

# *NORTH WALES FIRE AUTHORITY*

## **STATEMENT OF ACCOUNTS 2009-2010**

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## **EXPLANATORY FOREWORD**

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

The North Wales Fire and Rescue Service produces annual action plans for managing down risks with increasing emphasis on prevention and education. The Service is also actively engaged in working with the communities it serves, an example of which is the number of Home Fire Safety checks carried out by the Service, 32,802 in 2009/10. The Authority is also working in partnership with other emergency services, for example, the property portfolio is managed by a joint Facilities Management Department with North Wales Police and Fire Service Control is now located in a shared facility with the Police at St Asaph. The Authority is also engaged in a number of other projects which reflect the objectives of the National Framework for example the Young Firefighters' Association operated by off duty firefighters with branches across North Wales and the Phoenix project which has proved very successful with youngsters in the area.

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 2009-10.

- 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) **Income and Expenditure Account**  
This summarises the resources generated and consumed by the Authority in the year.
- (iii) **Statement of the Movement on the General Fund Balance**  
A reconciliation showing how the balance of resources generated and consumed in the year links in with the contributions from the constituent authorities.
- (iv) **Statement of Total Recognised Gains and Losses**  
This demonstrates how the movement in net worth in the balance sheet is identified to the Income and Expenditure Account deficit and to other unrealised gains and losses.
- (v) **Balance Sheet**  
The Balance Sheet describes the financial position of the Authority.
- (vi) **Cash Flow Statement**  
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third-parties for revenue and capital purposes.
- (vii) **The Pension Fund Account**  
From 1 April 2007 arrangements covering the Firefighters' Pension Schemes in Wales changed. The Authority is required to keep a

separate Income and Expenditure Account and Net Assets Statement for all these transactions.

(viii) **Statement of Responsibilities for the Statement of Accounts**

This sets out the responsibilities of the Treasurer and the Chairman of the Authority as regards the Statement of Accounts.

- 2(b). The Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the Pension Fund Account 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 (2009) and the Best Value Accounting Code of Practice (2009), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit (Wales) Regulations 2005 and the 2007 Amendments to the Regulations.

3. **SUMMARY OF FINANCIAL YEAR 2009-2010**

(i) **Revenue Expenditure 2009-2010**

The budget for the year was approved by Members of the Authority at £31,311,563. The actual expenditure was lower than budgeted and the Authority was able to set aside additional monies in a provision, £131,628, to cover the expected costs for the back pay for Retained Firefighters as a consequence of the equal pay claim. The budget for 2009-10 was carefully managed to enable the Authority to set aside money to cover expenditure in 2010-2011 which was approved by Members as part of the budget setting process. The table below outlines the main areas of overspend and the underspends that have been used to offset them.

| <b><i>Overspends</i></b>      | <b><i>£'000</i></b> | <b><i>Underspends</i></b>     | <b><i>£'000</i></b> |
|-------------------------------|---------------------|-------------------------------|---------------------|
| Premises Costs                | 130                 | Employee Costs                | 588                 |
| Transport Costs               | 4                   | Interest Payable              | 168                 |
| Insurance                     | 28                  | Repayment of Debt (MRP)       | 92                  |
| IT and Communications         | 130                 | Emergency Planning Income     | 34                  |
| Third Party Payments          | 30                  | Additional Capital Fees       | 46                  |
| Investment Income (shortfall) | 173                 | Maintenance Grant             | 75                  |
| Leasing Payments              | 83                  | Discounts Received (Treasury) | 133                 |
| Set aside for 2010/11 budget  | 418                 | Bad Debt Provision            | 11                  |
| Trading Deficit               | 19                  |                               |                     |
| <b>Total</b>                  | <b>1,015</b>        |                               | <b>1,147</b>        |
| <b>Net Underspend</b>         |                     |                               | <b>132</b>          |

The Authority received a number of revenue grants from the Welsh Assembly during the year to promote various schemes within North Wales. The total value of the grants received was £2.17m. Some of the larger grants received were for the following projects:

- Phoenix £307k
- Interventions £524k
- Arson Reduction £320k
- New Dimensions £146k
- Firelink £394k
- Resilience £111k

Much of this funding such as Firelink were one off grants and will not be received again.

(ii) **Capital Expenditure 2009-2010**

During the year the Authority spent £2,573,924 on capital projects as follows:-

|                                  | £                |
|----------------------------------|------------------|
| <b>Buildings</b>                 |                  |
| Remodel Beaumaris                | 7,059            |
| Remodel Rhyl                     | 124,144          |
| Remodel Nefyn                    | 520              |
| Remodel Chirk                    | 700              |
| Llangefni County Safety Offices  | 537,894          |
| Dismantle Training Towers        | 125,811          |
| Minor Building Works             | 214,034          |
| DDA and Equality Compliance      | 245,396          |
| <b>Vehicles and Equipment</b>    |                  |
| Light Vehicles                   | 124,764          |
| Other Vehicles and Upgrades      | 585,431          |
| IT and Other Equipmente          | 608,171          |
| <b>TOTAL CAPITAL EXPENDITURE</b> | <b>2,573,924</b> |

Expenditure on the capital programme in 2009-2010 was less than forecast due to a number of schemes being held back so there would be sufficient funding for Wrexham Fire Station. Delays to the start of the Wrexham and Llangefni projects meant that expenditure was less than estimated in 2009-10. Delays were also encountered on the vehicle replacement programme in particular on the procurement of Water Tenders. These schemes, approximate value £4m, will be rolled over to 2010-2011.

The Authority was awarded grant funding from WAG, £925k, which was used to upgrade and improve facilities at a number of properties and contributed towards the Llangefni scheme.

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2009-2010 the capital programme was financed mainly by loans from the Public Works Loan Board (£1,636,250), grants (£924,732) and Capital Receipts (£12,942).

(iii) **Balance Sheet 2009-2010**

All buildings, vehicles and equipment that are owned by the Fire Authority are allocated an asset life and are depreciated over that expected life; this is shown in Note 10 to the Core Financial Statements. The increase in borrowing is dependent upon a number of factors; the amount of capital expenditure to be financed by borrowing and the loan debt repaid as part of the Minimum Revenue Provision. The Authority's loan debt at 31 March 2010 was £15.97m.

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 2010 is £215m, an increase of £75m. The increase is due mainly to the changes in assumptions underlying the present value of the pension liabilities on the Firefighters' Pension Scheme; this is explained further under the Statement of Accounting Policies.

(iv) **Cash Flow**

The 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 Reserves**

The Authority holds provisions to meet known future liabilities which have arisen due to past events. The balance at the beginning of the year was £0.51m and at the end of the year £0.65m. Additional money has been set aside this year to cover the Retained Firefighters back pay as detailed above.

Previously under the terms of the Combination Order the Authority did not have the statutory power to hold reserves. Legislation has now been passed to allow Fire Authorities in Wales to hold reserves and this is the first year this can be exercised. Money has been set aside in to a number of Earmarked Reserves to fund a number of schemes in 2010-2011, total £0.42m. The schemes to be funded have been previously approved by Members or have been requested by Chief Officers and are held for a variety of future occurrences.

Further details of the provisions and reserves held are included in a note to the core financial statements on page 27.

(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 £1,711,293. This is a notional charge for depreciation and an adjustment is made to the year end balance so the contributions required to fund the service are not affected. The actual cost to the service for financing capital is £418,816 for loan interest and £1,252,222 Minimum Revenue Provision and Voluntary Revenue Provision.

4. **ADDITIONAL INFORMATION**

Additional information about these accounts is available from the Treasurer to the 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 & Rescue Authority ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)) and Conwy County Borough Council ([www.conwy.gov.uk](http://www.conwy.gov.uk)).

## **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
- to approve the Statement of Accounts

### **CHAIRMAN'S CERTIFICATE STATEMENT OF ACCOUNTS 2009/2010**

Audited accounts approved at the meeting of the North Wales Fire Authority Audit Committee.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_

*Chairman, North Wales Fire Authority*

### **THE TREASURER'S RESPONSIBILITIES**

The Treasurer is responsible for the preparation of the Authority's Statement of 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 SORP). The Statement of Accounts is required to give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010

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 local authority SORP.

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 2009/2010**

A Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations (Wales) 2005 and the 2007 Amendments to the Regulations.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_

**K W FINCH** CPFA IRRV

*Treasurer, North Wales Fire Authority*

## **NORTH WALES FIRE AND RESCUE SERVICE**

### **STATEMENT ON INTERNAL CONTROL 2009/10**

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

North Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and 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 and the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk and effective governance.

Authorities in Wales have the opportunity to produce either a Governance Statement or a Statement on Internal Control (SIC) for the financial year 2009/10. In consultation with its external auditors North Wales Fire & Rescue Authority has decided to continue to publish a Statement of Internal Control this year. The Authority will prepare a Governance Statement in 2010/11.

#### **2. The purpose of the System of Internal Control**

A system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable assurance of effectiveness. The Authority's system of internal control is designed to:

- identify and prioritise actions to address the risks to the achievement of the Authority's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised;
- evaluate the impact should those risks be realised; and
- manage them economically, efficiently and effectively.

