wales Fire & Rescue Service and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets.

South Wales Fire & Rescue Service recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligation has reduced. We consider this policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22 June 2010.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension scheme is required.

**Contributions for the accounting period ending 31 March 2012**

The Employer's regular contributions to the Fund for the accounting period 31 March 2012 are estimated to be £1.26M. In addition, Strain on Fund Contributions may be required.

**Assumptions**

The Employer's actuarial valuation of South Wales Fire & Rescue Service's liabilities took place as at 31 March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

**Principal financial assumptions (% per annum)**

	<b>31 March 2009</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
Discount rate	6.5	5.5	5.4
RPI Inflation	3.6	3.9	3.7
CPI Inflation	N/A	N/A	2.8
Rate of increase to pensions in payment	3.6	3.9	2.8
Rate of increase to deferred pensions	3.6	3.9	2.8
Rate of general increase in salaries	5.1	5.4	5.2

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**Mortality assumptions**

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

<b>Post retirement mortality (retirement in normal health)</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
Year of Birth base table	PNMA00 with allowance for MC improvement factors to 2007	Standard SAPS Normal Health All Amounts
Rating to about base table *(years)	0	0
Scaling to above base table rates	125%	90%
Improvements to base table rates	80% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 64 (aged 65 at accounting date)	21.2	23.1
Future lifetime from age 65 (aged 45 at accounting date)	23.5	25.0
<b>Females</b>		
Year of Birth base table	PNFA00 with allowance for MC improvement factors to 2007	Standard SAPS Normal Health All Amounts
Rating to above base table *(years)	0	0
Scaling to above base table rates	120%	100%
Improvements to base table rates	60% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25 p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.6	24.4
Future lifetime from age 65 (aged 45 at accounting date)	25.8	26.4

\*A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

	<b>31 March 2010</b>	<b>31 March 2011</b>
<b>Commutation</b>	Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2008 pension entitlements. Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlements.	Each member assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.

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**Expected return on assets**

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of IAS 19.

	<b>Asset split at 31 March 2009 (%)</b>	<b>Long-term expected rate of return at 31 March 2009 (%pa)*</b>	<b>Asset split at 31 March 2010 (%)</b>	<b>Long-term expected rate of return at 31 March 2010 (%pa)*</b>	<b>Asset split at 31 March 2011 (%)</b>	<b>Long-term expected rate of return at 31 March 2011 (%pa)*</b>
Equities	61.7	7.0	66.8	8.0	68.3	8.4
Property	4.3	6.0	5.9	8.5	6.8	7.9
Government bonds	17.9	4.0	14.1	4.5	10.3	4.4
Corporate bonds	8.4	5.8	10.1	5.5	12.3	5.1
Cash	4.2	1.6	3.1	0.7	2.3	1.5
Other**	3.5	1.6	0.0	8.0	0.0	8.4
<b>Total</b>	<b>100.0</b>	<b>5.9</b>	<b>100.0</b>	<b>7.1</b>	<b>100.0</b>	<b>7.4</b>

*\*The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.*

*\*\*Other holdings include hedge funds, currency holdings, asset allocation futures and other. We have assumed these will get a return in line with equities.*

“South Wales Fire & Rescue Service employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2011”.

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

**Reconciliation of funded status to Balance Sheet**

	<b>Value as at 31 March 2009 £M's</b>	<b>Value as at 31 March 2010 £M's</b>	<b>Value as at 31 March 2011 £M's</b>
Fair value of assets	16.70	24.97	28.84
Present value of funded defined benefit obligation	34.26	48.57	45.49
Pension asset / (liability) recognised on the Balance Sheet *	(17.56)	(23.60)	(16.65)

**Charges to the Surplus or Deficit on the Provision of Services**

	<b>Period ending 31 March 2010 £M's</b>	<b>Period ending 31 March 2011 £M's</b>
Current service cost	1.10	1.37
Past service cost	0.21	(5.77)
Interest cost	2.27	2.45
Expected return on assets	(1.01)	(1.77)
Curtailement cost	0.00	0.00
Settlement cost	0.00	0.00
Expense recognised	2.57	(3.72)

**Changes to the present value of defined benefit**

	<b>Period ending 31 March 2010 £M's</b>	<b>Period ending 31 March 2011 £M's</b>
Opening defined benefit obligation	34.26	48.57
Current service cost	1.10	1.37
Interest cost	2.27	2.45
Contributions by participants	0.48	0.47
Actuarial (gains) / losses on liabilities *	10.69	(0.77)
Net benefits paid out #	(0.44)	(0.83)
Past service cost	0.21	(5.77)
Business combinations	0.00	0.00
Curtailements	0.00	0.00
Settlements	0.00	0.00
Closing defined benefit obligation	48.57	45.49

\*Includes changes to the actuarial assumptions.

#Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**STATEMENT OF ACCOUNTS 2010-2011**

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

	Period ending 31 March 2010 £M's	Period ending 31 March 2011 £M's
Opening fair value of assets	16.70	24.97
Expected return on assets	1.01	1.77
Actuarial gains / (losses) on assets	5.48	1.07
Contributions by the employer	1.74	1.39
Contributions by participants	0.48	0.47
Net benefits paid out#	(0.44)	(0.83)
Business combinations	0.00	0.00
Settlements	0.00	0.00
Closing fair value of assets	24.97	28.84

#Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

**Actual return on assets**

	Period ending 31 March 2010 £M's	Period ending 31 March 2011 £M's
Expected return on assets	1.01	1.77
Actuarial gain / (loss) on assets	5.48	1.07
Actual return on assets	6.49	2.84

**Analysis of amounts recognised in other Comprehensive Income and Expenditure**

	Period ending 31 March 2010 £M's	Period ending 31 March 2011 £M's
Total actuarial gains / (losses)	(5.21)	1.84
Total gains / (losses)	(5.21)	1.84

**History of asset values, present value of defined benefit obligation and surplus / deficit \***

	Period ending 31 March 2010 £M's	Period ending 31 March 2011 £M's
Fair value of assets	24.97	28.84
Present value of defined benefit obligation	48.57	45.49
Surplus / (deficit)	(23.60)	(16.65)

***SOUTH WALES FIRE & RESCUE AUTHORITY  
STATEMENT OF ACCOUNTS 2010-2011***

**History of experience gains and losses \***

	<b>Period ending 31 March 2010</b>	<b>Period ending 31 March 2011</b>
Experience gains / (losses) on assets		
Amount (£M's)	5.48	1.07
Percentage of assets	21.9%	3.7%
Experience gains / (losses) on liabilities		
Amount (£M's)	0.34	0.93
Percentage of the present value of the liabilities	0.7%	2.0%

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**DISCLOSURE UNDER IAS 19 (LGPS UNFUNDED BENEFITS)**

**Introduction**

The disclosures below relate to unfunded pension arrangements established by South Wales Fire & Rescue Service. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS.

South Wales Fire & Rescue Service recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive statutory pension increase has been changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligations has reduced. We consider this policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22 June 2010.

In accordance with International Financial Reporting Standards disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

**Contributions for the accounting period ending 31 March 2012**

In the accounting period ending 31 March 2012 the Employer expects to pay £0.03M directly to beneficiaries.

**Assumptions**

The latest actuarial valuation of unfunded LGPS benefits took place as at 31 March 2004. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

**Principal financial assumptions (% per annum)**

	<b>31 March 2009</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
Discount rate	6.5	5.5	5.5
RPI Inflation	3.6	3.8	3.6
CPI Inflation	N/A	N/A	2.7
Rate of increase to pensions in payment	3.6	3.8	2.7

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**Mortality assumptions**

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

<b>Post retirement mortality (retirement in normal health)</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
<b>Males</b>		
Year of Birth base table	PNMA00 with allowance for MC improvement factors to 2007	Standard SAPS Normal Health All Amounts
Rating to above base table * (years)	0	0
Scaling to above base table rates	125%	90%
Improvements to base table rates	80% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	21.2	23.1
<b>Females</b>		
Year of Birth base table	PNFA00 with allowance for MC improvement factors to 2007	Standard SAPS Normal Health All Amounts
Rating to above base table* (years)	0	0
Scaling to above base table rates	120%	100%
Improvements to base table rates	60% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25% p.a.	CMI_2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.6	24.4

\* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

**Reconciliation of Balance Sheet**

	<b>Value as at 31 March 2009 £M's</b>	<b>Value as at 31 March 2010 £M's</b>	<b>Value as at 31 March 2011 £M's</b>
Present value of defined benefit obligation	0.50	0.57	0.51
Pension (liability) recognised on the Balance Sheet	(0.50)	(0.57)	(0.51)

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**Charges to the Surplus or Deficit on the Provision of Services**

	<b>Period ending 31 March 2010</b>	<b>Period ending 31 March 2011</b>
	<b>£M's</b>	<b>£M's</b>
Past service cost	0.00	(0.06)
Interest cost	0.03	0.03
Expense recognised	<u>0.03</u>	<u>(0.03)</u>

**Changes to the present value of unfunded defined benefit obligation during the accounting period.**

	<b>Period ending 31 March 2010</b>	<b>Period ending 31 March 2011</b>
	<b>£M's</b>	<b>£M's</b>
Opening unfunded defined benefit obligation	0.50	0.57
Interest cost	0.03	0.03
Actuarial (gains) / losses on liabilities *	0.07	0.00
Net benefits paid out	(0.03)	(0.03)
Past service cost	0.00	(0.06)
Closing unfunded defined benefit obligation	<u>0.57</u>	<u>0.51</u>

	<b>Period ending 31 March 2010</b>	<b>Period ending 31 March 2011</b>
	<b>£M's</b>	<b>£M's</b>
Total actuarial gains / (losses)	<u>(0.07)</u>	<u>0.00</u>
Total gain (loss)	<u>(0.07)</u>	<u>0.00</u>

**History of present value of defined benefit obligation and surplus / deficit\***

	<b>As at 31 March 2010</b>	<b>As at 31 March 2011</b>
	<b>£M's</b>	<b>£M's</b>
Present value of defined benefit obligation	0.57	0.51
Surplus / (deficit)	<u>(0.57)</u>	<u>(0.51)</u>

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**History of experience gains and losses\***

	<b>Period ending 31 March 2010</b>	<b>Period ending 31 March 2011</b>
	<b>£M's</b>	<b>£M's</b>
Experience gains / (losses)#	0.02	0.00
Amount (£M's)	3.5%	0.0%
Percentage of the present value of the liabilities		

\*The history can be built up over time and need not be constructed retrospectively (and once complete will show the current period and previous for four periods).

#This item consists of gains / (losses) in respect of liability experience only – and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

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**ESTIMATED SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES IN**  
**FUTURE PERIODS**

**LGPS funded benefits**

**Principal financial assumptions**

	<b>% p.a.</b>
Discount rate	5.4
RPI Inflation	3.7
CPI Inflation	2.8
Rate of increase to pensions in payment*	2.8
rate of increase to deferred pensions	2.8
Rate of general increase in salaries	5.2

\*in excess of Guaranteed Minimum Pension increases in payment where appropriate

**Expected return on assets**

<b>Asset Class</b>	<b>Assumed return (% p.a.)</b>
Equities	8.4
Property	7.9
Government Bonds	4.4
Corporate Bonds	5.1
Cash	1.5
Other***	8.4
Average Return	7.4

\*\*\*other holdings include hedge funds, currency holdings, asset allocation futures and other.

**Analysis of amount charged to Surplus or Deficit on the Provision of Services**

	<b>Period ending</b> <b>31 March 2012</b> <b>£M's</b>
Current service cost	1.40
Past service costs	0.00
Interest cost	2.48
Expected return on assets	(2.13)
<b>Total</b>	<b>1.75</b>

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**LGPS unfunded benefits**

**Principal financial assumptions**

	<b>% p.a.</b>
Discount rate	5.5
CPI inflation	2.7
Rate of increase to pensions in payment*	2.7

\*In excess of Guaranteed Minimum Pension increase in payment where appropriate

**Analysis of amount charged to Surplus or Deficit on the Provisions of Service**

	<b>Period Ending 31 March 2010 £M's</b>
Past service costs	0.00
Interest cost	0.03
<b>total</b>	<b>0.03</b>

**Notes**

**Benefits valued**

The benefits valued are broadly those that are set out in legislation at the time of calculation.

