

# Statement of Accounts

2022-2023



Gwasanaeth Tân ac Achub  
Fire and Rescue Service



**ATAL AMDDIFFYN YMATEB  
PREVENTING PROTECTING RESPONDING**

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The maintenance and integrity of the Authority's website is the responsibility of the Authority; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## NARRATIVE REPORT

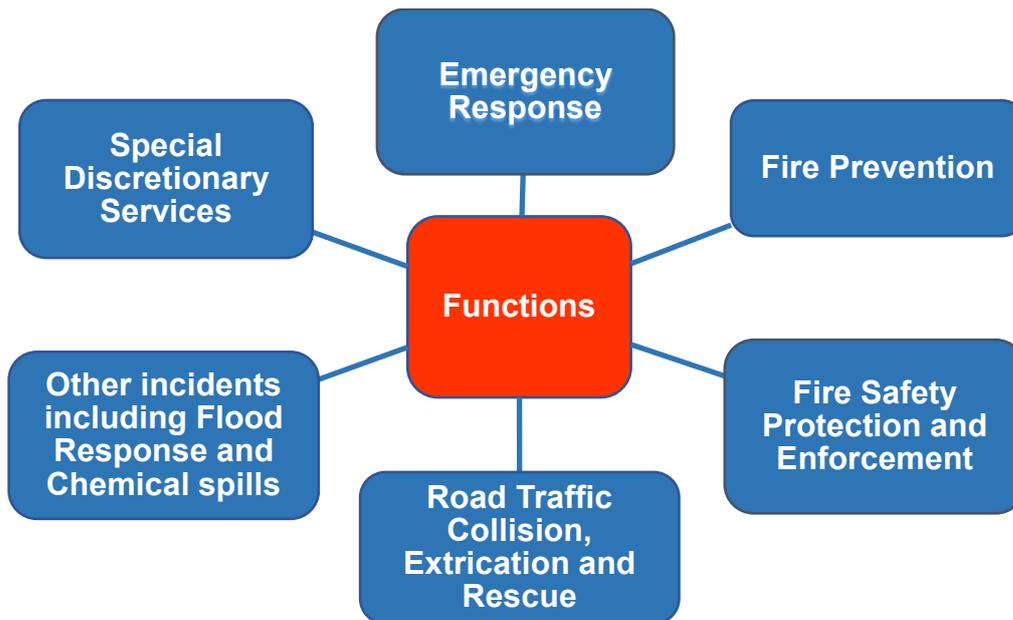
The purpose of the narrative report is to offer interested parties' clear information about the financial position and the financial performance of the North Wales Fire and Rescue Authority (NWFRA) for the financial year 2022/23.

## ORGANISATION OVERVIEW

The North Wales Fire and Rescue Authority (NWFRA) is made up of 28 Elected Members nominated by each of the six local authorities and provides direction and governance for the day to day activities delivered by North Wales Fire and Rescue Service (NWFRS).

NWFRS serves the communities within the counties of Gwynedd and Ynys Môn, Conwy and Denbighshire and Wrexham and Flintshire.

NWFRA is responsible for providing adequate resources to enable the Fire and Rescue Service to undertake a range of activities as detailed below.



The Service deals with a wide-range of emergencies, from fire incidents and road traffic collisions, to floods and chemical spills. Extensive work is carried out with schools, businesses and local communities to promote fire safety and prevention and to help keep people and property safe.

The Authority is financed by contributions from the six constituent authorities, in proportion to population for each authority. Note 11 provides further details.

Details of our service area, funding and activities can be found on the following pages.

# About Our Service Area



## Resources

 **44** fire stations

 **54** front line fire appliances

 **39** special appliances including rescue boats and aerial ladder platforms

 **901** staff of which **37%** are fluent welsh speakers

## Prevention and Protection activities

 **18,052** safe and well checks completed

 **575** business audits conducted

 **169** safety talks with **18,001** children and young people

 **18** phoenix courses with **151** participants completing the programme

## Responding activities

 **13,224** emergency calls handled

 Attended **5896** emergency incidents

 **2011** fires attended of which **55** were wildfires

 **2674** false alarms

## THE AUTHORITY'S IMPROVEMENT AND WELLBEING OBJECTIVES

Fire and Rescue Authorities in Wales are required to publish improvement objectives in accordance with the Local Government (Wales) Measure 2009, and well-being objectives in accordance with the Well-being of Future Generations (Wales) Act 2015. For the purposes of the Authority's planning processes these are treated as one and the same.

These long-term objectives are changes that the Authority wants to help bring about in North Wales that will contribute to improving local well-being and to moving Wales closer to achieving its well-being goals. Having identified these long-term objectives, the Authority has a duty to take all reasonable steps to pursue them and to report publicly after the end of each financial year on the progress it has made.

In March 2021 the Authority published its Corporate Plan for 2021- 2024 with a set of seven long-term objectives:

- Work towards making improvements to the health, safety and well-being of people in North Wales
- Continue to work collaboratively to help communities improve their resilience
- Operate as effectively and efficiently as possible, making the best use of the resources available
- Continue to identify opportunities to encourage greater engagement with people, communities, staff and stakeholders
- Maintain a suitably resilient, skilled, professional and flexible workforce
- Develop ways of becoming more environmentally conscious in order to minimise the impact of our activity on the environment
- Ensure that social value and sustainability are considered, including during procurement processes

The following link provides information relating to North Wales Fire and Rescue Service activity and performance against improvement objectives over the last twelve months-[Activity and Performance](#)

The statutory deadline for publishing an Annual Performance Assessment is 30<sup>th</sup> September 2023. The Annual Performance Assessment will be available on the website at [Corporate Plan and Annual Performance Assessment](#)

## SUSTAINABILITY AND CLIMATE CHANGE

During 2022/23 the Service appointed an Environment and Climate Change Manager, who chairs the newly formed Environment and Sustainability Working Group. The Service is also a signatory to the Emergency Services Environment and Sustainability Group Charter.