A system of internal control has been in place within North Wales Fire and Rescue Authority for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts and accords with good practice. However, the system is not static and improvements are made during the year.

#### **3. The internal control environment**

The Authority's internal control environment comprises the many systems, policies, procedures and operations in place to:

- establish and monitor the achievement of the Authority's key objectives;
- facilitate policy and decision making;
- ensure compliance with established policies, procedures, laws and regulations;
- identify, assess and manage the risks to the Authority's objectives including risk management;
- ensure the economical, effective and use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- provide appropriate financial management of the Authority and the reporting of financial management; and
- ensure adequate performance management of the Authority and the reporting of performance management.

#### 4. Financial management

We have developed robust arrangements to ensure that our financial management is robust and fit for purpose. These arrangements include:

- a clear segregation of responsibilities between our management accounting function, undertaken at Headquarters, and our financial accounting arrangements, which are undertaken through our Service Level Agreement (SLA) by Conwy County Borough Council;
- The Authority annually reviews and approves the budget, which has been developed and informed by officers, in consultation with Heads of Departments;
- The Authority receives quarterly budget monitoring reports, and the Executive Group reviews the budget in detail every 6 weeks;
- We have developed a three year capital programme, enabling us to have a short, medium and long term approach to capital planning;
- We have adopted a three year budgetary forecast which is considered in our service planning process;
- Treasury Management is conducted in accordance with a Treasury Management Strategy and Plan, and borrowing is in accordance with the Prudential Code with the prudential indicators being approved by Members;
- We have effective SLAs with Clwyd and Dyfed pension funds and Conwy County Borough Council for pension management and accountancy services respectively, providing the Authority with specialist technical knowledge;
- We review our financial regulations and standing orders on a timely basis;
- The financial responsibilities for the Authority are undertaken by well trained and experienced personnel, and staff have clear supervisory and reporting lines;

#### 5. Performance management

We are committed to continuously developing our performance management framework and have implemented important components of our framework. We realise this is an ever developing area and we are confident of continuing to make progress in this area. We have already established the following:

- We outline our strategic objectives and proposals to achieve these in our Risk Reduction Action Plan annually. We track our progress in these areas throughout the year, with reports being submitted to the Executive Group and Executive Panel;
- We continue to collect and monitor our suite of performance indicators, setting stretched targets against these each year. We prepare quarterly reports for the Executive Panel to monitor progress;
- We maintain links with the other Welsh FRSs to identify trends or sudden changes in incidence or particular types of incidents. Quarterly meetings are held at which we discuss performance issues, national policies and share good practice;
- We have introduced departmental and county plans that allow our overall aims and objectives to be cascaded throughout the service. We monitor progress against these plans quarterly through planning and performance meetings.
- We have developed departmental objectives and targets that are monitored along with their financial implications on a quarterly basis;
- We have completed the fourth year of 'operational assurance' which included conducting a self-assessment against seven key lines of enquiry (KLOEs) relating to Community Risk Management, Prevention, Protection, Response, Health and Safety, Training and Development, and Call Management and Incident Support. A peer review of the self-assessment by the other two Welsh FRSs focused on the Health and Safety and the Training and Development KLOEs. We monitor progress against the action plan compiled following the operational assurance.
- We have introduced a Records Management System making full use of the information it provides to report to HFSC, Operational Intelligence and Fire Safety activity levels



externally as part of the annual statistical returns and the national indicator set. Internally the system is used to monitor progress against county service plans.

- We are committed to continue to develop the All Wales performance management system Ffynnon, in order to make more effective and efficient use of our resources. We access the free consultancy offered by the company contracted by the Welsh assembly Government to deliver Ffynnon Programme and work with the company and the other two Welsh FRSs towards achieving the Ffynnon FRA Implementation Plan.

## 6. Corporate governance

The Authority is committed to maintaining the highest standards of conduct for its members and staff. We have put in place arrangements to maintain and monitor these standards, including:

- We have a scheme of delegation of decision making powers from the Authority to the Chief Fire Officer;
- Terms of reference have been introduced, are reviewed and approved for the Authority, Executive Panel and Standards Committee, which outline clearly their remit and decision making powers;
- We have reviewed and amended our corporate governance structure. The Authority is constituted from members from each of the six constituent authorities and is responsible for the strategic direction of the service. There is a fully established Executive Panel which allows policies to be scrutinised at an earlier stage by a panel of fourteen members, drawn equably from each local authority.
- Specific policy can be considered through working groups which we constitute for a particular reason, for example, development of our Risk Reduction Plan;
- A Standards Committee, chaired by an independent member is responsible for investigating conduct issues concerning members of the Authority;
- The Executive Group which consists of the Chief Fire Officer, the Deputy Chief Fire Officer, and three Assistant Chief Fire Officers meets every six weeks, and there are standing items on the agenda, including performance, risk and financial management;
- A review of the Scrutiny arrangements and Member engagement was undertaken by the Wales Audit Office and based on the recommendations contained within the report the Authority has established an Audit Committee which is now up and running. The Committee has been given specific responsibilities including audit and scrutiny.

## 7. Risk management

In the past, we have recognised the need to develop a more integrated risk-based approach to strengthen our financial and service planning arrangements, which would consequently strengthen our overall internal control arrangements. We have strengthened the corporate risk management arrangements within the service, but have moved forward since 2009 by:

- We have published a Business Continuity Management policy;
- The Business Continuity Management policy has been endorsed by the Fire Authority who will review progress annually;
- The Executive Group have developed a high level corporate risk register.
- Working in conjunction with Heads of Department, we have prepared a comprehensive corporate risk register and reviewed it;
- We annually prepare a Risk Reduction Plan which outlines proposals and updates our progress to deliver our services efficiently, effectively and economically;
- We make use of a wide range of data including demographic, economic, geographical and environmental data to inform our policy decision making process and resource allocation;
- Our services are delivered by highly skilled and experienced staff, and we are fully committed to supporting staff in their professional and personal development.

## 8. Annual review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control which has been undertaken for 2009/10.. The review of the effectiveness of the SIC is informed by the work of internal auditors and managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and is also informed by our external auditors and other reviews undertaken.

As an Authority, we are open to learning about how and where we can develop further, and as such have put in a number of arrangements to ensure that our internal control environment is robust, and to allow us to learn from the experience of others

- Our S151 officer and Clerk are external officials to the Authority. They both have statutory duties to ensure internal control procedures are efficient and effective and are being complied with to ensure a sound financial and legality standing for the Authority;
- Our internal auditors have undertaken a number of risk based reviews of our internal control procedures across a wide range of functions within the Authority. Each review contains an opinion on the effectiveness of those control procedures. The reports are reviewed by the Executive Group, and appropriate actions are taken to follow up recommendations raised. An annual report is also presented to the Authority.
- Our external auditors provide assurance annually on our financial statements. Their statutory remit has widened to cover our corporate governance and performance management arrangements also. We have received unqualified opinions from our auditors on all of these issues.
- Throughout 2009/10, the Authority has received and/or adopted:
  - 2008/09 Statement of Accounts;
  - Quarterly budget management reports;
  - Treasury Management Strategy and Prudential Indicators;
  - Budget for 2010/11, supported by a three year budgetary forecast;
  - External audit plans and reports, including the Annual Audit Letter; and
  - 2009/2012 Combined Improvement and Risk Reduction Plan.

## 9. Significant internal control issues

We fully recognise that there are always improvements that can be made in any control environment, and we are committed to developing and strengthening our arrangements. In particular, we have identified the following as being priorities in 2010/11:

- Further develop and enhance the corporate risk register and further exercise some aspects of business continuity;
- Reviewing the arrangements that support how we undertake our partnership working;
- Further develop our performance management framework;
- We will address any issues that arise from the corporate assessment undertaken by the Wales Audit Office;
- Continued development of procurement arrangements to maximise efficiency and effectiveness.

A key area of focus for the Authority has always been on budgeting and financial controls. This will continue to be a priority for the future especially given the current economic climate.

Chair of the North Wales Fire and Rescue Authority  
Dated:

Simon Smith  
Chief Fire Officer of North Wales Fire and Rescue Service  
Dated:

Colin Everett  
Clerk to the North Wales Fire and Rescue Authority  
Dated:

Ken Finch  
Treasurer to the North Wales Fire and Rescue Authority  
Dated:

## **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 2009 (SORP), issued in June 2009 by CIPFA/LASAAC Joint Committee and also with guidance notes issued by CIPFA on the application of Accounting Standards (SSAPs) and Financial Reporting Standards (FRS).

### 2. **FIXED ASSETS**

The latest valuation of fixed assets was carried out by Wilks Head and Eve, a firm of valuers based in London, on 1 April 2009. Office accommodation has been valued at existing use value and fire stations at depreciated replacement cost. To comply with FRS 15 the valuer estimated residual lives for all the Authority's buildings so that a charge for depreciation could be calculated. Other assets are recognised at historic cost which is a proxy for current cost on short life assets 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 Income and Expenditure Account where it arises from the consumption of economic benefits and in line with Statute is reversed out in the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

### 3. **INTANGIBLE ASSETS**

The Authority has assets that under UK Generally Accepted Accounting Practice (GAAP) can be recognised as intangible assets (e.g. software licences).

