

NORTH WALES FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2004-2005

C O N T E N T S

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EXPLANATORY FOREWORD

1. The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of the North Wales Fire Authority for the financial year 2004-2005.

- 2(a). The statements and their purposes are as follows:-
 - (i) **Statement of Accounting Policies**
This sets out the principles and policies upon which the Authority's accounts have been prepared.
 - (ii) **Consolidated Revenue Account**
This summarises the expenditure of the Authority and demonstrates how the expenditure has been financed.
 - (iii) **Consolidated Balance Sheet**
The Consolidated Balance Sheet describes the financial position of the Authority.
 - (iv) **Statement of Total Movements in Reserves**
This statement brings together all of the recognised gains and losses of the Authority and identifies those that have and have not been recognised in the Consolidated Revenue Account.
 - (v) **Cashflow Statement**
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third-parties for revenue and capital purposes.
 - (vi) **Statement of Responsibilities for the Statement of Accounts**
This sets out the responsibilities of the Treasurer to the Fire Authority as regards the Statement of Accounts.

- 2(b). The Revenue Account, Balance Sheet, Statement of Total Movement in Reserves and Cash Flow Statements are supported by notes which provide additional information. The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting in Great Britain (2004) and the Best Value Accounting Code of Practice (2004), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 1996.

3. **SUMMARY OF FINANCIAL YEAR 2004-2005**
 - (i) **Revenue Expenditure 2004-2005**
The budget for the year was approved by Members of the Fire Authority at £26,852,251. The Consolidated Revenue Account shows that the expenditure for the year was contained within this sum. A report to Members in March 2005 estimated that the outturn for 2004-2005 would be an underspend of £839,364. The actual expenditure for 2004-2005 was £25,689,065, an underspend of £1,163,186. The main area of underspend is on pay, primarily in relation to retained firefighters.

A separate report to Members outlines in detail the underspend and makes recommendations on how the underspend should be utilised. The optimal recommendations in the report have been incorporated into the draft Statement of Accounts. If Members decide not to accept the recommendations then the accounts will be amended before they are submitted to the auditors.

(ii) **Capital Expenditure 2004-2005**

During the year the Authority spent £3,940,629 on capital projects as follows:-

	£
Buildings	
Training Facilities Colwyn Bay	116,687
Retention Money	13,120
IRU Garage Bangor	111,139
Training House Rhyl	5,380
Training Facilities Benllech	72,775
Headquarters Accommodation	120,331
Training Facilities Pwllheli	72,577
Remodel Llandudno	7,493
Remodel Llanrwst	6,896
Remodel Johnstown	53,258
Minor Building Works	80,034
Hydrant Installations	2,551
Vehicles and Equipment	
Water Tenders	2,164,353
Aerial Appliance	355,760
Light Vehicles	138,768
Exhibition Unit	64,287
Other Equipment	490,207
Human Resources System	65,013
TOTAL CAPITAL EXPENDITURE	3,940,629

This is the first year that the Authority has been subject to the new Prudential Code. Previously the Authority was subject to limits on the amount that could be borrowed to finance the capital programme, the issue of Basic Credit Approvals (BCA) by the Welsh Assembly set those limits. To enable the Authority to maintain its fleet and equipment to a certain standard there was an extensive leasing programme in place, as all the BCA was needed for building work. Under the new regime the Authority can finance the capital programme according to what method of financing is most cost effective.

In 2004-2005 the capital programme was financed mainly by loans from the Public Works Loan Board. New loans of £3.15m were raised in 2004-2005.

The remainder of the capital programme was financed by government grant and a contribution from the Revenue Account. Part of the contribution from the Revenue Account is made up of the underspend for 2004-2005.

(iii) **Balance Sheet 2004-2005**

In 2004-2005 a revaluation of fixed assets was undertaken and those values reflected in the Balance Sheet. The effect of the revaluation was to increase the value of fixed assets by £5.18m; the previous valuation was undertaken in 1999. All buildings are allocated an asset life and are depreciated over that expected life; this is shown in Note 1 to the Consolidated Balance Sheet.

The increase in borrowing is determined by formula, and the factors considered are the amount of capital expenditure to be financed by borrowing, the Credit Ceiling and the outstanding borrowing. The Authority's loan debt at 31 March 2005 was £7.11m, an increase of £3.15m over the year. The reason for the large increase in borrowing is the switch from leasing to borrowing to finance the capital programme.

The value of Stock has increased by £0.082m. The current stock levels are artificially inflated due to the delay in issuing the new uniform, the stock adjustment for the following year will be accounted for as part of the money set aside in the Uniform Provision.

FRS17 was introduced to ensure that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. A full charge is made to the revenue account for the current cost of service and an entry in the Balance Sheet to reflect the Authority's pension liability. The estimated pension liability for the North Wales Fire Authority at 31 March 2005 is £145.612m, an increase of £39.27m. The large increase is due partly to the change in the discount rate used by the Actuary when assessing the value of the pension liability, this is explained further under the Statement of Accounting Policies.

(iv) **Cash Flow**

The Fire Authority is funded from contributions from six Constituent Local Authorities, the contributions are received on a monthly basis and are used to fund expenditure.

(v) **Provisions and Liabilities**

The Authority has a Provision for Pension Liabilities of £1,954,566 to meet future liabilities. The Pension position is monitored regularly and reported to the Authority as a separate agenda item. Other provisions held by the Authority at 31 March 2005 are the 2005-2006 Budget Provision of £500,000, the Computer Provision of £34,986, the Transitional Funding Provision of £281,202, the Control Provision of £100,000 and the Uniform Provision of £190,000. Further details of the provisions held are included in pages 14,15 and 21.