**Pension cost for the period ending 31 March 2012**

The pension cost shown in the next period's accounts will be different to that shown above. Reasons why the pension cost may change include:

- actual increase in payroll (this will particularly affect the current service cost). We have used a payroll figure of £7,505,700 in our calculations;
- past service costs may not be zero (this cost is that resulting from benefit augmentations or early retirement of individual members before age 60 or on the grounds of efficiency.
- Curtailment / settlement events may occur (e.g. outsourcing exercises, redundancy exercises or bulk transfers):
- Actual cash-flows over the next accounting periods may differ from those assumed (this will particularly affect the expected return on assets and interest on liabilities) – this effect is, however, minor compared to those above.

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**Active members as at 31 March 2010**

	<b>Number</b>	<b>Total Pay (£000s)</b>
Total	306	7,359.1

**Pensioner & deferred pensioner members as at 31 March 2010**

<b>Type</b>	<b>Number</b>	<b>Total pension £000s)</b>
Deferred members	73	98.1
Pensioners and dependants	86	733.6

**Cash-flows – regular (£000s)**

	<b>Provided</b>		<b>Used</b>
	Months	Amount	Amount
Employer – Normal contributions	12	1,355.6	
Employer – Additional capital contributions	12	0.0	
Employer – Early retirement strain on fund payments	12	31.5	
<b>Contributions by the Employer</b>			<b>1,387.1</b>
Employee – normal contributions	12	464.5	
Employee – Additional capital contributions	12	5.0	
<b>Contributions by participants</b>			<b>469.5</b>
Transfers in	12	78.6	
Other income	12	140.3	
Transfers out	12	12.8	
Retirement lump sums	12	242.8	
Other outgo	12	0.1	
Net other benefits			36.8
Death in service lump sums	12	0.0	
Expected death in service lump sums			26.3
Benefits paid (I.E. pension paid)	12	768.0	768.0
<b>Net benefits paid out</b>			<b>831.1</b>

Benefits paid are estimated by projecting data from the most recent triennial valuation of the Fund.

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**Annualised pensionable payroll over the accounting period (£000s)\***

Period ending 31 March 2011	7,134.7
Period ending 31 March 2010	7,338.2

*\*these figures have been derived from the contributions paid over the relevant accounting period.*

**Fund return**

The overall Fund return over the accounting period has been calculated as 8.2%

**Capital cost**

The capital cost of early retirement occurring in the accounting period is £66.300

**Unfunded benefits**

A valuation of unfunded benefits may be carried out from first principles using individual member data or it may be approximated by rolling forward an earlier valuation, allowing for cash flow information and changes in assumptions, in the same manner as per a valuation of funded benefits.

A full valuation of unfunded benefits should be carried out at intervals not exceeding three years.

The last full valuation of the Employer's unfunded LGPS benefits was carried out as at 31 March 2004.

The information supplied for the purposes of preparing the Employer's IAS 19 disclosures in this report is as follows:

**Summary of unfunded pensions payroll**

	<b>LGPS</b>
	<b>Unfunded pensions paid between</b>
	<b>31 March 2010 and 31 March 2011</b>
	<b>(£000s)**</b>
Pensioners	30.6
New pensioners	0.0
Dependants	0.0
New dependants	0.0
<b>Total</b>	<b>30.6</b>
Lump sum paid over the period	0.0

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**CONTINGENT LIABILITIES**

The Part-Time Workers (Prevention of less favourable treatment) Regulations came into force on 1<sup>st</sup> July 2000. As a consequence of a court case under certain circumstances Retained Firefighters are permitted to buy into the Uniformed Staff Pension Scheme. Where Retained Firefighters choose to buy into the Pension Scheme there will be a considerable liability for the Authority to bear the cost of such pensions. The detailed calculation of 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, are unquantifiable.

The decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. Whilst finance officers have treated the rate change in line with actuarial guidance and prescribed accounting treatment at the time of producing the accounts, there has been some debate around the treatment of this change. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.

**NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

Disclosure of nature and extent of risk arising from Financial Instruments

**Key risks.** - The Authority's activities expose it to a variety of financial risks. The key risks are:

**Credit risk** - the possibility that other parties might fail to pay amounts due to the Authority;

**Liquidity risk** - the possibility that the Authority might not have funds available to meet its commitments to make payments;

**Re-financing risk** - the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

**Market risk** - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

**Overall procedures for managing risk**

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003/Local Government (Scotland) Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance (regulations – Scotland) issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

by formally adopting the requirements of the CIPFA Treasury Management Code of Practice; by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution; by approving

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annually in advance prudential and treasury indicators for the following three years limiting:

- The Authority's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures to the maturity structure of its debt;

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Its maximum annual exposures to investments maturing beyond a year. by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance (regulations – Scotland);

These are required to be reported and approved at or before the Authority's annual Authority Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Authority 22/03/10 and is available on the Authority website. The key issues within the strategy were:

The Authorised Limit for 2010/11 was set at £46m. This is the maximum limit of external borrowings or other long term liabilities.

The Operational Boundary was expected to be £45m. This is the expected level of debt and other long term liabilities during the year.

The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Authority's net debt.

The maximum and minimum exposures to the maturity structure of debt are shown at note 39.

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

This Authority uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: credit watches and credit outlooks from credit rating agencies. CDS spreads

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to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2010/11 was approved by Full Authority on 22<sup>nd</sup> March 2010 and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Collateral – During the reporting period the Authority held no collateral as security

**Liquidity risk**

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2010 £000s	31 March 2011 £000s
Less than 1 year	1000	6000
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
More than 3 years	0	0
Total	1000	6000

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**Refinancing and Maturity risk**

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Approved minimum limits	Approved maximum limits	Actual 31 March 2010 £000s	Actual 31 March 2011 £000s
Less than 1 year	0%	25%	1,302	1,302
Between 1 and 2 years	0%	30%	1,302	1,302
Between 2 and 5 years	0%	50%	3,206	3,806
Between 5 and 10 years	0%	70%	8,010	11,009
More than 10 years	0%	95%	16,942	15,041
Total			30,762	32,460

**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).

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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, 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.

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**FIREFIGHTERS PENSION FUND ACCOUNT**

	2009/2010 £000	2010/2011 £000
<b>Income to the fund</b>		
Contributions receivable:		
from employer		
normal contributions	-6,195	-6,050
Other contributions	-132	-125
from members	-3,346	-3,288
	<b>-9,673</b>	<b>-9,463</b>
Transfers in from other Authorities	-426	-364
<b>Total Income to the Fund</b>	<b>-10,099</b>	<b>-9,827</b>
 <b>Spending by the Fund</b>		
Benefits Payable:		
Pension payments	13,598	13,870
Commutations of pensions and lump-sum retirement benefits	4,716	2,862
	<b>18,314</b>	<b>16,732</b>
Payments to and on account of leavers:		
Transfers out to other authorities	312	158
<b>Total Spending by the Fund</b>	<b>18,626</b>	<b>16,890</b>
Net amount payable for the year	<b>8,527</b>	<b>7,063</b>
Top up grant payable by the Government	<b>8,527</b>	<b>7,063</b>
 <b>Net Assets Statement</b>		
Net current assets and liabilities:		
Top-up grant received from sponsoring Department	7,054	8,714
Net pension costs payable	-8,527	-7,063
Excess top-up grant (payable to)/receivable from sponsoring Department	1,473	-1,651
<b>Net Current assets at the end of the year</b>	<b>0</b>	<b>0</b>

**Firefighters' Pension Fund Notes**

As of April 2007 the financial arrangements for funding firefighter pensions came into being. Prior to this date each Fire & Rescue Authority (FRAs) was responsible for paying pensions on a 'pay-as-you-go' basis. Under the new funding arrangements FRAs would continue to administer and pay firefighter pensions, as well as any future pensions for new entrants but this would be from a new and separate local firefighters pension fund (above).

Employee and employer contributions are paid into the pension fund from which pension payments are made. The fund is topped up by a Welsh Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by the Welsh Government. The underlying principle is that employer and employee contributions together will meet the full costs of currently serving employees while the Welsh Government will meet the costs of retirement pensions in payment.

The pension fund account does not provide detail of future pension liabilities, detail of this is contained note 36 Pension Schemes.

The above statement illustrates the financial position of the fire fighters pension fund account, indicating as at 31 March 2011 the Authority owes the sum of £1.651 million to the Welsh Government in order to balance the account.

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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.