Intangible assets are capitalised at cost and 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 Income and Expenditure Account is charged with a capital charge for depreciation for all fixed assets used in service provision.

The interest payable on outstanding debt, which has been used to fund capital expenditure, is included in the Income and Expenditure Account.

### 5. **DEPRECIATION**

Assets, other than land and non-operational, are being depreciated over their useful lives.

Assets are being depreciated using the straight-line method over the following periods:-

|                               |             |
|-------------------------------|-------------|
| Buildings                     | 15-80 years |
| Infrastructure                | 5-20 years  |
| Vehicles, Plant and Equipment | 3-20 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 adjusted capital financing requirement. The capital financing requirement is generally being shown as a movement on the General Fund Balance as an amount equivalent to 4% of its value. However, additional (voluntary) provision has been made for the redemption of debt to reflect the increase in short life assets that are now being financed through borrowing, instead of operational leases. The additional provision is based on the economic life of the asset and the movement on the General Fund Balance is calculated on that basis.

7. **RESERVES & PROVISIONS**

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

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

This is the first year the Authority can hold reserves due to changes in legislation. A reserve can be defined as a voluntary action by the Authority to set resources aside for future schemes. Expenditure will be charged to the revenue account and a contribution from the reserve will be made to offset the cost. A number of Earmarked Reserves have been set up in 2009-2010.

8. **STOCKS AND STORES**

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

9. **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 Firefighters**

This is an unfunded scheme meaning that there are no investment assets built up to meet pension liabilities. Cash has to be generated to meet actual pension payments as they fall due. The Welsh Assembly Government changed the funding mechanism for the scheme in 2007-2008 which has alleviated concerns about the possibility of large year on year fluctuations on local tax payers with the creation of a pension fund account.

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

These employees are eligible to join the Local Government Pension 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 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 2009 for the 2008-2009 Statement of Accounts the actuary was required by the SORP to use a discount rate of 3.8% real (6.9% actual), a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities was used. For the 2009-2010 Statement of Accounts the actuary has advised that a rate of 3.9% real (5.8% actual) is appropriate.

10. **ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES**

The major central administrative services such as Finance, Property Management and 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.

11. **DEBTORS AND CREDITORS**

The Authority's accounts are presented on an accruals basis in accordance with the SORP and FRS18; 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. Any material capital expenditure accruals have been made at the year end and all capital expenditure, including accruals, have been financed.

12. **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 Income and Expenditure Account. Investments are shown in the Balance Sheet at cost plus accrued interest. Further details are given in a note to the Core Financial Statements.

13. **LEASES**

The Authority holds various capital assets, principally vehicles and some items of equipment, under operating leases. Any leases held by the Authority were taken out before the introduction of Prudential Borrowing and the amounts outstanding are detailed on page 19 note 2. The current policy is to fund the purchase of assets through borrowing if this is proven to be the most cost effective method of funding. 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 expenditure accounts.

14. **CAPITAL RECEIPTS**

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

15. **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.

16. **GRANTS**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of 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 been incurred. Revenue grants are matched in Service Revenue Accounts with the Service expenditure to which they relate. Capital grants are credited to the Government Grants Deferred Account and amortised over the life of the associated Fixed Assets.

17. **FINANCIAL INSTRUMENTS**

A Financial Instrument is defined as 'any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another'. FRS25, FRS26 and FRS29 cover the accounting treatment of Financial Instruments and are incorporated into the Statement of Accounts.

Financial liabilities (loans) and financial assets (investments) are initially measured at fair value and carried at their amortised cost. The annual interest paid and received in the Income and Expenditure account is based on the carrying amount of the loan or investment multiplied by the effective rate of interest for the instrument. For all of the loans and investments the Authority has, the amounts presented in the Balance Sheet are the principal outstanding plus any accrued interest for the year.

18. **LIQUID RESOURCES**

On the cash flow statement the Management of Liquid Resources shows the net change in the investments held by the Authority; loans repaid during the year; and new loans raised. The change in the Liquid Resources of the Authority shows how the Authority manages its day to day cash flow and funds the capital programme.

## CORE FINANCIAL STATEMENTS

### THE INCOME & EXPENDITURE ACCOUNT

|  | <i>NOTES</i>   | <i>2009/10</i><br><i>£'000</i> | <i>2008/09</i><br><i>£'000</i> |
|--|----------------|--------------------------------|--------------------------------|
| Community Fire Safety - Inspection & Certification |                | 1,947                          | 1,964                          |
| Community Fire Safety - Prevention & Education     |                | 3,714                          | 3,688                          |
| Fire Fighting - Operational Responses              |                | 17,874                         | 17,622                         |
| Fire Fighting - Communications & Mobilising        |                | 3,200                          | 3,237                          |
| Fire Fighting - Securing Water Supplies            |                | 194                            | 178                            |
| Corporate & Democratic Core Costs                  |                | 214                            | 133                            |
| Non Distributed Cost                               |                | 617                            | 112                            |
| <b>GROSS EXPENDITURE</b>                           |                | <b>27,760</b>                  | <b>26,934</b>                  |
| Income – Community Fire Safety                     |                | -124                           | -114                           |
| Income - Fire Fighting                             |                | -371                           | -242                           |
| <b>TOTAL INCOME</b>                                |                | <b>-495</b>                    | <b>-356</b>                    |
| <b>NET COST OF SERVICE</b>                         |                | <b>27,265</b>                  | <b>26,578</b>                  |
| Transfer to Provisions                             |                | 132                            | 50                             |
| Deficit on Trading Undertaking                     |                | 19                             | 19                             |
| (Decrease)/Increase in Bad Debt Provision          | <b>Note 19</b> | -11                            | 3                              |
| Interest and Investment Income                     |                | -27                            | -107                           |
| Interest Payable and Similar Charges               |                | 288                            | 530                            |
| Pension Interest Cost                              | <b>Note 22</b> | 10,118                         | 10,780                         |
| Expected Return on Pension Assets                  | <b>Note 22</b> | -516                           | -594                           |
| Impairment   | <b>Note 8</b>  | 2,574                          | 1,173                          |
| Gain on Disposal of Fixed Assets                   |                | -13                            | -7                             |
| <b>NET OPERATING EXPENDITURE</b>                   |                | <b>39,829</b>                  | <b>38,425</b>                  |
| <b>INCOME FROM CONTRIBUTIONS</b>                   | <b>Note 7</b>  | <b>-31,312</b>                 | <b>-30,531</b>                 |
| <b>DEFICIT FOR YEAR</b>                            |                | <b>8,517</b>                   | <b>7,894</b>                   |



**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

|  |                      | <i>2009/10<br/>£'000</i> | <i>2008/09<br/>£'000</i> |
|--|----------------------|--------------------------|--------------------------|
| <b>DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT</b>   |                      | <b>8,517</b>             | <b>7,894</b>             |
| Net additional amount required by statutory and non-statutory proper practices to be debited or credited to the General Fund Balance | <b>Notes 8 and 9</b> | -8,517                   | -7,894                   |
| <b>SURPLUS FOR THE YEAR</b>  |                      | <b>0</b>                 | <b>0</b>                 |
| <b>GENERAL FUND BALANCE BROUGHT FORWARD</b>  |                      | <b>0</b>                 | <b>0</b>                 |
| <b>GENERAL FUND BALANCE CARRIED FORWARD</b>  |                      | <b>0</b>                 | <b>0</b>                 |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

|   |                | <i>2009/10<br/>£'000</i> | <i>2008/09<br/>£'000</i> |
|---|----------------|--------------------------|--------------------------|
| <b>DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT</b>                |                | <b>8,517</b>             | <b>7,894</b>             |
| Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities | <b>Note 16</b> | 68,360                   | -17,102                  |
| Revaluations of Fixed Assets  | <b>Note 16</b> | -2,978                   | -16                      |
| <b>TOTAL RECOGNISED GAINS &amp; LOSSES FOR THE YEAR</b>             |                | <b>73,899</b>            | <b>-9,224</b>            |