(vi) **Capital Financing Costs**

The charge made to the service revenue accounts to reflect the cost of fixed assets used in the provision of services was £1,543,733. This is a notional charge as a credit adjustment is made to the Asset Management Revenue Account and the Capital Financing Account so the contributions required to fund the service are not affected. The actual cost to the

service for financing capital is £220,686 for loan interest and £400,300 Minimum Revenue Provision (see notes 1 and 5 to the Consolidated Revenue Account).

4. **ADDITIONAL INFORMATION**

Additional information about these accounts is available from the Treasurer to the Fire Authority at Bodlondeb, Conwy. Interested members of the public also have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised in the local press and on both the websites for North Wales Fire Authority (www.nwales-fireservice.org.uk) and Conwy County Borough Council (www.conwy.gov.uk). The 2004-2005 accounts have not yet been audited and the current statement is in draft format.

K W FINCH CPFA IRRV
Treasurer to the Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

In preparing the 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 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.

TREASURER'S CERTIFICATE

STATEMENT OF ACCOUNTS 2004/2005

A Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 1996.

SIGNED: _____

K W FINCH CPFA IRRV

Treasurer to the Fire Authority

DATED: _____

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the statement of accounts for the North Wales Fire Authority. The Fire Authority acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Service develop and maintain the system of financial control. In particular, the system includes:
 - Comprehensive budgeting systems;
 - Regular reviews of periodic and annual financial reports which indicate financial performance against the forecast;
 - Setting targets to measure financial and other performance;
 - The preparation of regular financial reports which indicate actual expenditure against the forecasts; and
 - Clearly-defined capital expenditure guidelines.

4.

7. Internal Audit Arrangements

Internal Audit Services (IA) are provided to the Fire & Rescue Service, under contract, by Conwy County Borough Council. The current agreement allows for a number of days Internal Audit Service to be provided with any unplanned works incurring an additional cost to the Fire Authority.

Internal Audit aims to undertake its work in accordance with the professional standards set by the Audit Practices Board as described in Codes of Practice issued by professional bodies, in particular the CIPFA Code of Practice for Internal Audit in Local Government.

In order to ensure that IA meets its objectives and deploys its resources to maximum effect, the work of IA needs to be adequately planned. Planning involves identification of the workload of IA, taking into account all of the activities to be audited, the extent of any known weaknesses and areas of high risk. The Audit Plan is agreed annually and is currently based upon a cyclic review of activities with adjustments being made in accordance with Fire Service requirements.

Internal Audit Reports are issued in the name of the Head of Audit and Procurement who has access to, and may report directly to any or all of the following: The Chairman of the Fire Authority, the Chief Fire Officer, the Fire Authority, and any senior officer of the Fire & Rescue Service. Opinion expressed in the reports is independently formed and is not subject to influence external to the Internal Audit Section.

5. The review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Authority;
 - The work of the internal auditors as described above; and
 - The external auditors in their annual audit letter and other reports.
6. Based upon the work undertaken during 2004/05, the Internal Audit opinion of the mechanisms put in place by management to exercise Internal Financial Control is that they are adequate for their purpose.
7. In accordance with the findings of the external review of Internal Audit of the Fire & Rescue Service, the planning of Audit coverage for 2005/06 is based upon a risk assessment to ensure that audit resource is deployed most effectively.

(Signed) _____

(Dated) _____

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(Treasurer)

STATEMENT OF ACCOUNTING POLICIES

1. **GENERAL**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2004 (SORP), issued in May 2005 by CIPFA and also with guidance notes issued by CIPFA on the application of Accounting Standards (SSAPs) and Financial Reporting Standards (FRS).

In accordance with the requirements of the 2004 SORP, the Fixed Asset Restatement Reserve and Capital Financing Reserve have been renamed the Fixed Asset Restatement Account and Capital Financing Account respectively from 1 April 2004. The accounting treatment of these accounts has not been changed and continues to be that applicable to a 'reserve'.

2. **FIXED ASSETS**

A revaluation of fixed assets was undertaken during 2004-2005, and those values reflected in the Balance Sheet. The valuation was carried out by Gwynedd Council. Office accommodation has been valued at open market value and fire stations at depreciated replacement cost. To comply with FRS 15 the valuer estimated residual lives for all the Fire Authority's buildings so that a charge for depreciation could be calculated. Other assets are recognised at historic cost and depreciated over their useful lives.

In accordance with the requirements of FRS 11, the Authority reviews the value at which each category of asset is included in the balance sheet at the end of each reporting period. Where there is reason to believe that the value has changed materially in the period, the valuation is adjusted accordingly. Impairment is charged to the Service Revenue Account where it arises from the consumption of economic benefits and to the Fixed asset Restatement Account in other instances.

3. **INTANGIBLE ASSETS**

This heading has been added as a category on the Balance Sheet as well as a supporting Note to the Accounts. The Authority has assets that under UK Generally Accepted Accounting Practice (GAAP) can be recognised as intangible assets (e.g. software licences), the guidance notes issued by CIPFA have been amended to reflect this.

Intangible assets are amortised on a systematic basis over their economic life. The useful economic lives of the Authority's intangible assets are reviewed at the end of each reporting period and revised if necessary.