The draft Environmental Strategy sets out a step change in approach towards achieving net zero emissions by 2030. Detailed decarbonisation proposals are being prepared and are due to be presented to Authority members in Working Groups over the coming months to allow the development of the subordinate action plans set out

in the Environmental Strategy. The proposal is to prioritise elimination of our Scope 1 emissions through fuel substitution and replacement of heating systems, whilst mitigating our Scope 2 emissions where investment grade measures can be funded and implemented. Scope 3 will be partially addressed through active supplier engagement. Our residual emissions will be addressed biogenically where commercially possible to do so.

Our Environmental Strategy sets out our understanding of sustainability as a key element of risk management and intergenerational fairness. As part of our approach to sustainable procurement, we will set out specific proposals to incorporate robust sustainability metrics and social value weightings into our project assessment and procurement frameworks.

Performance will be continuously measured through the use of an Environmental KPI dashboard, and the implementation of a robust Environmental Management System to be overseen by the Environment and Climate Change Manager, under the oversight of the Environment and Sustainability Working Group.

## **FINANCIAL PERFORMANCE**

North Wales Fire and Rescue Authority is committed to continuing to provide excellent fire safety prevention and enforcement services and a comprehensive emergency response. The Authority remains committed to playing its part in building stronger and safer communities, but also acknowledges that for the future the financial situation means that being able to sustain service delivery will require a great deal of flexibility and innovation.

In order to secure financial sustainability for the Authority and maintain service levels, Members agreed a 3 year medium term financial strategy. Members agreed for 2022/23 to increase the contributions from the constituent authorities by 6.3%, to £39.412m. This included £1.13m to address the challenges identified by the Chief Fire Officer.

The situational assessment confirmed that the key challenges facing the Authority are maintaining sufficient availability of on-call fire crews; ensuring sufficient resources to maintain and develop firefighter skills; and having enough corporate capacity to meet current and future demand. This assessment has informed future funding requirements.

In April 2022, a new staffing structure was introduced, however it has continued to be challenging to appoint to specialist corporate roles and retained firefighters. During 2022/23 a review of the retained duty system was undertaken and the findings presented to the Senior Leadership Team in February 2023. Some recommendations have already been implemented, but there is now a national discussion regarding terms and conditions, which has superseded some elements of the review. In contrast recruitment to Wholetime firefighter vacancies continues to attract a high level of applications, with 24 new starters in 2022/23.

Higher than anticipated pay awards and inflation for non-pay costs, particularly utilities, building costs, fuel and ICT costs have put significant pressure on the budget. However, these cost pressures have been largely mitigated by the savings bought about by the staff vacancies, exceptional in year income receipts and delayed expenditure. Departments continue to monitor the impact of the economic situation recognising that changes on both revenue and capital may materialise over the coming months and years.

The Authority's position over the medium term will require careful attention to be paid to all expenditure but in particular cost pressures relating to pension and payroll costs. During 2022/23 the Service commissioned an Emergency Cover Review, which is looking at different ways to deliver our responding services. This will go out to consultation in 2023/24.

In 2022/23 a review of the information provided in the statement of accounts was undertaken. This has resulted in a change of presentation, so that the reporting is in line with the CIPFA guidance.

## REVENUE PERFORMANCE

The Authority reported an overspend of £40k in 2022/23. The breakdown of expenditure is detailed below.

	<b>Budget (£000)</b>	<b>Actuals (£000)</b>	<b>Variance (£000)</b>	<b>Variance (%)</b>
Employees	30,130	30,353	223	0.7%
Premises	2,901	2,992	91	3.1%
Transport	1,204	1,250	46	3.9%
Supplies	5,080	4,956	(124)	-2.4%
Third Party Payments	451	419	(32)	-7.1%
Capital Finance & Charges	2,263	2,424	161	7.1%
Income	(2,617)	(2,943)	(326)	12.4%
<b>Forecast Outturn</b>	<b>39,412</b>	<b>39,452</b>	<b>40</b>	<b>0.1%</b>

## USABLE RESERVES

Reserves have been increased in 2022/23, to cover ongoing service requirements including pension changes and environmental building works. £0.5m of reserves were utilised in 2022/23 but it is envisaged that there will be further use in future years. Further information is available in Note 9.

	<b>Balance 31 March 2022 £'000</b>	<b>Transfers (in)/out 2022/23 £'000</b>	<b>Balance 31 March 2023 £'000</b>
Total Earmarked Reserves	(5,566)	(655)	(6,222)
General Fund	(1,520)	40	(1,480)
Capital Grants Unapplied	(238)	153	(85)
Capital Receipts Reserve	0	(34)	(34)
<b>Total Usable Reserves</b>	<b>(7,325)</b>	<b>(496)</b>	<b>(7,821)</b>

## CAPITAL PERFORMANCE

Capital expenditure for 2022/23 amounted to £3.4m which included bringing 13 new fire appliances into operational use with in year costs of £2.171m.

Ongoing supply chain issues and inflationary pressures remain and it has been necessary to review and revise the capital programme to reflect projects which can be delivered in year.

A particular area of challenge relates to the provision of replacement towers. Whilst the tenders have been awarded there have been delays due to supplier capacity and planning permission and inflationary pressures due to the cost of steel. A total of three replacement towers were scheduled for completion during 2022/23 and these have now been deferred into 2023/24.