## BALANCE SHEET

|   | NOTES   | 31 March 2010 |                 | 31 March 2009   |
|---|---------|---------------|-----------------|-----------------|
|   |         | £'000         | £'000           | £'000           |
| <b>FIXED ASSETS</b>                                 |         |               |                 |                 |
| Intangible Fixed Assets                             | Note 10 |               | 19              | 28              |
| <b>Tangible Fixed Assets</b>                        |         |               |                 |                 |
| <b>Operational Assets:</b>                          | Note 10 |               |                 |                 |
| Land and Buildings                                  |         | 22,583        |                 | 22,036          |
| Vehicles, Plant and Equipment                       |         | 8,509         |                 | 8,301           |
| Infrastructure                                      |         | 27            | 31,119          | 33              |
| <b>Non-Operational Assets</b>                       |         |               |                 |                 |
| Assets under Construction                           |         |               | 591             | 65              |
| Investments   |         |               | 0               | 0               |
| <b>TOTAL LONG TERM ASSETS</b>                       |         |               | <b>31,729</b>   | <b>30,463</b>   |
| <b>CURRENT ASSETS</b>                               |         |               |                 |                 |
| Stock   | Note 18 | 354           |                 | 336             |
| Debtors   | Note 19 | 1,740         |                 | 2,603           |
| Investments   | Note 21 | 4,021         |                 | 1,673           |
| Payments in Advance                                 |         | 74            |                 | 87              |
| Cash in Hand  |         | 0             | 6,189           | 0               |
| <b>LESS CURRENT LIABILITIES</b>                     |         |               |                 |                 |
| Creditors   | Note 20 | 2,815         |                 | 2,859           |
| Borrowing Repayable within the year                 | Note 14 | 7,220         |                 | 4,448           |
| Cash Overdrawn                                      | Note 17 | 987           |                 | 360             |
| Receipts in Advance                                 |         | 301           | 11,323          | 366             |
| <b>NET CURRENT (LIABILITIES)/ ASSETS</b>            |         |               | <b>-5,134</b>   | <b>-3,334</b>   |
| <b><u>TOTAL ASSETS LESS CURRENT LIABILITIES</u></b> |         |               | <b>26,595</b>   | <b>27,129</b>   |
| Pension Liability                                   | Note 22 |               | 215,137         | 140,300         |
| Provision for Pension Liabilities                   | Note 15 |               | 240             | 265             |
| Retained Provision                                  | Note 15 |               | 407             | 200             |
| Pension Underpayment Provision                      | Note 15 |               | 0               | 50              |
| Long Term Borrowing                                 | Note 14 |               | 8,891           | 10,858          |
| Government Grants Deferred                          | Note 16 |               | 1,835           | 1,472           |
| <b><u>TOTAL ASSETS LESS LIABILITIES</u></b>         |         |               | <b>-199,915</b> | <b>-126,016</b> |
| <b>FINANCED BY:</b>                                 |         |               |                 |                 |
| Revaluation Reserve                                 | Note 16 |               | 2,914           | 16              |
| Capital Adjustment Account                          | Note 16 |               | 11,890          | 14,268          |
| Usable Capital Receipts                             | Note 16 |               | 0               | 0               |
| Pension Reserve                                     |         |               | -215,137        | -140,300        |
| Earmarked Reserves                                  | Note 15 |               | 418             | 0               |
| <b><u>TOTAL FINANCING</u></b>                       |         |               | <b>-199,915</b> | <b>-126,016</b> |

## CASH FLOW STATEMENT

|   | <i>2009/10</i><br><i>£'000</i> | <i>2008/09</i><br><i>£'000</i> |
|---|--------------------------------|--------------------------------|
| <b><u>REVENUE ACTIVITIES</u></b>                            |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Cash Paid to and on Behalf of Employees                     | 23,167                         | 22,822                         |
| Pensions Paid   | 409                            | 278                            |
| Other Operating Costs                                       | 6,035                          | 5,613                          |
| <b>INCOME</b>   |                                |                                |
| Contributions   | -31,119                        | -30,338                        |
| Other Income  | -1,293                         | 1,269                          |
| <b>REVENUE ACTIVITIES NET CASH (INFLOW)/OUTFLOW</b>         | <b>-2,801</b>                  | <b>-356</b>                    |
| <b><u>SERVICING OF FINANCE</u></b>                          |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Interest Paid   | 308                            | 546                            |
| Discounts Allocated   | 132                            | 0                              |
| <b>INCOME</b>   |                                |                                |
| Interest Received   | -49                            | -144                           |
| Discounts Received  | 0                              | -168                           |
| <b><u>CAPITAL &amp; PROVISION ACTIVITIES</u></b>            |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Purchase of Fixed Assets                                    | 2,574                          | 5,707                          |
| Other Payments from Provisions                              | 0                              | 143                            |
| <b>INCOME</b>   |                                |                                |
| Capital Receipts  | -13                            | -171                           |
| Capital Grants  | -925                           | -483                           |
| Transfer from Provisions                                    | -11                            | 0                              |
| <b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>           | <b>-785</b>                    | <b>5,074</b>                   |
| <b><u>MANAGEMENT OF LIQUID RESOURCES</u></b>                |                                |                                |
| Increase/(decrease) in short –term deposits                 | 2,370                          | -1,420                         |
| <b><u>FINANCING</u></b>                                     |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Repayments of Amounts Borrowed                              | 4,437                          | 7,895                          |
| <b>INCOME</b>   |                                |                                |
| New Loans Raised  | -5,395                         | -11,395                        |
| <b>NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>627</b>                     | <b>154</b>                     |

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### 1. **TRADING OPERATION**

The Authority opened its first Community Fire Station in Rhyl in 2008-09. The facility provides meeting rooms for the local community and the objective is to break even on the income received from room hire and the operating costs. The summary below shows all associated income and expenditure for this year and the previous year.

|                          | <b>2009/10<br/>£'000</b> | <b>2008/09<br/>£'000</b> |
|--------------------------|--------------------------|--------------------------|
| Turnover                 | -53                      | -27                      |
| Expenditure              | 72                       | 46                       |
| <b>Deficit/(Surplus)</b> | <b>19</b>                | <b>19</b>                |

### 2. **LEASE RENTALS**

The operating lease payments outstanding as at 31 March 2010 are £1,034,708 (31 March 2009, £861,256), with payment of operating leasing charges during the year of £451,980 (2008/09, £572,292). All operating leases are for vehicles and equipment. Annual commitments arising on operating leases can be analysed as follows.

| <b>LEASING OBLIGATIONS</b>    | <b>£'000</b> |
|-------------------------------|--------------|
| Expires within 12 months      | 17           |
| Expires between 2 and 5 years | 338          |
| Expires after 5 years         | 0            |
| <b>TOTAL for 2010/11</b>      | <b>355</b>   |

#### **Finance Leases**

Finance lease payments during the year amounted to £3,746; the original purchase price of the vehicles was £359,048. The finance lease is in the secondary rental period, which will run until cancelled by either party and therefore there are no non-cancellable commitments after 1 year.

### 3. **MEMBERS ALLOWANCES AND EXPENSES**

During 2009-2010 the sum of £58,654 (£59,025 in 2008-2009) was paid to Members in the form of Members Allowances and travel expenses.

### 4. **OFFICERS' EMOLUMENTS**

The number of employees whose remuneration was £60,000 or more in bands of £5,000 was:-

| <b>REMUNERATION BAND</b> | <b>2009/10<br/>NUMBER OF<br/>EMPLOYEES</b> | <b>2008/09<br/>NUMBER OF<br/>EMPLOYEES</b> |
|--------------------------|--|--|
| £70,000 - £74,999        | 2  | 3  |
| £65,000 - £69,999        | 1  | 1  |
| £60,000 - £64,999        | 2  | 1  |

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

Senior Officers' Emoluments are not included in the above table.

**SENIOR OFFICERS' EMOLUMENTS 2009-2010 – SALARY BETWEEN £60,000 AND £150,000**

| <b>POST TITLE</b>                         | <b>SALARY (inc fees and allowances)</b> | <b>EXPENSE REIMBURSE</b> | <b>TOTAL (excl pension contributions)</b> | <b>PENSION CNTRBTNS</b> | <b>TOTAL REMUNERATION 2009/10</b> | <b>2008/09</b> |
|---|---|--------------------------|---|-------------------------|-----------------------------------|----------------|
|   | £                                       | £                        | £   | £                       | £                                 | £              |
| Chief Fire Officer                        | 115,556                                 | 159                      | 115,715                                   | 0                       | 115,715                           | 118,093        |
| Deputy Chief Officer                      | 89,826                                  | 198                      | 90,024                                    | 18,001                  | 108,025                           | 103,075        |
| Assistant Chief Fire Officer (Operations) | 81,578                                  | 132                      | 81,710                                    | 17,294                  | 99,004                            | 96,992         |
| Assistant Chief Fire Officer              | 83,347                                  | 204                      | 83,551                                    | 17,051                  | 100,602                           | 89,642         |

The Authority does not have any employees with a salary in excess of £150k. The remuneration for the Chief Fire Officer for 2008-09 includes some employers' pension contributions. The Treasurer to the Authority is not included in the above table as he is not an employee of North Wales Fire Authority.

5. **TRANSACTIONS WITH RELATED PARTIES**

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

- Each Member of the Authority is also a Member of one of the constituent authorities
- The Treasurer to the Authority is the Corporate Director - Resources of Conwy County Borough Council
- The Monitoring Officer is the Chief Executive of Flintshire County Council

North Wales Police have some joint arrangements with the Authority which include a joint Estates Management Department, a shared control room and partnership working on a number of projects.