4. **CHARGES TO REVENUE FOR FIXED ASSETS**

The revenue account is charged with a capital charge for all fixed assets used in service provision. The total charge covers the annual provision for depreciation, plus a specified notional rate of interest of 3.5% of net asset values.

The aggregate charge is determined on the basis of the capital employed. Depreciation is provided for on all assets with a finite useful life and is calculated on a straight-line basis.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with the capital charges made.

5. **DEPRECIATION**

Assets, other than land and non-operational assets, are being depreciated over their useful lives. Under FRS 15 a provision for depreciation must be made on all the Fire Authority's buildings. Where depreciation is provided for, assets are being depreciated using the straight-line method over the following periods:-

Buildings	15 -80 years
Infrastructure	5-10 years
Vehicles, Plant and Equipment	4-15 years
Intangible Assets	5-15 years

6. **BASIS FOR PROVISION FOR REDEMPTION OF DEBT**

The Authority has taken out long-term loans of variable duration to finance the purchase of fixed assets. Provision for redemption of debt is a calculation based on the opening credit ceiling value, with that element relating to transitional costs being charged to the revenue account over seven years and the balance of the credit ceiling being charged to the revenue account as an amount equivalent to 4% of its value. This year additional provision has been made for the redemption of debt to reflect the new category of assets being financed through borrowing. The additional provision is based on the economic life of the asset and the charge to the revenue account is calculated on that basis.

7. **RESERVES & PROVISIONS**

The financial regime under which the Authority operates does not permit it to hold Reserves. The Authority is however permitted to hold Provisions. Provisions relate to liabilities which have been incurred, but the amount or timing of the payment cannot be accurately determined. Expenditure is charged to the service revenue account in the year the provision is created; expenditure to discharge the liability is charged directly to the provision. Details of Provisions held by the Authority at 31 March 2005 are provided in Note 9 to the Consolidated Balance Sheet.

7. **STOCKS AND STORES**

The Authority takes account of stocks of uniforms, vehicle parts, fuel and other minor operational items. In accordance with the Code of Practice and SSAP 9, stocks are valued at the lower of actual cost or net realisable value.

8. **PENSION COSTS**

The Authority participates in two different pension schemes which meet the needs of different groups of employee. Both schemes provide members with defined benefits relating to pay and service. The schemes are as follows:-

(i) **Uniformed Fire-fighters**

This scheme is unfunded with the charge to the revenue account representing the net cost of pensions and other benefits after allowing for contributions made by employees for the year.

(ii) **Local Government Services & Control Staff**

These employees are eligible to join the Local Government Superannuation Scheme. The pension costs that are charged to the Authority's account in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These pension costs have been determined on the basis of stepped contribution rates that are set to meet 100% of the liabilities of the Fund in accordance with relevant Government regulations.

(iii) **FRS 17**

FRS 17 prescribes the disclosure of the long-term commitments entered into relating to pension costs. The accounts of the Fire Authority have been adjusted in line with the SORP and that provides that the adjustments made to implement FRS 17 do not have any effect on the Contributions made by the Local Authorities.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003-2004 Statement of Accounts the actuary was required by the SORP to use a discount rate of 3.5% real (6.3% actual). For the 2004-2005 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 2.9% real (5.4% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £19m, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements on Reserves.

9. **ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES**

The major central administrative services such as Finance, Legal and Administrative Support are bought in from other Local Authorities. These costs and the costs of central administration at the Fire Authority have been allocated to front line services in line with CIPFA's Statement on Accounting for Overheads and the Best Value Accounting Code of Practice.

10. **DEBTORS AND CREDITORS**

The Revenue Account of the Authority is maintained on an accruals basis in accordance with the Code and SSAP 2; that is to say that sums due to or from the Authority during the year are included in the revenue account whether or not the cash has actually been received or paid in the year. Material capital expenditure accruals are also made at the year end. Previously, the financing of capital expenditure was based on the actual cash spent during the year, however, from 1 April 2004 the SORP requires that capital income be accounted for on an accruals basis.

11. **INVESTMENTS**

Conwy County Borough Council manages surplus funds on behalf of the Authority. Investments are made directly for the Authority, specifically in a high interest call account, and other surplus funds are invested on the money market as part of Conwy's treasury management activity. Interest transactions are shown separately within the Summary Revenue Account. Investments are shown in the Consolidated Balance Sheet at cost. Further details are given in Note 11 to the Balance Sheet.

12. **LEASES**

The Authority holds various capital assets, principally vehicles and some items of equipment, under operating leases. The capital accounting regulations require assets subject to operating leases to be held off-balance sheet as the ownership is not vested in the Authority.

Assets obtained by way of finance lease are shown within the balance sheet as Fixed Assets.

Annual lease payments are charged to the service revenue accounts. Details of leases are outlined in Note 2 to the Consolidated Revenue Account.

13. **CAPITAL RECEIPTS**

The proceeds from disposed of assets are held as Usable Capital Receipts in the Capital Receipts Unapplied Account until used to finance capital expenditure.