Scheme	Revised Plan	Forecast	Proposed Rollover
	£'000	£'000	£'000
Fire Appliance Replacement	1,248	1,263	
Multi-Purpose Station Vans	160	-	160
National Resilience vehicles and equipment	0	132	
Electric vehicle charging points	0	120	
Workshop Equipment	20	12	
Training Tower Replacement	160	-	307
Buildings - Minor Works	391	696	158
Control server	167	125	
Operational Equipment	92	93	
Fire Appliances (b/f from 2021/22)	923	925	
Training Towers (b/f from 2021/22)	160	-	
<b>Total Capital Plan</b>	<b>3,321</b>	<b>3,366</b>	<b>625</b>

The financing of the capital plan is as follows:

Funding	Amount
	£'000
Borrowing	2,351
Grant Funding	490
Internal Resources	525
<b>Total</b>	<b>3,366</b>

## **TREASURY MANAGEMENT**

An annual treasury report detailing the financial activity for the year is presented to the Fire Authority, in July 2023 and made available on the website, as part of the meeting papers at [Fire and Rescue Authority meetings](#).

This confirmed that the Authority had achieved its prudential indicators, with year end borrowing of £26.45m. The Authority will continue to monitor the impact of increased interest rates when setting future budgets.

## **PENSION COSTS**

### **Firefighters' Pension Scheme**

During 2022/23 employer normal contributions to the Pension Fund amounted to £3.89m (2021/22: £3.19m). The total value of payments to retired members amounted to £8.25m with cash support received from the Welsh Government.

The scheme is unfunded and the liability in terms of future pension commitments has decreased to £225.39m (2021/22: £312.95m). This was due to a change in the actuarial assumptions. The results of the 2020 formal valuation of the pension fund will be announced during 2023/24.

### **Local Government Pension Scheme**

In 2022/23, employer contributions to the Pension Fund amounted to £1.02m (2021/22: £0.92m).

The actuarially assessed liability as at 31 March 2023 was £1.75m (2021/22: £14.55m). The decrease was due to a change in actuarial assumptions used to re-measure the schemes liabilities.

Note 31 and the Firefighter's Pension Fund Account provide further information.

## **FURTHER INFORMATION**

Additional information about these accounts is available from the Treasurer. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised on the website for North Wales Fire and Rescue Authority - [Financial - Fire and Rescue Authority](#) and a notice is displayed in the Fire and Rescue Service Headquarters, Ffordd Salesbury, St Asaph, LL17 0JJ.

## 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.

#### **AUTHORITY'S CERTIFICATE**

I approve the Statement of Accounts of North Wales Fire and Rescue Authority as at 31 March 2023

Signed: Dylan Rees Dated: 16/10/23

**Chairman, North Wales Fire and Rescue 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 Code).

In preparing the Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code of Practice.
- 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**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2023 and its income and expenditure for the year then ended.

Signed: Ad Edwards Dated: 16/10/2023

**North Wales Fire and Rescue Authority**

## **The report of the Auditor General for Wales to the members of North Wales Fire and Rescue Authority**

### **Opinion on financial statements**

I have audited the financial statements of:

- North Wales Fire and Rescue Authority
- North Wales Fire and Rescue Authority's Firefighters Pension Fund

for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

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

The Firefighters Pension Fund Accounts comprise the Fund Account and Net Assets Statement and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of North Wales Fire and Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund as at 31 March 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of North Wales Fire and Rescue Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on North Wales Fire and Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

## Matters on which I report by exception

In the light of the knowledge and understanding of North Wales Fire and Rescue Authority and North Wales Fire and Rescue Authority's Firefighter Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

- I have not received all the information and explanations I require for my audit.
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns.

## Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error; and

- assessing North Wales Fire & Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by North Wales Fire & Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund's will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with section 13(2) of the Public Audit (Wales) Act 2004.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the North Wales Fire and Rescue Authority head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to North Wales Fire & Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud by posting of unusual journals;
- Obtaining an understanding of North Wales Fire & Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund's framework of authority as well as other legal and regulatory frameworks that North Wales Fire and Rescue Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of North Wales Fire & Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Fire and Rescue Authority about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of North Wales Fire & Rescue Authority and North Wales Fire and Rescue Authority's Firefighters Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

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



Adrian Crompton  
Auditor General for Wales  
24 October 2023

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

## EXPENDITURE AND FUNDING ANALYSIS

This statement shows how annual expenditure is used and funded from resources (grants, contributions etc.) by local authorities compared to resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes according to the type of expenditure incurred. Income and Expenditure accounted for under generally accepted accounting practices (GAAP) is presented more fully in the CIES.

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund £'000	Adjustments Between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Exp Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments Between the funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Exp Statement £'000
34,751 (37,074)	2,991 7,068	37,742 (30,006)	Provision of Fire Services	38,797	(3,081)	35,716
			Other Income & Expenditure	(39,412)	8,805	(30,607)
<b>(2,323)</b>	<b>10,059</b>	<b>7,736</b>	<b>Deficit or (Surplus) on Provision of Services</b>	<b>(615)</b>	<b>5,724</b>	<b>5,109</b>

2021/22				2022/23		
General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund £'000		General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund £'000
(1,450) (2,323)	(3,461)	(4,911) (2,323)	Brought Forward (Surplus)/Deficit on Provision of Services	(1,520) (615)	(5,804)	(7,324) (615)
0	(238)	(238)	Transfer between General Fund Balance and Capital Grants Unapplied		153	153
2,253	(2,105)	148	Transfer between General Fund Balance and Earmarked General Fund Reserves	655	(689)	(34)
<b>(1,520)</b>	<b>(5,804)</b>	<b>(7,324)</b>	<b>Closing General Fund Balance</b>	<b>(1,480)</b>	<b>(6,340)</b>	<b>(7,820)</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement shows the accounting cost in the year of providing services in accordance with GAAP, rather than the amount to be funded from contributions. The Authority's expenditure is funded by contributions from the six Local Authorities in North Wales in accordance with regulations; this may be different from the accounting cost. The contribution position is shown in the Movement in Reserves Statement.