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

|  | <b>£'000</b> |
|--|--------------|
| Conwy CBC – Treasurer and Financial Services | 96           |
| Conwy CBC – Legal Services                   | 8            |
| Flintshire CC – Monitoring Officer           | 16           |
| Carmarthenshire CC – Superannuation Service  | 30           |
| Welsh Local Government Association           | 25           |
| North Wales Police – Facilities Management   | 135          |

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

6. **AUDIT FEES 2009/10**

The total fee paid to the Wales Audit Office for external audit services was £53,534 (2008/09, £54,387). Fees payable with regard to external audit services carried out in accordance with Section 16 of the Public Audit Wales Act 2004 were £42,904 (2008/09 £43,975). Fees payable in respect of statutory inspection under Section 10 of the Local Government Act 1999 were £10,630 (2008/09 £10,412).

## 7. CONTRIBUTIONS

In 2009-2010 contributions totalling £31,311,563 were applied to fund revenue expenditure from the following Local Authorities:-

| <b>AUTHORITY</b>               | <b>2009/10<br/>£'000</b> | <b>2008/09<br/>£'000</b> |
|--------------------------------|--------------------------|--------------------------|
| Anglesey County Council        | 3,184                    | 3,114                    |
| Gwynedd Council                | 5,464                    | 5,345                    |
| Conwy County Borough Council   | 5,155                    | 5,029                    |
| Denbighshire County Council    | 4,477                    | 4,342                    |
| Flintshire County Council      | 6,945                    | 6,782                    |
| Wrexham County Borough Council | 6,087                    | 5,919                    |
| <b>TOTAL CONTRIBUTIONS</b>     | <b>31,312</b>            | <b>30,531</b>            |

## 8. MOVEMENT ON THE GENERAL FUND BALANCE

The deficit achieved on the Income and Expenditure Account represents the amount by which expenditure is greater than income. The adjustments to the General Fund Balance are amounts that have either not been included in the Income and Expenditure Account but are required by statute to be included or have been included but are required by statute to be excluded when determining the Movement on the General Fund Balance.

The table below details the reconciling Items to the movement on the General Fund balance.

|  | <b>2009/10<br/>£'000</b> | <b>2008/09<br/>£'000</b> |
|--|--------------------------|--------------------------|
| <b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance</b>         |                          |                          |
| Provision for Depreciation Adjustment  | -1,711                   | -1,064                   |
| Government Grants Deferred Adjustment  | 562                      | 89                       |
| Impairment   | -2,574                   | -1,173                   |
| Gain on disposal of Fixed Assets   | 13                       | 7                        |
|  | <b>-3,710</b>            | <b>-2,141</b>            |
| <b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b> |                          |                          |
| Transfers to Earmarked Reserves  | 418                      | 0                        |
| Pension Adjustment due to FRS17  | -9,688                   | -10,015                  |
| Employer's contributions payable to Clwyd Pension Fund and Firefighters Pensions Scheme and Pension Payments attributable to the Fire Authority                        | 3,211                    | 3,265                    |
|  | <b>-6,059</b>            | <b>-6,750</b>            |
| <b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance</b>     |                          |                          |
| Capital Expenditure charged to revenue   | 0                        | 101                      |
| Statutory Provision for Repayment of Debt  | 294                      | 215                      |
| Voluntary Provision for Repayment of Debt  | 958                      | 681                      |
|  | <b>1,252</b>             | <b>997</b>               |
| <b>TOTAL</b>   | <b>-8,517</b>            | <b>-7,894</b>            |

### **MINIMUM REVENUE PROVISION (MRP) AND DEPRECIATION**

The Authority is required by statute to set aside MRP for the redemption of debt; the Authority can also set aside voluntary provision (VRP) for the early repayment of debt. For 2009-2010, the amount for MRP and VRP is £1,252,222 and this has been shown as an adjustment on the Movement in the General Fund Balance as it is an actual charge to the Authority. In accordance with the Best Value Accounting Code of Practice a depreciation charge has been made to the Service Expenditure headings for the use of the Authority's fixed assets. The depreciation charge is shown as an adjustment to the General Fund Balance as the actual charge to the Authority for the repayment of debt is the MRP.

### **GOVERNMENT GRANTS DEFERRED ADJUSTMENT**

Grants received towards the purchase of fixed assets are credited to the Service Income headings in line with the depreciation charge for the asset. An adjustment for the £561,641 (2008-09 £89,019) deferred grant is made on the Movement on the General Fund Balance and the credit is applied to the Capital Adjustment Account.

### **IMPAIRMENT**

The impairment charge has arisen from expenditure incurred on Fixed Assets that has not lead to a commensurate increase in value.

## 9. **PENSIONS**

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

In 2009-2010 the Authority paid an Employer's Pension contribution of £898,532 (2008-2009, £828,396) representing 21% (2008-2009, 21%) 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 2007. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

During 2009-2010 added years benefits and early retirement costs due to redundancies of £64,713 (2008-2009, £67,870) were paid to employees which represents 1.65% (2008-2009, 1.75%) 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](http://www.flintshire.gov.uk).

### (ii) **Firefighters**

The Firefighters' pension scheme is an unfunded scheme with defined benefits. In 2009-2010 the Authority paid an Employer's Pension contribution of £2,000,237 (2008-09, £2,087,872). Pensions paid from revenue amounted to £403,318 (2008-2009, £270,790).

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

In accordance with FRS17 the current cost of pensionable service is allocated to gross expenditure in the Income and Expenditure Account (I & E). Actual pension payments on behalf of employees in current service are removed from the I & E, 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 Actuary's Department, and the Local Government Pension Scheme by Mercers. The table below analyses the transactions that have been made in the I & E and Statement of Movement in the General Fund Balance during the year.

| <b>MOVEMENTS<br/>on PENSION RESERVE</b>                        | <b>2009/10<br/>£'000</b> | <b>2008/09<br/>£'000</b> |
|--|--------------------------|--------------------------|
| Income & Expenditure Account                                   |                          |                          |
| <b>Net Cost of Service</b>                                     |                          |                          |
| Current Service Cost   |                          |                          |
| – Firefighters   | -2,470                   | -3,210                   |
| – Local Government Pension Scheme                              | -370                     | -630                     |
| Past Service Cost  |                          |                          |
| – Firefighters   | -500                     | 0                        |
| – Local Government Pension Scheme                              | -84                      | 0                        |
| <b>Net Operating Expenditure</b>                               |                          |                          |
| Interest Cost  |                          |                          |
| – Firefighters   | -9,220                   | -9,860                   |
| – Local Government Pension Scheme                              | -898                     | -920                     |
| Expected Return on Pension Assets                              |                          |                          |
| – Local Government Pension Scheme                              | 516                      | 594                      |
| Difference between Actuarial Estimate and Actual Contributions |                          |                          |
| – Firefighters   | 3,338                    | 4,011                    |
| <b>Net Change to I&amp;E Account</b>                           | <b>-9,688</b>            | <b>-10,015</b>           |
| Statement of Movement on General Fund Balance                  |                          |                          |
| Reversal of net Changes for FRS17                              | <b>9,688</b>             | <b>10,015</b>            |
| Actual Amount Charged  |                          |                          |
| Employers contributions  |                          |                          |
| – Local Government Pension Scheme                              | <b>899</b>               | <b>906</b>               |
| – Pensions Paid Firefighters                                   | <b>312</b>               | <b>271</b>               |
| – Firefighters Pension Fund                                    | <b>2,000</b>             | <b>2,088</b>             |
| <b>MOVEMENT ON PENSION RESERVE</b>                             | <b>-6,477</b>            | <b>-6,750</b>            |

Further information on pensions is contained in Note 16 and Note 22.



10. **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 2010 are shown below, together with details of movement in the year:-

|  | <i>Land and Buildings</i><br>£'000 | <i>Vehicles and Equipment</i><br>£'000 | <i>Infra - structure</i><br>£'000 | <i>Non-Operational Assets</i><br>£'000 | <i>In-Tangible Assets</i><br>£'000 | <i>Total</i><br>£'000 |
|--|------------------------------------|--|-----------------------------------|--|------------------------------------|-----------------------|
| Gross Book Value at 1 April 2009                 | 23,546                             | 13,497                                 | 260                               | 65                                     | 65                                 | 37,433                |
| <b>VALUE AT 1 APRIL 2009</b>                     | <b>23,546</b>                      | <b>13,497</b>                          | <b>260</b>                        | <b>65</b>                              | <b>65</b>                          | <b>37,433</b>         |
| Additions  | 718                                | 1,318                                  | 0                                 | 538                                    | 0                                  | 2,574                 |
| Revaluations                                     | 1,467                              | 0                                      | 0                                 | 0                                      | 0                                  | 1,467                 |
| Commissioned Expenditure                         | 12                                 | 0                                      | 0                                 | -12                                    | 0                                  | 0                     |
| Disposals  | 0                                  | -337                                   | 0                                 | 0                                      | 0                                  | -337                  |
| Impairment                                       | -2,574                             | 0                                      | 0                                 | 0                                      | 0                                  | -2,574                |
| <b>GROSS BOOK VALUE AT 31 MARCH 2010</b>         | <b>23,169</b>                      | <b>14,478</b>                          | <b>260</b>                        | <b>591</b>                             | <b>65</b>                          | <b>38,563</b>         |
| Accumulated Depreciation at 1 April 2009         | -1,510                             | -5,196                                 | -227                              | 0                                      | -37                                | -6,970                |
| Revaluation                                      | 1,510                              | 0                                      | 0                                 | 0                                      | 0                                  | 1,510                 |
| Depreciation for Year                            | -586                               | -1,110                                 | -6                                | 0                                      | -9                                 | -1,711                |
| Disposals  | 0                                  | 337                                    | 0                                 | 0                                      | 0                                  | 337                   |
| <b>Accumulated Depreciation at 31 March 2010</b> | <b>-586</b>                        | <b>-5,969</b>                          | <b>-233</b>                       | <b>0</b>                               | <b>-46</b>                         | <b>-6,834</b>         |
| <b>NET BOOK VALUE AT 31 MARCH 2010</b>           | <b>22,583</b>                      | <b>8,509</b>                           | <b>27</b>                         | <b>591</b>                             | <b>19</b>                          | <b>31,729</b>         |
| <b>NET BOOK VALUE AT 31 MARCH 2009</b>           | <b>22,036</b>                      | <b>8,301</b>                           | <b>33</b>                         | <b>65</b>                              | <b>28</b>                          | <b>30,463</b>         |