14. **VALUE ADDED TAX**

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

15. **GRANTS**

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

THE CONSOLIDATED REVENUE ACCOUNT

OBJECTIVE ANALYSIS	NOTES	2004/05 £'000	2003/04 £'000
Community Fire Safety - Inspection & Certification		1,118	1,003
Community Fire Safety - Prevention & Education		2,147	1,888
Fire Fighting - Operational Responses		20,547	18,543
Fire Fighting - Communications & Mobilising		2,151	1,998
Fire Fighting - Securing Water Supplies		924	799
Corporate & Democratic Core Costs		198	128
Non Distributed Cost		5	9
GROSS EXPENDITURE		27,090	24,368
Income – Community Fire Safety		-71	-30
Income - Fire Fighting		-507	-219
TOTAL INCOME		-578	-249
Transfer to/(from) Provision for Pay Award	Note 8	-954	206
Transfer to the Transitional Funding Provision	Note 8	0	282
Transfer to the Provision for Pension Liabilities	Note 8	0	160
Transfer to the Budget Provision for 2005-2006	Note 8	500	0
Transfer to the Capital Reserve	Note 8	476	0
Transfer to/(from) the Capital Provision	Note 8	0	-482
Transfer from Computer Provision	Note 8	-65	100
Transfer to the Uniform Provision	Note 8	190	0
Transfer to the Control Project Provision	Note 8	100	0
Increase/(Decrease) in Bad Debt Provision	Note 8	-5	-5
NET COST OF SERVICE		26,754	24,380
Interest Received		-153	-144
Asset Management Revenue Account	Note 1	-612	-354
Pension Interest Cost	Note 4	7,153	6,427
Expected Return on Pension Assets	Note 4	-316	-216
NET OPERATING EXPENDITURE		32,826	30,093
Contribution from Capital Financing Account	Note 5	-311	-167
Movement on Pensions Reserve	Note 4	-5,663	-4,622
AMOUNT TO BE MET FROM CONTRIBUTIONS		26,852	25,304
INCOME FROM CONTRIBUTIONS	Note 6	-26,852	-25,304
SURPLUS FOR YEAR		0	0

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. **ASSET MANAGEMENT REVENUE ACCOUNT**

The Asset Management Revenue Account records the charges made for the use of assets and the actual costs to the Authority of external interest. The resulting surplus is shown in the Consolidated Revenue Account.

	2004/05 £'000	2003/04 £'000
<u>INCOME</u>		
Capital Charges to Revenue Account	-1,544	-997
<u>EXPENDITURE</u>		
Provision for Depreciation	711	437
External Interest Charges	221	206
SURPLUS TO CONSOLIDATED REVENUE ACCOUNT	-612	-354

2. **LEASE RENTALS**

The operating lease payments outstanding as at 31 March 2005 are £2,859,422 (31 March 2004, £3,892,719), with payment of operating leasing charges during the year of £1,123,252 (2003/04, £1,165,441). Finance lease payments during the year amounted to £3,936; the original purchase price of the vehicles was £359,048. The finance lease has entered the secondary rental period, which lasts for the useful life of the vehicles; it is estimated that the vehicles will remain in service until 2005.

LEASING OBLIGATIONS	£'000
2005/2006	807
2006/2007	641
2007/2008	438
2008/2009	323
2009/2010	202
2010/2011	171
2011/2012	171
2012/2013	51
2013/2014	51
2014/2015	3
2015/2016	1
TOTAL	2,859

3. **PUBLICITY EXPENDITURE**

Under Section 5 of the Local Government Act 1986, the Authority is required to disclose the expenditure on publicity and advertising directed at the public at large or particular sections of the public. In 2004-2005 this expenditure amounted to £25,233.

PUBLICITY EXPENDITURE	2004/05 £'000	2003/04 £'000
Recruitment	5	8
Fire Safety Advertising	20	20
TOTAL	25	28

4. **PENSIONS**

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

In 2004-2005 the Authority paid an employer's Superannuation contribution of £500,790 (2003-2004, £458,715) representing 21.3% (2003-2004, 21.3%) of employees' pensionable pay into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2004. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. During 2004-2005 added years benefits of £8,167 (2003-2004, £8,142) were paid to employees which represents 0.28%(2003-2004, 0.37%) of employees' pensionable pay.

Further information on the Clwyd Pension Fund can be found in the Pension Funds Annual Report and Accounts which is available on request from the County Treasurer at Flintshire County Council, County Hall, Mold, CH7 6NA or on the website www.flintshire.gov.uk.

(ii) **Firefighters**

The firefighters pension scheme is an unfunded scheme with defined benefits. In 2004-2005 the net cost of pensions and other benefits amounted to £3.5m (2003-2004, £2.98m).

(iii) **Movements on the Pension Fund**

In accordance with FRS17 the current cost of pensionable service is allocated to gross expenditure in the Consolidated Revenue Account (CRA). Actual superannuation payments on behalf of employees in current service are removed from the CRA, an adjustment is then applied below the line so there is no effect on the overall expenditure of the Authority. Actuarial valuations have been carried out on the Firefighters scheme by the Government Actuaries Department, and the Local Government Pension scheme by Mercers. The table below analyses the appropriation from the Pension reserve to the CRA for 2004-2005 for both schemes.

MOVEMENTS	2004/05 £'000	2003/04 £'000
Employers contributions		
– Local Government Pension Scheme	509	467
– Pensions Paid Firefighters	4,444	3,880
– Less Contributions Firefighters	-960	-920
Current Service Cost		
– Firefighters	-2,340	-1,600
– Local Government Pension Scheme	-339	-238
Past Service Cost		
– Firefighters	-140	0
Interest Cost		
– Firefighters	-6,690	-6,030
– Local Government Pension Scheme	-463	-397
Expected Return on Pension Assets		
– Local Government Pension Scheme	316	216
APPROPRIATION FROM PENSION RESERVE TO CRA	5,663	4,622

Further information on pensions is contained in Note 10 to the Consolidated Balance Sheet and Note 3 to the Statement of Total Movement in Reserves.