2021/22				2022/23			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
40,660	(2,918)	37,742	Provision of Fire Services		38,640	(2,925)	35,715
<b>40,660</b>	<b>(2,918)</b>	<b>37,742</b>	<b>Cost of Services</b>		<b>38,640</b>	<b>(2,925)</b>	<b>35,715</b>
(15)	0	(15)	Other Operating Expenditure		(11)	0	(11)
7,085	(2)	7,083	Financing & Investment Income & Expenditure	<b>10</b>	9,130	(61)	9,069
0	(37,074)	(37,074)	Taxation and Non Specific Grant Income	<b>11</b>	0	(39,664)	(39,664)
		<b>7,736</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>5,109</b>
0	(2,162)	(2,162)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	<b>19</b>	0	(9,832)	(9,832)
		(22,167)	Remeasurement of the Net Defined Benefit Liability	<b>19</b>			(109,388)
		<b>(24,329)</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>(119,220)</b>
		<b>(16,593)</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>(114,111)</b>

**MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce contributions from the Constituent Authorities) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance which is funded by contributions from the six Constituent Authorities. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

<b>2022-23</b>	<b>Note</b>	<b>General Fund Balance £'000</b>	<b>Earmarked and Grant Reserves £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Earmarked Capital Receipts £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2022</b>		<b>(1,520)</b>	<b>(5,567)</b>	<b>(238)</b>	<b>0</b>	<b>(7,325)</b>	<b>312,842</b>	<b>305,517</b>
<b>Movement in Reserves during 2022/2023</b>								
Surplus or (Deficit) on the Provision of Services		5,109	0	0	0	5,109	0	5,109
Other Comprehensive Income & Expenditure		0	0	0	0	0	(119,220)	(119,220)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>5,109</b>	<b>0</b>	<b>0</b>		<b>5,109</b>	<b>(119,220)</b>	<b>(114,111)</b>
Adjustments between accounting basis & funding basis under regulations	<b>8</b>	(5,605)	0		0	(5,605)	5,605	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(496)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(496)</b>	<b>(113,615)</b>	<b>(114,111)</b>
Other Transfers to/(from) Earmarked Reserves	<b>9</b>	536	(655)	153	(34)	0	0	0
<b>Increase/(Decrease) in 2022/23</b>	<b>7</b>	<b>40</b>	<b>(655)</b>	<b>153</b>	<b>(34)</b>	<b>(496)</b>	<b>(113,615)</b>	<b>(114,111)</b>
<b>Balance as at 31 March 2023</b>		<b>(1,480)</b>	<b>(6,222)</b>	<b>(85)</b>	<b>(34)</b>	<b>(7,821)</b>	<b>199,227</b>	<b>191,406</b>

## MOVEMENT IN RESERVES STATEMENT

2021-22	Note	General Fund Balance £'000	Earmarked and Grant Reserves £'000	Capital Grants Unapplied £'000	Earmarked Capital Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2021</b>		(1,450)	(3,462)	0		(4,912)	327,022	(322,110)
<b>Movement in Reserves during 2021/2022</b>								
Surplus or (Deficit) on the Provision of Services		7,736	0	0		7,736	0	7,736
Other Comprehensive Income & Expenditure		0	0	0		0	(24,329)	(24,329)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>7,736</b>	<b>0</b>	<b>0</b>		<b>7,736</b>	<b>(24,329)</b>	<b>(16,593)</b>
Adjustments between accounting basis & funding basis under regulations	8	(10,059)	0	(238)	148	(10,149)	10,149	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(2,323)</b>	<b>0</b>	<b>(238)</b>	<b>148</b>	<b>(2,413)</b>	<b>(14,180)</b>	<b>16,593</b>
Other Transfers to/(from) Earmarked Reserves	9	2,253	(2,105)	0	(148)	0	0	0
<b>Increase/(Decrease) in 2021/22</b>	7	<b>(70)</b>	<b>(2,105)</b>	<b>(238)</b>	<b>0</b>	<b>(2,413)</b>	<b>(14,180)</b>	<b>16,593</b>
<b>Balance as at 31 March 2022</b>		<b>(1,520)</b>	<b>(5,567)</b>	<b>(238)</b>	<b>0</b>	<b>(7,325)</b>	<b>312,842</b>	<b>(305,517)</b>

**BALANCE SHEET**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31 March 2022 £'000</b>		<b>Note</b>	<b>31 March 2023 £'000</b>
43,165	Property, Plant & Equipment	<b>12</b>	56,841
226	Intangible Assets	<b>12</b>	222
33	Long Term Debtors	<b>15</b>	33
<b>43,424</b>	<b>Long Term Assets</b>		<b>57,096</b>
601	Inventories	<b>14</b>	638
3,732	Short Term Debtors	<b>15</b>	5,041
0	Short Term Investments	<b>16</b>	0
2,532	Cash & Cash Equivalents	<b>16</b>	4,177
<b>6,865</b>	<b>Current Assets</b>		<b>9,856</b>
(13,763)	Short Term Borrowing	<b>13</b>	(8,868)
(602)	Provisions	<b>18</b>	(273)
(3,047)	Short Term Creditors	<b>17</b>	(4,287)
<b>(17,412)</b>	<b>Current Liabilities</b>		<b>(13,428)</b>
(327,498)	Pension Liability	<b>19</b>	(227,143)
(135)	Long Term Provisions	<b>18</b>	0
(10,761)	Long Term Borrowing	<b>13</b>	(17,787)
<b>(338,394)</b>	<b>Long Term Liabilities</b>		<b>(244,930)</b>
<b>(305,517)</b>	<b>Net Assets</b>		<b>(191,406)</b>
(7,325)	Usable Reserves	<b>9</b>	(7,821)
312,842	Unusable Reserves	<b>19</b>	199,227
<b>305,517</b>	<b>Total Reserves</b>		<b>191,406</b>