### 11. **CAPITAL EXPENDITURE AND FINANCING**

The capital expenditure incurred during the year and the impact upon the Capital financing Requirement is detailed below:-

|   | <b>2009/10<br/>£'000</b> | <b>2008/09<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Opening Capital Financing Requirement   | 14,738                   | 10,813                   |
| Capital Investment in Year              |                          |                          |
| • Intangible Assets                     | 0                        | 0                        |
| • Fixed Assets                          | 2,574                    | 5,707                    |
| Sources of Finance                      |                          |                          |
| • Grants & Contributions                | -925                     | -483                     |
| • Revenue and Other Provisions          | -1,265                   | -1,299                   |
| Closing Capital Financing Requirement   | 15,122                   | 14,738                   |
| Change in Capital Financing Requirement | <b>384</b>               | <b>3,925</b>             |
| Explanation of change:                  |                          |                          |
| Increase in underlying need to borrow   | 384                      | 3,925                    |

### 12. **CAPITAL COMMITMENTS 2010-2011 Onwards**

Major capital commitments entered into at 31 March 2010 were £802,834 and are detailed in the table below.

| <b>Scheme</b>                         | <b>Contracted Future Cost<br/>£'000</b> |
|---------------------------------------|---|
| Various Properties                    | 724                                     |
| Water Tenders, Vehicles and Equipment | 79                                      |
| <b>TOTAL</b>                          | <b>803</b>                              |

### 13. **INFORMATION ON ASSETS HELD**

Fixed assets owned by the Authority include the following:-

|                                      | <b>Number at<br/>31 March<br/>2010</b> | <b>Number at<br/>31 March<br/>2009</b> |
|--------------------------------------|--|--|
| <b><u>LAND AND BUILDINGS</u></b>     |  |  |
| Fire Stations                        | 44                                     | 44                                     |
| Brigade Headquarters                 | 0                                      | 0                                      |
| Divisional Headquarters              | 0                                      | 0                                      |
| County Safety Offices                | 5                                      | 5                                      |
| Control Rooms                        | 1                                      | 1                                      |
| Training Establishments              | 2                                      | 2                                      |
| Vehicle Workshops                    | 1                                      | 1                                      |
| Stores                               | 1                                      | 1                                      |
| <b><u>VEHICLES AND EQUIPMENT</u></b> |  |  |
| Operational Vehicles                 | 72                                     | 79                                     |
| Ancillary Vehicles                   | 75                                     | 88                                     |

14. **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 2009/10 %</i> | <i>Total Outstanding at 31 March 2010</i> |               | <i>Total Outstanding at 31 March 2009</i> |               |
|---|--|---|---------------|---|---------------|
|   |  | <i>£'000</i>                              |               | <i>£'000</i>                              |               |
| Public Works Loans Board                    | 0.65 – 4.8                             |   | 15,972        |   | 15,014        |
| <b><u>ANALYSIS OF LOANS BY MATURITY</u></b> |  |   |               |   |               |
| Within 1 Year                               |  |   | 7,081         |   | 4,396         |
| Between 1 and 2 years                       |  | 2,667                                     |               | 5,914                                     |               |
| Between 2 and 5 years                       |  | 4,020                                     |               | 2,500                                     |               |
| Between 5 and 10 years                      |  | 0   |               | 0   |               |
| Over 10 years                               |  | 2,204                                     |               | 2,204                                     |               |
|   |  |   | 15,972        |   | 15,014        |
| <b>Interest Owed</b>                        |  |   | 104           |   | 124           |
| <b>Discounts</b>                            |  |   | 35            |   | 168           |
| <b>BALANCE SHEET TOTAL</b>                  |  |   | <b>16,111</b> |   | <b>15,306</b> |

Under FRS25, FRS26 and FRS29, accounting for Financial Instruments, it is now a requirement that any interest outstanding on loans and any discounts should be recognised on the Balance Sheet as part of the loan the breakdown is included in the above table. The fair value of the loan portfolio is now disclosed in a note to the accounts. The Authority also includes an assessment of the management of the risks arising from financial instruments as a note to the accounts.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair value of PWLB loans as at 31 March 2010 was £16,482,066 (31 March 2009, £15,798,511).

As the Authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

|                             | <i>Within 1 Year<br/>£'000</i> | <i>After 1 Year<br/>£'000</i> |
|-----------------------------|--------------------------------|-------------------------------|
| Loan principal              | 7,081                          | 8,891                         |
| Interest                    | 104                            | 0                             |
| Discounts                   | 35                             | 0                             |
| <b>BALANCE SHEET TOTALS</b> | <b>7,220</b>                   | <b>8,891</b>                  |

The discounts arose on the restructuring of the loan portfolio in the previous year. The discount is being released over the life of the related new borrowings.

15. **PROVISIONS and RESERVES**

At 31 March 2010 the Authority held a number of provisions. The provisions held and the movement on the provisions is as follows.

**Pension Provision**

A provision has been set aside for any ill-health lump sum payments for Retained Firefighters. The level of the provision is based on a current assessment of employees expected to retire on ill-health grounds. The balance on the provision at 31 March 2010 is £240,000 (31 March 2009, £264,397).

**Equal Pay Provision**

A provision has been recognised to offset the financial consequences of retained firefighters becoming entitled to the same conditions of service as whole-time firefighters. In 2009-10 the provision was increased to £406,565 (31 March 2009, £200,000). The decision to increase the provision was based on the latest developments of the Employment Tribunal, it is envisaged that all the provision will be utilised in 2010-11 when the case is finally settled.

**Pension Underpayments Provision**

The underpayments on pensions have been met from the revenue account so it is no longer necessary to hold this provision (31 March 2009, £50,000). The funds have been transferred to the Equal Pay Provision.

**Earmarked Reserves**

This is the first year the Authority can hold reserves due to changes in legislation. A reserve has been set aside for a number of small schemes approved by senior officers and consists mainly of purchase of equipment, training, telecommunications and staffing, the total is £205,046.

An additional reserve has been set aside to cover the costs of additional temporary support posts, this was approved by Members during the 2010-11 budget setting process and the balance on the reserve is £128,000

A reserve has been set aside for Job Evaluation costs for non-uniformed staff. The majority of the costs have been built in to the revenue budget but as part of the pay modelling exercise approved by senior management it is necessary to set aside £85,467 to cover some of the liabilities for the scheme which had been agreed to commence on 1 April 2009.

The total Earmarked Reserves held as at 31 March 2010 is £418,513.

16. **DETAILS OF MOVEMENTS ON RESERVES**

|  | <b>RESERVES</b>           |                                |                                   |                        |                            | <b>Total</b>    |
|--|---------------------------|--------------------------------|-----------------------------------|------------------------|----------------------------|-----------------|
|  | <b>Earmarked Reserves</b> | <b>Usable Capital Receipts</b> | <b>Capital Adjustment Account</b> | <b>Pension Reserve</b> | <b>Revaluation Reserve</b> |                 |
|  | <b>£'000</b>              | <b>£'000</b>                   | <b>£'000</b>                      | <b>£'000</b>           | <b>£'000</b>               |                 |
| Balance at 1 April 2009  | 0                         | 0                              | 14,268                            | -140,300               | 16                         | -126,016        |
| Net (Deficit)/Surplus for Year – Appropriations to Revenue/Balance Sheet | 418                       | 13                             | 562                               | -9,688                 | 0                          | -8,695          |
| Pension Fund revenue Contributions                                       | 0                         | 0                              | 0                                 | 3,211                  | 0                          | 3,211           |
| Financing of Fixed Assets  | 0                         | -13                            | 1,264                             | 0                      | 0                          | 1,251           |
| Revaluation of Assets  | 0                         | 0                              | 0                                 | 0                      | 2,996                      | 2,996           |
| Impairment of Assets   | 0                         | 0                              | -2,009                            | 0                      | -17                        | -2,026          |
| Disposals  | 0                         | 0                              | 0                                 | 0                      | 0                          | 0               |
| Capital Spend 2009-2010 - No Added Value - Impairment                    | 0                         | 0                              | -565                              | 0                      | 0                          | -565            |
| Depreciation   | 0                         | 0                              | -1,630                            | 0                      | -81                        | -1,711          |
| Actuarial Loss   | 0                         | 0                              | 0                                 | -68,360                |                            | -68,360         |
| <b>BALANCE AT 31 MARCH 2010</b>  | <b>418</b>                | <b>0</b>                       | <b>11,890</b>                     | <b>-215,137</b>        | <b>2,914</b>               | <b>-199,915</b> |