5. **MINIMUM REVENUE PROVISION (MRP)**

The Authority is required by statute to set aside a MRP for the redemption of debt. For 2004-2005, the amount is £400,300. The entries forming the calculation of the transfer from the Capital Financing Account are shown below:-

	2004/05 £'000	2003/04 £'000
Amount Charged as Depreciation	711	437
Transfer from Capital Financing Account to Revenue	-311	-167
MINIMUM REVENUE PROVISION	400	270

6. **CONTRIBUTIONS**

In 2004-2005 contributions totalling £26,852,251 were applied to fund revenue expenditure from the following Local Authorities:-

AUTHORITY	2004/05 £'000	2003/04 £'000
Anglesey County Council	2,720	2,544
Gwynedd Council	4,709	4,454
Conwy County Borough Council	4,440	4,187
Denbighshire County Council	3,789	3,551
Flintshire County Council	5,999	5,667
Wrexham County Borough Council	5,195	4,901
TOTAL LEVIES	26,852	25,304

7. **OFFICERS' EMOLUMENTS**

The number of employees whose remuneration, excluding pension contributions, was £40,000 or more in bands of £10,000 was:-

REMUNERATION BAND	2004/05 NUMBER OF EMPLOYEES	2003/04 NUMBER OF EMPLOYEES
£80,000 - £89,999	1	0
£70,000 - £79,999	0	1
£60,000 - £69,999	3	1
£50,000 - £59,999	1	2
£40,000 - £49,999	17	17

8. **CONTRIBUTION TO AND FROM EARMARKED RESERVES & BALANCES**

Budget 2005-2006 Provision

A sum of £500,000 was set aside from the 2004-2005 revenue budget to a Provision to fund budget increases for 2005-2006. The transfer to the Provision was agreed at the Fire Authority meeting on 20 December 2004.

Capital Reserve

A sum of £475,859 has been set aside from the 2004-2005 revenue budget to the Capital Reserve to finance the Capital Programme for 2004-2005.

Of the total, the sum of £373,186 is part of the underspend for 2004-2005 and this has been utilised to fund the Capital Programme in lieu of Capital Receipts which were less than anticipated.

The decision was taken to purchase some equipment that had come to the end of its primary lease period as the equipment was still being utilised by the service, the cost of the lease buyout was £37,660. The equipment was charged to capital expenditure but has been financed from a contribution from the CRA.

In 2003-2004 a Provision was set up to finance the new Human Resources (HR) System from the revenue underspend. Software licences are now categorised as capital expenditure and are classified on the Balance Sheet as Intangible Assets. The expenditure of £65,013 on the HR System has been financed from a contribution from the Computer Provision.

Uniform Provision

In order to manage the new uniform issue and formulate the correct accounting entries without it having an effect on the budget for 2005-2006 it is necessary to create a Provision for Uniforms of £190,000 from the 2004-2005 underspend.

Control Provision

To cover the costs of the project to co-locate the three emergency services controls and assist with the re-location costs a sum of £100,000 has been set aside from the 2004-2005 underspend.

Bad Debt Provision

The Authority maintains a Bad Debt Provision which adequately covers debts which may be required to be written off. An analysis of the year end debtors has resulted in the provision being decreased by £5,000.

9. TRANSACTIONS WITH RELATED PARTIES

The North Wales Fire Authority has a number of links with the constituent authorities:

- Each member of the Fire Authority is also a member of one of the constituent authorities
- The Treasurer to the Fire Authority is the Corporate Director of Finance and Resources of Conwy County Borough Council
- The Monitoring Officer is the Chief Executive of Denbighshire County Council

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

	£'000
Conwy CBC – Financial Services	68
Denbighshire CC – Monitoring and Legal	21
Flintshire CC – Superannuation Service	11
Welsh Local Government Association	21
Other Fire Authorities	28

Members and senior officers of the Fire Authority were asked to declare any third party transactions during the year. Apart from member's allowances and expenses no other transactions were identified.

10. **AUDIT FEES 2004/05**

The fee paid to the Wales Audit Office for external audit services provided under section 5 of the Audit Commission Act 1998 was £50,258 (2003/04, £46,271). The Audit fee for phase 2 of the verification study paid to the Wales Audit Office under section 10 of the Local Government Act 1999 was £16,500.

11. **MEMBERS ALLOWANCES**

The Authority implemented a new Members Allowance Scheme during 2004-2005 in line with National Assembly for Wales Guidance for Members Allowances. During 2004-2005 the sum of £26,174 was paid to Members in the form of Members Allowances.