**CASH FLOW STATEMENT**

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

2021/2022 £'000		Note	2022/23 £'000
7,736	<b>Net (Surplus)/Deficit on the Provision of Services</b>		5,109
(11,437)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	20	(7,889)
(303)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	20	(404)
(4,004)	Net Cash Flows From Operating Activities	20	(3,184)
1,013	Investing Activities	21	3,356
1,987	Financing Activities	22	(1,816)
(1,004)	Net (Increase) or Decrease in Cash and Cash Equivalents		(1,644)
<b>(1,528)</b>	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>(2,533)</b>
<b>(2,533)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	16	<b>(4,177)</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. They provide information not presented elsewhere in the financial statements and are relevant to an understanding of the accounts.

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

Where a new Standard has been published but has not yet been adopted by the Code, the Authority is required to disclose information relating to the impact of the accounting change. The changes that are introduced by the 2023/24 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is not anticipated that the above amendments will have a material impact on the information provided in the Authority's financial statements.

### **2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Appendix 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government.

However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of the need to reduce levels of service provision.

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

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

The main items in the Authority's Balance Sheet at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Property, Plant and Equipment** - The Authority revalues its assets every 5 years. It is possible that property values could continue to fluctuate especially during times of economic uncertainty. Valuations are based on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuers.

Due to the ongoing volatile market position a full property valuation has been completed as at 31 March 2023.

**Pension Liability** - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and, for the Local Government Pension Scheme, the expected return on pension fund assets.

Consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. Further information is provided within the pension fund account.

### **4 MATERIAL ITEMS OF INCOME AND EXPENSE**

Due to changes in actuarial assumptions the total net liability on the Firefighters Pension Scheme and Local Government Pension Scheme have decreased by £100.36m. This is mainly due to the changes associated with the re-measurement of the net defined benefit assets / liability.

### **5 EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Treasurer on 16 October 2023. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing as at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events after the Balance Sheet date.

## 6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/23	Adjustments for Capital Purposes £'000	Net Charge for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Provision of Fire Services	(3,444)	367	(4)	(3,081)
<b>Net Cost of Service</b>	<b>(3,444)</b>	<b>367</b>	<b>(4)</b>	<b>(3,081)</b>
<b>Other Income &amp; Expenditure</b>				
Other Income & Expenditure from the expenditure and funding analysis	(264)	8,666	403	8,805
<b>Differences between the General Fund surplus and Comprehensive Income and Expenditure Statement surplus on the provision of services</b>	<b>(3,708)</b>	<b>9,033</b>	<b>399</b>	<b>5,724</b>

2021/22	Adjustments for Capital Purposes £'000	Net Charge for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Provision of Fire Services	(2,585)	5,562	14	2,991
<b>Net Cost of Service</b>	<b>(2,585)</b>	<b>5,562</b>	<b>14</b>	<b>2,991</b>
<b>Other Income &amp; Expenditure</b>				
Other Income & Expenditure from the expenditure and funding analysis	(15)	6,780	303	7,068
<b>Differences between the General Fund surplus and Comprehensive Income and Expenditure Statement surplus on the provision of services</b>	<b>(2,600)</b>	<b>12,342</b>	<b>317</b>	<b>10,059</b>

- **Adjustments for capital purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net change for the pensions adjustments** - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

**Other Adjustments** - Other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the General Fund.

## 7 EXPENDITURE AND INCOME ANALYSED BY NATURE

2021/22 £000		2022/23 £000
	<b>Expenditure</b>	
32,491	Employees	30,194
7,809	Other Operating Costs	8,522
639	Support Services	419
(15)	Gain on the disposal of assets	(11)
7,085	Financing and Investment Expenditure	9,131
(279)	Capital Financing Costs	(495)
<b>47,730</b>	<b>Total Expenditure</b>	<b>47,760</b>
	<b>Income</b>	
(192)	Fees, Charges & Other Service Income	(540)
(2)	Interest and Investment Income	(61)
(37,074)	Levies from Constituent Authorities	(39,412)
(2,726)	Government Grants and Contributions	(2,638)
<b>(39,994)</b>	<b>Total Income</b>	<b>(42,651)</b>
<b>7,736</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>5,109</b>

## **8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE**

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

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the financial year.

### **Capital receipts reserve**

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### **Capital grants unapplied**