**Pension Reserve**

The actuarial gains and losses identified as movements on the Pensions Reserve in 2009-10 can be analysed into the following categories.

| CATEGORY  | 2009/10         |                          | 2008/09       |                          | 2007/08       |                          | 2006/07       |                          | 2005/06         |                          |
|---|-----------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|-----------------|--------------------------|
|   | £'000           | Asset/<br>Liability<br>% | £'000         | Asset/<br>Liability<br>% | £'000         | Asset/<br>Liability<br>% | £'000         | Asset/<br>Liability<br>% | £'000           | Asset/<br>Liability<br>% |
| Difference between expected and actual return on Assets                           | 0               | 0                        | 0             | 0                        | (627)         | 7.4                      | (4)           | 0.1                      | 1,026           | 14.70                    |
| Difference between actuarial assumptions about liabilities and actual experience  | 747             | 0.3                      | 30            | 0.6                      | 5,589         | 3.7                      | 570           | 0.8                      | 3,950           | (2.19)                   |
| Changes in the demographic and financial assumptions used to estimate liabilities | (69,107)        | 32.12                    | 17,072        | 10.59                    | 26,012        | 17.26                    | 10,916        | 6.4                      | (24,528)        | 13.62                    |
| <b>Totals</b>   | <b>(68,360)</b> |                          | <b>17,102</b> |                          | <b>30,974</b> |                          | <b>11,482</b> |                          | <b>(19,552)</b> |                          |

**Revaluation Reserve**

In 2009-2010 all the properties owned by the Authority were re-valued in accordance with recommended practice - all properties should be re-valued every 5 years. Only upward revaluations have been posted to the Revaluation Reserve any downward revaluations will show in the Capital Adjustment Account.

**Capital Adjustment Account**

The Capital Adjustment Account (CAA) contains a number of entries concerning capital accounting. The entries for the year include the excess of depreciation over revenue provisions for potential debt redemption, part of the financing of the 2009-2010 capital programme, downward revaluations and impairment charges.

**Government Grants Deferred**

The balance on this account, £1,835,173, 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.

**Financial Instruments Adjustment Account (FIAA)**

Financial Assets are required to be carried at Fair Value and the FIAA provides a balancing mechanism for possible gains and losses. The Authority had no Financial Assets that required adjusting to Fair Value.

17. **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 2010. The following table summarises the position:-

|                             | <b>31 March 2010</b><br><b>£'000</b> | <b>31 March 2009</b><br><b>£'000</b> |
|-----------------------------|--------------------------------------|--------------------------------------|
| Cash Per Balance Sheet      | -987                                 | -360                                 |
| Uncleared Bank Transactions | 1,105                                | 400                                  |
| Cash in Transit             | -5                                   | -1                                   |
| <b>BANK TOTAL</b>           | <b>113</b>                           | <b>39</b>                            |

18. **STOCKS**

An analysis of the stocks held at 31 March 2009 and 31 March 2010 is shown below:-

|                  | <b>31 March 2010</b><br><b>£'000</b> | <b>31 March 2009</b><br><b>£'000</b> |
|------------------|--------------------------------------|--------------------------------------|
| Main Stores (HQ) | 335                                  | 320                                  |
| Transport Stock  | 19                                   | 16                                   |
| <b>TOTAL</b>     | <b>354</b>                           | <b>336</b>                           |

19. **DEBTORS**

|   | <b>31 March 2010</b><br><b>£'000</b> | <b>31 March 2009</b><br><b>£'000</b> |
|---|--------------------------------------|--------------------------------------|
| Government Departments and Other Agencies | 1,473                                | 2,172                                |
| Other Local Authorities                   | 125                                  | 158                                  |
| Sundry Debtors                            | 148                                  | 290                                  |
| <b>GROSS DEBTORS</b>                      | <b>1,746</b>                         | <b>2,620</b>                         |
| Bad Debt Provision                        | -6                                   | -17                                  |
| <b>NET DEBTORS</b>                        | <b>1,740</b>                         | <b>2,603</b>                         |

**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 a decrease in the provision of £11,000.

20. **CREDITORS**

|                                     | <b>31 March 2010</b><br><b>£'000</b> | <b>31 March 2009</b><br><b>£'000</b> |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Government Departments and Agencies | 1,218                                | 462                                  |
| Other Local Authorities             | 117                                  | 301                                  |
| Sundry Creditors                    | 1,480                                | 2,096                                |
| <b>TOTAL</b>                        | <b>2,815</b>                         | <b>2,859</b>                         |

21. **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:-

|                              | <b>31 March 2010</b><br><b>£'000</b> | <b>31 March 2009</b><br><b>£'000</b> |
|------------------------------|--------------------------------------|--------------------------------------|
| <b>Short Term</b>            |                                      |                                      |
| Bank of Scotland             | 2,020                                | 1,640                                |
| Anglo Irish                  | 0                                    | 10                                   |
| Progressive Building Society | 1,000                                | 0                                    |
| Norwich & Peterborough       | 1,000                                | 0                                    |
| <b>Total</b>                 | <b>4,020</b>                         | <b>1,650</b>                         |
| <b>Interest Due</b>          | <b>1</b>                             | <b>23</b>                            |
| <b>BALANCE SHEET TOTAL</b>   | <b>4,021</b>                         | <b>1,673</b>                         |

FRS25, FRS26 and FRS29 accounting for Financial Instruments require that any interest outstanding at 31 March should be recognised on the Balance Sheet as part of the investment.

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

In accordance with the requirements of Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 9 the Authority participates in two schemes, the Firefighters' Pension Scheme for full time Firefighters which is unfunded, and the Local Government Pension Scheme (Clwyd Pension Fund) 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 2010 and 31 March 2009 were as follows:

|   | <b>31 March</b>             |                             |
|---|-----------------------------|-----------------------------|
|   | <b>2010</b><br><b>£'000</b> | <b>2009</b><br><b>£'000</b> |
| Estimated liabilities in the Firefighters' Pension Scheme | 206,480                     | 135,040                     |
| Share of liabilities in Clwyd Pension Fund                | 19,250                      | 12,515                      |
| <b>Total liabilities</b>                                  | <b>225,730</b>              | <b>147,555</b>              |
| Share of assets in Clwyd Pension Fund                     | 10,593                      | 7,255                       |
| <b>Net Pensions Deficit</b>                               | <b>215,137</b>              | <b>140,300</b>              |

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



|  | <i>Firefighters' Scheme</i> |             | <i>Clwyd Pension Fund</i> |             |
|--|-----------------------------|-------------|---------------------------|-------------|
|  | <i>2010</i>                 | <i>2009</i> | <i>2010</i>               | <i>2009</i> |
|  | <i>%</i>                    | <i>%</i>    | <i>%</i>                  | <i>%</i>    |
| Rate of Inflation                      | 3.9                         | 3.0         | 3.5                       | 3.3         |
| Rate of Increase in Salaries           | 5.4                         | 4.5         | 4.75                      | 4.6         |
| Rate of Increase in Pensions           | 3.9                         | 3.0         | 3.5                       | 3.3         |
| Rate of Discounting Scheme Liabilities | 5.8                         | 6.9         | 5.7                       | 7.1         |
| Life Expectancy at 65                  | Males                       | Females     |                           |             |
| Current Pensioners                     | 23.3                        | 25.2        |                           |             |
| Future Pensioners                      | 26.2                        | 28.0        |                           |             |

Assets in the Clwyd Pension Fund are valued at fair value, principally bid value for investments, and consist of:

|                    | <i>31 March</i> | <i>31 March</i> | <i>Expected Return On Asset</i> |
|--------------------|-----------------|-----------------|---------------------------------|
|                    | <i>%</i>        | <i>£'000</i>    | <i>%</i>                        |
| <b>2010</b>        |                 |                 |                                 |
| Equity Investments | 58.5            | 6,196           | 7.5                             |
| Bonds              | 11.8            | 1,250           | 5.2                             |
| Other Assets       | 29.7            | 3,147           | 7.5                             |
| <b>Total</b>       |                 | <b>10,593</b>   |                                 |
| <b>2009</b>        |                 |                 |                                 |
| Equity Investments | 51.9            | 3,765           | 7.5                             |
| Bonds              | 12.5            | 907             | 6.0                             |
| Other Assets       | 35.6            | 2,583           | 7.5                             |
| <b>Total</b>       |                 | <b>7,255</b>    |                                 |