CONSOLIDATED BALANCE SHEET

	NOTES	31 March 2005		31 March
		£'000	£'000	2004 £'000
FIXED ASSETS	Note 1			
Intangible Fixed Assets			65	
Tangible Fixed Assets				
Operational Assets:	Note 3			
Land and Buildings		19,943		14,547
Vehicles, Plant and Equipment		3,410		1,055
Infrastructure		53	23,406	58
Non-Operational Assets			923	539
Investments			3	3
TOTAL LONG TERM ASSETS			24,397	16,202
CURRENT ASSETS				
Stock	Note 6	298		216
Debtors	Note 7	723		1,670
Investments	Note 11	4,770		3,400
Payments in Advance		107		194
Cash in Hand		0	5,898	0
LESS CURRENT LIABILITIES				
Creditors	Note 8	1,031		1,347
Borrowing Repaid within one year	Note 4	964		550
Cash Overdrawn	Note 5	896		588
Receipts in Advance		447	3,338	258
NET CURRENT ASSETS			2,560	2,737
TOTAL ASSETS LESS CURRENT LIABILITIES			26,957	18,939
LIABILITIES				
Pension Liability	Note 10		145,612	106,346
Provision for Pension Liabilities	Note 9		1,955	1,955
Provision for Pay Award	Note 9		0	954
Transitional Funding Provision	Note 9		281	281
Computer Provision	Note 9		35	100
Budget 2004-2005 Provision	Note 9		500	0
Uniform Provision	Note 9		190	0
Control Provision	Note 9		100	0
Long Term Borrowing	Note 4		6,149	3,413
TOTAL ASSETS LESS LIABILITIES			(127,865)	(94,110)
EQUITY				
Government Grants Deferred	Note 12		108	0
Capital Financing Account			1,824	1,658
Fixed Asset Restatement Account			15,511	10,546
Usable Capital Receipts			304	32
Pension Reserve			(145,612)	(106,346)
TOTAL EQUITY			(127,865)	(94,110)

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. **FIXED ASSETS**

Assets are valued as outlined in Note 2 and Note 3 of Accounting Policies. Details of the value of assets held at 31 March 2005 are shown below, together with details of movement in the year:-

	<i>Land and Buildings £'000</i>	<i>Vehicles and Equipment £'000</i>	<i>Infrastructure £'000</i>	<i>Non-Operational Assets £'000</i>	<i>Total £'000</i>
Gross Book Value at 1 April 2004	14,547	4,058	248	539	19,392
Revaluations and Restatements	5,178	0	0	0	5,178
VALUE AT 1 APRIL 2004	19,725	4,058	248	539	24,570
Additions Commissioned	191	2,749	3	933	3,876
Expenditure Written-Off to Fixed Asset Restatement Account	549	0	0	-549	0
	-213	0	0	0	-213
GROSS BOOK VALUE AT 31 MARCH 2005	20,252	6,807	251	923	28,233
Accumulated Depreciation at 1 April 2004	0	-3,002	-191	0	-4,103
Depreciation for Year	-309	-395	-7	0	-711
Accumulated Depreciation at 31 March 2005	-309	-3,397	-198	0	-3,904
NET BOOK VALUE AT 31 MARCH 2005	19,943	3,410	53	923	24,329

The Intangible Asset on the Balance Sheet was purchased this financial year and is shown on the Balance Sheet at cost, £65,013.

2. **SOURCES OF FINANCE FOR FIXED ASSETS ACQUIRED**

The purchase of fixed assets during 2004-2005 was financed as detailed below:-

	£'000
Loan Finance	3,357
Grants & Contributions	108
Revenue and Other Provisions	476
TOTAL EXPENDITURE ON FIXED ASSETS 2004-2005	3,941

3. **INFORMATION ON ASSETS HELD**

Fixed assets owned by the Authority include the following:-

	<i>Number at 31 March 2005</i>	<i>Number at 31 March 2004</i>
<u>LAND AND BUILDINGS</u>		
Fire Stations	44	44
Brigade Headquarters	1	1
Divisional Headquarters	2	3
Control Rooms	1	1
Training Establishments	4	4
Vehicle Workshops	1	1
Stores	1	1
<u>VEHICLES AND EQUIPMENT</u>		
Operational Vehicles	57	44
Ancillary Vehicles	28	21

4. **EXTERNAL BORROWING**

The loans outstanding have been raised through the Public Works Loan Board (PWLB). The following table gives an analysis of the loans by maturity.

<i>Source of Loan</i>	<i>Interest Rate Payable 2004/05 %</i>	<i>Total Outstanding at 31 March 2005 £'000</i>		<i>Total Outstanding at 31 March 2004 £'000</i>	
Public Works Loans Board	4.5 - 5.0		7,113		3,963
<u>ANALYSIS OF LOANS BY MATURITY</u>					
Within 1 Year			964		550
Between 1 and 2 years		500		414	
Between 2 and 5 years		1,615		500	
Between 5 and 10 years		1,012		1,127	
Over 10 years		3,022		1,372	
			6,149		3,413
TOTAL			7,113		3,963

5. **CASH OVERDRAWN**

The actual cash in hand represented the cash shown in the Balance Sheet, together with transactions not effected within the cleared bank balance at 31 March 2005. The following table summarises the position:-

	31 March 2005 £'000	31 March 2004 £'000
Cash Per Balance Sheet	-896	-592
Uncleared Bank Transactions	1,176	856
Interest on Balances 2003-2004 not in Bank	0	-4
Cash in Transit	-207	0
TOTAL	73	260

N.B. The "Cash per Balance Sheet" figures in the above table exclude imprest accounts of £3,650.

6. **STOCKS**

An analysis of the stocks held at 31 March 2004 and 31 March 2005 is shown below:-

STOCKS	31 March 2005 £'000	31 March 2004 £'000
Main Stores (HQ)	286	204
Transport Stock	12	12
TOTAL	298	216

7. **DEBTORS**

	31 March 2005 £'000	31 March 2004 £'000
Government Departments and Other Agencies	631	242
Other Local Authorities	29	57
Sundry Debtors	68	1,382
GROSS DEBTORS	728	1,681
Bad Debt Provision	-5	-11
NET DEBTORS	723	1,670

8. **CREDITORS**

	31 March 2005 £'000	31 March 2004 £'000
Government Departments and Agencies	72	57
Other Local Authorities	60	453
Sundry Creditors	899	837
TOTAL	1,031	1,347

9. **PROVISIONS**

At 31 March 2005 the Authority held a number of provisions. The provisions held and the movement on the provisions is as follows.