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

North Wales Fire and Rescue Authority Statement of Accounts

2021/22					Adjustments between Accounting Basis and Funding Basis under Regulations	2022/23				
General Fund Balance £'000	Capital Grants Unapplied £'000	Earmarked Capital Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000		General Fund Balance £'000	Capital Grants Unapplied £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
(2,101)	0	0	(2,101)	2,101	Depreciation and impairment	(2,089)	0	0	(2,089)	2,089
(64)	0	0	(64)	64	Prior year adjustment - buildings	0	0	0	0	0
2,206	0	0	2,206	(2,206)	Revaluation losses/Gains on Property	2,584	0	0	2,584	(2,584)
15	0	0	15	(15)	Disposal of non-current assets	11	0	(34)	(23)	23
0	0	148	148	(148)	Capital expenditure financed from earmarked reserve/CERA	525	0	0	525	(525)
2,001	0	0	2,001	(2,001)	Capital expenditure funded from grants	253	(36)	0	217	(217)
					Financing Capital (MRP)	1,959	0	0	1,959	(1,959)
<b>2,057</b>	<b>0</b>	<b>148</b>	<b>2,205</b>	<b>(2,205)</b>		<b>3,243</b>	<b>(36)</b>	<b>(34)</b>	<b>3,173</b>	<b>(3,173)</b>
8,830	0	0	8,830	(8,830)	Employers Pension contributions and payments to pensioners	9,386	0	0	9,386	(9,386)
(21,172)	0	0	(21,172)	21,172	Reversal of retirement benefits in the CIES	(18,419)	0	0	(18,419)	18,419
<b>(12,342)</b>	<b>0</b>	<b>0</b>	<b>(12,342)</b>	<b>12,342</b>		<b>(9,033)</b>	<b>0</b>	<b>0</b>	<b>(9,033)</b>	<b>9,033</b>
238	(238)	0	0	0	Adjustment to Grants Reserve	0	189	0	189	(189)
(12)	0	0	(12)	12	Movement in Accumulated Absence accrual	66			66	(66)
<b>(10,059)</b>	<b>(238)</b>	<b>148</b>	<b>(10,149)</b>	<b>10,149</b>	<b>Adjustments between accounting basis and funding basis under regulation</b>	<b>(5,724)</b>	<b>153</b>	<b>(34)</b>	<b>(5,605)</b>	<b>5,605</b>

## 9 USABLE RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

Reserve	Purpose of the Reserve	Balance 1 April 2021 £'000	Transfers (in) / out 2021/22 £'000	Balance 31 March 2022 £'000	Transfers (in) / out 2022/23 £'000	Balance 31 March 2023 £'000
<b>Service Reserves</b>						
Pension Reserve	Additional pension costs relating to changes to pension rules	(85)	0	(85)	(460)	(545)
Interest Reserve	Offset increases in interest rates that would impact on the revenue budget	(100)	(200)	(300)	0	(300)
Fire Hydrant Repairs	Funding of the backlog of hydrant repairs	(90)	0	(90)	0	(90)
PPE Uniform / Stock	Increased uniform costs due to changes in legislation	(250)	0	(250)	0	(250)
Transformational Change	Funding for the delivery of transformational change projects	(800)	(51)	(851)	0	(851)
Facilities Improvements	Ensure buildings meet required standard and improve energy efficiency	(490)	(833)	(1,323)	672	(651)
Legal Liability	Funding of future legal liabilities for known/expected claims	(200)	(25)	(225)	39	(186)
Training	Implement legislative requirements for changes to training provision	(100)	(150)	(250)	0	(250)
Major Incidents	Offset costs of major incidents in excess of budget	(150)	0	(150)	0	(150)
System Improvements	Funding available to implement system improvements	(502)	(346)	(848)	137	(711)
Inflation	Offset costs of inflation in excess of budget	0	(250)	(250)	0	(250)
<b>Capital &amp; Grants Reserves</b>						
Capital Projects	Funding for delayed schemes and retention costs	0	0	0	(1,043)	(1,043)
Radio Scheme	Emergency Service Network upgrade - offset some of the additional costs	(500)	(250)	(750)	0	(750)
Grant Reduction	Offset reduction in Fire Safety funding from Welsh Government	(195)	0	(195)	0	(195)
<b>Total Earmarked Reserves</b>		<b>(3,462)</b>	<b>(2,105)</b>	<b>(5,567)</b>	<b>(655)</b>	<b>(6,222)</b>
General Fund	Available for general purposes and to provide operational resilience	(1,450)	(70)	(1,520)	40	(1,480)
Capital Receipts Reserve	Holds receipts from the sale of assets, available to finance future capital expenditure	0	0	0	(34)	(34)
Capital Grants Unapplied	Holds grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure	0	(238)	(238)	153	(85)
<b>Total Usable Reserves</b>		<b>(4,912)</b>	<b>(2,413)</b>	<b>(7,325)</b>	<b>(496)</b>	<b>(7,821)</b>

**10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

2021/22 £'000		2022/23 £'000
305	Interest payable and similar charges	464
(2)	Interest receivable and similar income	(61)
6,780	Net Interest on the net defined benefit liability	8,666
<b>7,083</b>	<b>Total</b>	<b>9,069</b>

**11 TAXATION AND NON SPECIFIC GRANT INCOME**

2021/22 £'000		2022/23 £'000
6,230	Conwy County Borough Council	6,631
3,690	Anglesey County Council	3,916
6,597	Gwynedd Council	7,018
5,060	Denbighshire County Council	5,381
8,282	Flintshire County Council	8,814
7,215	Wrexham County Borough Council	7,652
<b>37,074</b>	<b>Levies from Constituent Authorities</b>	<b>39,412</b>
0	Capital Grants and Contributions	252
<b>37,074</b>	<b>Total Taxation and Non Specific Grant Income</b>	<b>39,664</b>