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

| <b>Liabilities</b>                         | <i>2009/10</i> | <i>2009/10</i>       | <i>2008/09</i> | <i>2008/09</i>       |
|--|----------------|----------------------|----------------|----------------------|
|  | <i>£'000</i>   | <i>£'000</i>         | <i>£'000</i>   | <i>£'000</i>         |
|  | <i>Clwyd</i>   | <i>Firefighters'</i> | <i>Clwyd</i>   | <i>Firefighters'</i> |
| Balance as at 1 April                      | -12,515        | -135,040             | -14,797        | -144,340             |
| Current Service Cost                       | -370           | -2,470               | -630           | -3,210               |
| Past Service Cost                          | -84            | -500                 | 0              | 0                    |
| Interest                                   | -898           | -9,220               | -920           | -9,860               |
| Curtailments                               | 0              | 0                    | 0              | 0                    |
| Actuarial Loss/Gain                        | -5,487         | -63,620              | 3,799          | 16,000               |
| Employers Contributions                    | 0              | 5,650                | 0              | 2,359                |
| Actuarial Assessment                       | 104            | -1,280               | 33             | 4,011                |
| <b>Net Pension Liabilities at Year End</b> | <b>-19,250</b> | <b>-206,480</b>      | <b>-12,515</b> | <b>-135,040</b>      |

A reconciliation of the fair value of the scheme Assets, this only relates to the Clwyd Pension Fund:

| <b>Assets</b>                         | <b>2009/10<br/>£'000</b> | <b>2008/09<br/>£'000</b> |
|---------------------------------------|--------------------------|--------------------------|
| Balance 1 April                       | 7,255                    | 8,508                    |
| Return on Pension Assets              | 516                      | 602                      |
| Actuarial Gain/Loss                   | 2,027                    | -2,697                   |
| Contributions                         | 795                      | 842                      |
| <b>Net Pension Assets at Year End</b> | <b>10,593</b>            | <b>7,255</b>             |

23. **CASH FLOW - RECONCILIATION TO INCOME & EXPENDITURE ACCOUNT**

|   | <b>2009/10<br/>£'000</b> | <b>2008/09<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Revenue Activities Net Cash Inflow                                  | -2,801                   | -356                     |
| <b><u>NON-CASH MOVEMENTS ON<br/>I &amp; E ACCOUNT</u></b>           |                          |                          |
| (Increase) in Stock   | -18                      | 4                        |
| Decrease in Debtors   | 885                      | -1,685                   |
| Decrease in Payments in Advance                                     | 13                       | 13                       |
| (Decrease) in Creditors   | -44                      | 475                      |
| (Decrease) in Interest Owing  | -20                      | 0                        |
| (Decrease) in Receipts in Advance                                   | -65                      | 96                       |
| Depreciation Charge   | 1,711                    | 1,065                    |
| Deferred Charges  | -562                     | -89                      |
| FRS17 Pension Adjustment  | 6,477                    | 6,750                    |
| Impairment Charge   | 2,574                    | 1,173                    |
| <b><u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW<br/>STATEMENT</u></b> |                          |                          |
| Interest Paid   | 308                      | 546                      |
| Interest Received   | -49                      | -144                     |
| Contribution to Various Provisions                                  | 132                      | 50                       |
| Contribution from Bad Debt Provision                                | -11                      | 3                        |
| Gain on Disposal of Assets  | -13                      | -7                       |
| <b>DEFICIT ON I &amp; E ACCOUNT</b>                                 | <b>8,517</b>             | <b>7,894</b>             |

24. **RECONCILIATION OF MOVEMENT IN CASH AND CASH EQUIVALENTS**

|  | <b>31 March 2010<br/>£'000</b> | <b>31 March 2009<br/>£'000</b> |
|--|--------------------------------|--------------------------------|
| Cash in Bank (Overdrawn)                     | 992                            | 391                            |
| Cash in Transit                              | 0                              | -1                             |
| Cash Held in Imprest Accounts                | -5                             | -30                            |
| <b>TOTAL</b>                                 | <b>987</b>                     | <b>360</b>                     |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b> | <b>627</b>                     |                                |

**RECONCILIATION OF MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT**

|                          | <i>Balance<br/>31 March 2009<br/>£'000</i> | <i>Net<br/>Cash Flow<br/>£'000</i> | <i>Balance<br/>31 March 2010<br/>£'000</i> |
|--------------------------|--|------------------------------------|--|
| Cash Balances            | -360                                       | -627                               | -987                                       |
| Short Term Investments   | 1,650                                      | 2,370                              | 4,020                                      |
| Debt Due within one Year | -4,395                                     | -2,686                             | -7,081                                     |
| Debt Due after one Year  | -10,618                                    | 1,727                              | -8,891                                     |
|                          | <b>-13,723</b>                             | <b>784</b>                         | <b>-12,939</b>                             |

**25. CONTINGENT LIABILITIES**

Retained Firefighters have been able to join the New Firefighter Pension Scheme since 1 April 2006. However, as a consequence of a court case in relation to the Part-Time Workers (Prevention of less favourable treatment) Regulations, which came into force on 1 July 2000, under certain circumstances Retained Firefighters are permitted to buy into the Firefighters Pension Scheme from an earlier date. Where this option is chosen 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 Assembly Government. At present the costs and timing of any such liability, if any, are unquantifiable.

**26. POST BALANCE SHEET EVENT**

It was announced in the budget on Tuesday 22 June 2010 that the Government will adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the operation of the pension schemes that North Wales Fire & Rescue Service provides to employees. The precise impact is unknown at this time.

## THE PENSION FUND ACCOUNT

| <i>Fund Account</i>  | <i>2009/10<br/>£000</i> | <i>2008/09<br/>£000</i> |
|--|-------------------------|-------------------------|
| <b>INCOME</b>  |                         |                         |
| <b>Contributions Receivable:</b>                           |                         |                         |
| Employer normal contributions                              | -2,000                  | -2,088                  |
| Employer Ill Health Charge                                 | 0                       | 0                       |
| Members  | -1,100                  | -1,130                  |
| Transfers In   | -216                    | 0                       |
| <b>TOTAL</b>   | <b>-3,316</b>           | <b>-3,218</b>           |
| <b>EXPENDITURE</b>   |                         |                         |
| <b>Benefits Payable:</b>                                   |                         |                         |
| Pension Payments   | 4,647                   | 4,226                   |
| Commutation of Pensions and Lump Sum benefits              | 1,306                   | 3,163                   |
| <b>Payments to and on Behalf of Leavers:</b>               |                         |                         |
| Transfers out  | 587                     | 0                       |
| <b>TOTAL</b>   | <b>6,540</b>            | <b>7,389</b>            |
| <b>NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT</b> | <b>3,224</b>            | <b>4,171</b>            |
| Top Up grant receivable from WAG                           | -3,224                  | -4,171                  |
| <b>NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR</b>            | <b>0</b>                | <b>0</b>                |

| <i>Net Assets Statement</i>                | <i>2009/10<br/>£000</i> | <i>2008/09<br/>£000</i> |
|--|-------------------------|-------------------------|
| <b>Net Current Assets and Liabilities:</b> |                         |                         |
| Top Up payable to/(from) WAG               | 1,152                   | -1,829                  |
| Amount owed from the General Fund          | -1,152                  | 1,829                   |
| <b>Net Assets at year end</b>              | <b>0</b>                | <b>0</b>                |

### Notes to the Pension Fund Account

The Fund was established 1 April 2007 and covers both the 1992 and 2007 Firefighters' Pension Schemes and is administered by the Authority. Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by WAG and subject to triennial revaluation by the Government Actuary's Department. The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by Top Up Grant from WAG.

The accounting policies for the Pension Fund Account are consistent with the accounting policies on pages 11 – 14.

### **Contribution Rates**

Under the Firefighters' Pension Regulations the contribution rates for the 2007 scheme were 19.5% of pensionable pay (11% employers and 8.5% employees) and for the 1992 scheme were 32.3% of pensionable pay (21.3% employers and 11% employees).

**The Fund Account does not take account of liabilities for pensions and other benefits after the period end.**

## **Independent auditor's report to the Members of North Wales Fire Authority**

I have audited the accounting statements and related notes of North Wales Fire Authority and the Fire Fighters Pension Fund for the year ended 31 March 2010 under the Public Audit (Wales) Act 2004. North Wales Fire Authority's accounting statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and related notes. The Firefighters Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to North Wales Fire Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the *Statement of responsibilities* prepared by the Auditor General for Wales.

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

The responsible financial officer's responsibilities for preparing the statement of accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

The maintenance and integrity of the North Wales Fire Authority web site is the responsibility of the local government body; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

I report to you my opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009:

- the financial position of the local government body and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the Statement on Internal Control reflects compliance with 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's and pension fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

**Opinion on the accounting statements of North Wales Fire Authority**

In my opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of North Wales Fire Authority as at 31 March 2010 and its income and expenditure for the year then ended.

**Opinion on the accounting statements of the Firefighters Pension Fund**

In my opinion the pension fund accounts and related notes give a true and fair view, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the Firefighters Pension Fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

My conclusion on North Wales Fire Authority arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010 will be reported separately in the published Annual Audit Letter.

**Certificate of completion**

I certify that I have completed the audit of the accounts of North Wales Fire 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 September 2010**