A Computer Provision of £100,000 was established to fund the purchase of a Human Resources system as agreed by the Fire Authority on 15 March 2004, £65,013 has been utilised in 2004-2005 and further expenditure will be incurred in 2005-2006.

The Provision for Pension Liabilities was established to meet future demand in terms of disproportionate increases in pension payments.

A provision was established in 2002-2003 to fund the additional costs of the expected pay settlement, the balance on the provision in 2004-2005 was £954,037, this amount has been used to fund the 2004-2005 budget.

A new provision of £500,000 was established in 2004-2005 to fund the budget increases for 2005-2006.

A Provision for Uniforms of £190,000 was established in 2004-2005 to manage the new uniform issue and formulate the correct accounting entries without it having an effect on the budget for 2005-2006.

To cover the costs of the project to co-locate the three emergency services controls and assist with the re-location costs a Control Provision of £100,000 has been established in 2004-2005.

10. **ASSESSMENT OF PENSION LIABILITIES FOR FRS17 DISCLOSURES**

In accordance with the requirements of Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Fire Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 4 to the Consolidated Revenue Account the Authority participates in two schemes, the Firefighters Pension Scheme for full time firefighters which is unfunded, and the Local Government Pension Scheme for other employees which is administered by Flintshire County Council. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The Authority's assets and liabilities as at 31 March 2005 and 31 March 2004 were as follows:

	31 March	
	2005 £'000	2004 £'000
Estimated liabilities in the Firefighters Pension Scheme	140,546	103,400
Share of liabilities in County Council Fund	10,227	7,090
Total liabilities	150,773	110,490
Share of assets in County Council Fund	5,161	4,144
Net Pensions Deficit	145,612	106,346

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

	FireFighters Scheme		County Fund	
	2005 %	2004 %	2005 %	2004 %
Rate of Inflation	2.9	2.9	2.9	2.8
Rate of Increase in Salaries	4.4	4.4	4.2	3.8
Rate of Increase in Pensions	2.9	2.9	2.9	2.8
Rate of Discounting Scheme Liabilities	5.4	6.5	5.4	6.3

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of:

	31 March 2005 %	31 March 2005 £'000	Expected Return On Asset %	31 March 2004 %	31 March 2004 £'000	Expected Return On Asset %
Equity Investments	66.5	3,226	7.5	66.5	2,760	7.5
Bonds	11.2	624	5.1	11.2	460	5.1
Other Assets	22.3	1,311	6.25	22.3	920	5.0
Total		5,161			4,140	

The movement in the net pension deficit for the year can be analysed as follows:

	£'000	£'000	£'000
Net Deficit at the Beginning of Year		(106,346)	
Current Service Cost		(2,679)	
Past Service Cost		(140)	
Contributions		509	
Pensions Paid		4,444	
Contributions Firefighters		(960)	
Finance Income			
Return on Assets	316		
Interest on Pension Liabilities	(7,153)		
		(6,837)	
Actuarial Gain/ (Loss)		(33,603)	
Net Pension Deficit at Year End			(145,612)

The actuarial gain/loss can be further analysed as follows:

	£'000
Actual loss expected on Pension Fund Assets	(34,659)
Gains Arising on Pension Assets	1,056

	(33,603)

11. **INVESTMENTS**

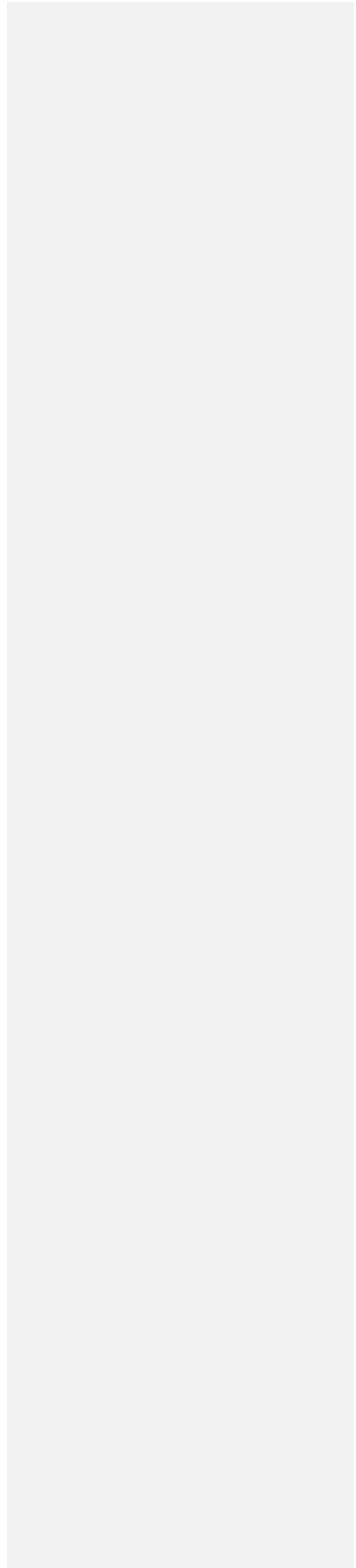
The investments below are specified investments under the Treasury Management Code of Practice which is supported by the Local Government Act 2003 and consist of the following institutions:-

Institutions	31 March 2005 £'000	31 March 2004 £'000
Short Term		
Bank of Scotland	2,770	1,400
Anglo Irish	0	1,000
Kent Reliance Building Society	0	1,000
Northern Rock	1,000	0
Norwich & Peterborough Building Society	1,000	0
Total	4,770	3,400

12. **GOVERNMENT GRANTS DEFERRED**

The balance on this account represents the value of the capital grants which have been applied to finance the acquisition or enhancement of fixed assets held in the asset register, which are subject to depreciation. The balance on this account will be released to revenue in line with depreciation.