**12 PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS****Movements on Balances**

<b>2022-2023</b>	<b>Land and Buildings</b>	<b>Vehicles and Equipment</b>	<b>Assets Under Construction</b>	<b>Property Plant &amp; Equipment Total</b>	<b>Intangible Assets Total</b>	<b>Assets Held for Sale Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Gross Book Value at 1 April 2022</b>	<b>34,836</b>	<b>22,250</b>	<b>1,027</b>	<b>58,113</b>	<b>672</b>	<b>0</b>
Re-categorisation of assets	0	1,027	(1,027)	0	0	0
Additions	696	2,461	85	3,242	125	0
Revaluation increase / (decreases) recognised in the Revaluation Reserve	9,173	0	0	9,173	0	0
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	2,584	0	0	2,584	0	0
Derecognition - Disposals	0	(1,004)	0	(1,004)	0	0
Derecognition - Other	0	(13)	0	(13)	(366)	0
<b>Gross Book Value at 31 March 2023</b>	<b>47,289</b>	<b>24,721</b>	<b>85</b>	<b>72,095</b>	<b>431</b>	<b>0</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2022	0	(14,948)	0	(14,948)	(446)	0
Depreciation/Amortisation charge	(663)	(1,297)	0	(1,960)	(129)	0
Depreciation written out of the Revaluation Reserve	659	0	0	659		0
Derecognition - Disposals	0	982	0	982	0	0
Derecognition - Other	0	13	0	13	366	0
<b>Accumulated Depreciation at 31 March 2023</b>	<b>(4)</b>	<b>(15,250)</b>	<b>0</b>	<b>(15,254)</b>	<b>(209)</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2023</b>	<b>47,285</b>	<b>9,471</b>	<b>85</b>	<b>56,841</b>	<b>222</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2022</b>	<b>34,836</b>	<b>7,302</b>	<b>1,027</b>	<b>43,165</b>	<b>226</b>	<b>0</b>

North Wales Fire and Rescue Authority Statement of Accounts

2021/2022	Land and Buildings	Vehicles and Equipment	Assets Under Construction	Property Plant & Equipment	Intangible Assets	Assets Held for Sale
	£'000	£'000	£'000	Total £'000	Total £'000	Total £'000
<b>Gross Book Value at 1 April 2021</b>	<b>31,625</b>	<b>22,770</b>	<b>198</b>	<b>54,593</b>	<b>1,221</b>	<b>0</b>
Re-categorisation of assets	0	198	(198)	0		0
Prior Year Adjustment recognised through Revaluation Reserve (Llandudno Workshop Valuation)	(1,009)			(1,009)		
Prior Year Adjustment recognised through Capital Adjustment Account (Llandudno Workshop Valuation)	(65)	0	0	(65)	0	0
Additions		148	1,027	1,175		
Derecognition - Disposals	0	(65)	0	(65)	0	0
Derecognition - Other	0	(801)		(801)	(549)	0
Revaluation increase / (decreases) recognised in the Revaluation Reserve	3,048	0	0	3,048	0	0
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	1,237	0	0	1,237	0	0
<b>Gross Book Value at 31 March 2022</b>	<b>34,836</b>	<b>22,250</b>	<b>1,027</b>	<b>58,113</b>	<b>672</b>	<b>0</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2021	(605)	(14,451)	0	(15,056)	(744)	0
Depreciation Prior Year Adjustment recognised through Revaluation Reserve (Llandudno Workshop)	29	0	0	29	0	0
Depreciation Prior Year Adjustment recognised through Capital Adjustment Account (Llandudno Workshop)	1			1		
Depreciation written out of the Revaluation Reserve	184	0	0	184	0	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	967	0	0	967	0	0
Depreciation/Amortisation charge	(576)	(1,363)		(1,939)	(251)	0
Derecognition - Disposals	0	65		65	0	
Derecognition - Other	0	801	0	801	549	0
<b>Accumulated Depreciation at 31 March 2022</b>	<b>0</b>	<b>(14,948)</b>	<b>0</b>	<b>(14,948)</b>	<b>(446)</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2022</b>	<b>34,836</b>	<b>7,302</b>	<b>1,027</b>	<b>43,165</b>	<b>226</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2021</b>	<b>31,020</b>	<b>8,319</b>	<b>198</b>	<b>39,537</b>	<b>477</b>	<b>0</b>

## Depreciation

Depreciation is based on the Beacon Approach, for buildings, where an estimate is made of the components of the building and the useful life of each component.

Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

## Revaluations and Impairments

The authority ensures that all property, plant and equipment required to be measured at current value is revalued sufficiently regularly so that their carrying amount is not materially different from their current value at the year-end, and as a minimum every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

A full property revaluation exercise was undertaken by Wilks Head and Eve, as at 31 March 2023. Office accommodation and workshops have been valued at existing use value and fire stations at depreciated replacement cost. To comply with the Code of Practice the valuer estimated residual lives for all the Authority's buildings.

Valuations of vehicles, plant and equipment were based on current prices where there was an active second-hand market or latest list prices adjusted for the condition of the asset.

## CAPITAL COMMITMENTS

The Authority is committed to capital expenditure in future periods arising from contracts entered into at the Balance Sheet date. Capital expenditure committed at the 31 March 2023 for future periods equates to £ 882k (2021/22: £2,251k). The commitments relate to the following:

Description	£'000
Building Works	789
Equipment	12
Vehicles	141
<b>Total</b>	<b>942</b>

## SURPLUS ASSETS (Non operational property, plant and equipment)

The Authority does not have any material surplus assets.

### 13 FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Non Current		Current	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
<b>Financial Assets at Amortised Cost:</b>				
Cash and Cash Equivalents	0	0	2,532	4,177
Debtors	33	33	3,732	5,041
<b>Financial Liabilities at Amortised Cost:</b>				
Interest Accrued	0	0	(89)	(194)
Borrowings	(10,761)	(17,787)	(13,674)	(8,674)
<b>Total Borrowing</b>	<b>(10,761)</b>	<b>(17,787)</b>	<b>(13,763)</b>	<b>(8,868)</b>
Creditors	0	0	(3,047)	(4,287)

#### Financial Instruments Gains/Losses

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

	2021/22		2022/23	
	Financial Liabilities Measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Financial Liabilities Measured at amortised cost £'000	Financial Assets Loans and receivables £'000
Interest expense	305		464	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>305</b>		<b>464</b>	
Interest income		(2)		(61)
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(2)</b>		<b>(61)</b>
<b>Net gain/(loss) for the year</b>	<b>305</b>	<b>(2)</b>	<b>464</b>	<b>(61)</b>