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STATEMENT OF TOTAL MOVEMENT IN RESERVES

	REVENUE RESERVES	CAPITAL RESERVES				
	Pension Reserve <i>£'000</i>	Government Grants Deferred <i>£'000</i>	Capital Financing Account <i>£'000</i>	Fixed Asset Restatement Account <i>£'000</i>	Usable Capital Receipts <i>£'000</i>	Total <i>£'000</i>
Balance at 1 April 2004	(106,346)	0	1,658	10,546	32	12,236
Net (Deficit)/Surplus for Year – Appropriations to Revenue	(5,663)	108	(711)	0	272	(331)
Financing of Fixed Assets	0	0	877	0	0	877
Revaluation of Assets	0	0	0	5,178	0	5,178
Capital Spend 2004- 2005 - No Added Value	0	0	0	(213)	0	(213)
Actuarial Loss	(33,603)	0	0	0	0	0
BALANCE AT 31 MARCH 2005	(145,612)	108	1,824	15,511	304	17,747

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Fixed Asset Restatement Account

This account represents the difference between the historic cost of fixed assets and their revaluation in the Asset Register. The account will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

2. Capital Financing Account

The Capital Financing Account (CFA) contains a number of entries concerning capital accounting. These include the excess of depreciation over revenue provisions for potential debt redemption and part of the financing of the 2004-2005 capital programme.

3. Pension Reserve

The actuarial gains and losses identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories.

CATEGORY	2004/05		2003/04	
	£'000	Asset/Liability %	£'000	Asset/Liability %
Difference between expected and actual return on Assets	(5,663)	5.33	(4,622)	5.11
Difference between actuarial assumptions about liabilities and actual experience	(33,603)	31.60	(11,450)	12.00
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	0	0
Totals	(39,266)		(16,072)	

CASH FLOW STATEMENT

	<i>2004/05</i> <i>£'000</i>	<i>2003/04</i> <i>£'000</i>
<u>REVENUE ACTIVITIES</u>		
EXPENDITURE		
Cash Paid to and on Behalf of Employees	18,033	17,171
Pensions Paid	4,658	4,156
Other Operating Costs	3,779	4,654
INCOME		
Contributions	-26,852	-25,304
Other Income	-1,142	-567
REVENUE ACTIVITIES NET CASH (INFLOW)/OUTFLOW	-1,524	110
<u>SERVICING OF FINANCE</u>		
EXPENDITURE		
Interest Paid	204	199
INCOME		
Interest Received	-142	-213
<u>CAPITAL ACTIVITIES</u>		
EXPENDITURE		
Purchase of Fixed Assets	3,941	958
Other Capital Payments	-587	0
INCOME		
Capital Receipts	-10	-10
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING	1,882	1,044
MANAGEMENT OF LIQUID RESOURCES		
Increase in short –term deposits	1,370	3,400
<u>FINANCING</u>		
EXPENDITURE		
Repayments of Amounts Borrowed	550	0
INCOME		
New Loans Raised	-3,700	-615
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS	102	3,829

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION TO CONSOLIDATED REVENUE ACCOUNT

	<i>2004/05</i> <i>£'000</i>	<i>2003/04</i> <i>£'000</i>
Revenue Activities Net Cash Inflow	-1,524	110
<u>NON-CASH MOVEMENTS ON REVENUE ACCOUNT</u>		
Decrease in Stock	-82	35
Increase in Debtors	998	-1,133
Decrease in Payments in Advance	87	28
Increase in Creditors	-316	129
Increase in Receipts in Advance	133	314
Bad Debt Provision	0	0
Minimum Revenue Provision	400	270
<u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW STATEMENT</u>		
Interest Paid	204	199
Interest Received	-142	-213
Contribution to Provision for Pension Liabilities	0	160
Contribution to Capital Provision	476	0
Contribution from Provision for Pay Award	-954	0
Contribution to Provision for Transitional Funding	0	6
Contribution from Provision for Computers	-65	100
Contribution to Uniform Provision	190	0
Contribution to Control Project Provision	100	0
Contribution to Budget Provision for 2005-2006	500	0
Contribution to Bad Debt Provision	-5	-5
DEFICIT (SURPLUS) ON REVENUE ACCOUNT	0	0

2. RECONCILIATION OF MOVEMENT IN CASH AND CASH EQUIVALENTS

	31 March 2005 £'000	31 March 2004 £'000
Cash in Bank	896	-593
Cash in Transit	-207	0
Cash Held in Imprest Accounts	4	5
Interest on Balances not in Bank	0	-3
TOTAL	693	-591
DECREASE IN CASH AND CASH EQUIVALENTS	102	