## Fair Value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the PWLB and other loans payable, borrowing from the PWLB has been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31-Mar-22		31-Mar-23	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(15,425)	(16,175)	(20,460)	(18,630)
Non-PWLB debt	(9,000)	(9,000)	(6,000)	(6,000)
<b>Total Debt</b>	<b>(24,425)</b>	<b>(25,175)</b>	<b>(26,460)</b>	<b>(24,630)</b>

The fair value has been calculated with direct reference to published price quotations in an active market. In the case of the Fire and Rescue Authority they are based on premiums that would be payable if PWLB loans were surrendered and provides an estimate of the additional interest payable compared to the same loan at current market rates discounted back to the current period.

## 14 INVENTORIES

	Main Stores		Fleet Stock		Totals	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Balance at start of year	419	420	147	181	566	601
Purchases	99	101	220	203	319	304
Write offs	0	(15)	0	(1)	0	(16)
Recognised as an Expense in year	(98)	(55)	(186)	(196)	(284)	(251)
<b>Balance outstanding at year end</b>	<b>420</b>	<b>451</b>	<b>181</b>	<b>187</b>	<b>601</b>	<b>638</b>

**15 DEBTORS**

2021/22 £'000		2022/23 £'000
	<b>Long Term</b>	
33	Prepayments	33
<b>33</b>	<b>Total Long Term</b>	<b>33</b>
	<b>Short Term</b>	
384	Other Receivable Amounts	372
2,511	Trade Receivables	3,692
837	Prepayments	977
<b>3,732</b>	<b>Total Short Term</b>	<b>5,041</b>
<b>3,765</b>	<b>Total Long and Short Term Debtors</b>	<b>5,074</b>

**16 CASH AND CASH EQUIVALENTS**

31-Mar-22 £'000		31-Mar-23 £'000
2,522	Cash and Bank Balances	4,167
0	Short Term Deposits	0
10	Petty Cash Imprests	10
<b>2,532</b>	<b>Total</b>	<b>4,177</b>

**17 CREDITORS**

2021/22 £'000		2022/23 £'000
(1,195)	Other Payables	(811)
(1,852)	Trade Payables	(3,476)
<b>(3,047)</b>	<b>Total</b>	<b>(4,287)</b>

**18 PROVISIONS**

At 31 March 2023 the Authority held a provision with a value of £273k relating to employee liabilities. This provision will be utilised to offset revenue expenditure, when it occurs.

	Opening Balance £'000	Movements In £'000	Movements Out £'000	Closing Balance £'000
Short Term Provisions	(602)	(166)	495	(273)
Long Term Provisions	(135)	0	135	0
<b>Total</b>	<b>(737)</b>	<b>(166)</b>	<b>630</b>	<b>(273)</b>

**19 UNUSABLE RESERVES**

31-Mar-22 £'000		31-Mar-23 £'000
(8,550)	Revaluation Reserve	(18,175)
(6,444)	Capital Adjustment Account	(10,013)
327,498	Pensions Reserve	227,143
338	Accumulated Absences Account	272
<b>312,842</b>	<b>Total</b>	<b>199,227</b>

**19a Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22 £'000		2022/23 £'000
<b>(6,719)</b>	<b>Balance at 1 April</b>	<b>(8,550)</b>
(3,231)	Upward revaluation of assets	(9,832)
0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services.	0
980	Prior Year Adjustment	0
331	Adjustment from Capital Adjustment Account	57
89	Difference between fair value depreciation and historical cost depreciation	150
<b>(8,550)</b>	<b>Balance at 31 March</b>	<b>(18,175)</b>

## 19b Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

2021/22 £'000		2022/23 £'000
<b>(3,908)</b>	<b>Balance at 1 April</b>	<b>(6,444)</b>
2,101	Charges for depreciation & impairment of non-current	2,089
(15)	Amount of non current asset written off on disposal or sale	23
64	Prior Year Adjustment through the CIES	0
0	Prior Year Adjustment - transfer between CAA and RR	(57)
(2,206)	Adjustment relating to the revaluation of assets	(2,584)
(331)	Adjusting amounts written out of the Revaluation Reserve	(150)
<b>(387)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(679)</b>
(148)	Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(216)
0	Capital expenditure charged against the General Fund/ Earmarked reserves	(525)
0	Application of grants to capital financing from the capital grants unapplied account	(189)
(2,001)	Statutory provision for the financing of capital investment charged against the General Fund	(1,960)
<b>(2,149)</b>	<b>Capital Financing Applied in year</b>	<b>(2,890)</b>
<b>(6,444)</b>	<b>Balance at 31 March</b>	<b>(10,013)</b>

**19c Pensions Reserve**

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

2021/22 £'000		2022/23 £'000
<b>337,323</b>	<b>Opening Balance 1 April</b>	<b>327,498</b>
(22,167)	Re-measurement of the net defined benefit liability	(109,388)
21,172	Reversal of Items related to retirement benefits debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	18,419
(8,830)	Employer's pensions contributions and direct payments to pensioners payable in the year	(9,386)
<b>(9,825)</b>	<b>Movement on Pension Reserve</b>	<b>(100,355)</b>
<b>327,498</b>	<b>Balance at 31 March</b>	<b>227,143</b>

**19d Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2021/22 £'000		2022/23 £'000
<b>326</b>	<b>Balance at 1 April</b>	<b>338</b>
(326)	Settlement or cancellation of accrual made at the end of the preceding year	(338)
338	Amounts accrued at the end of the current year	272
<b>338</b>	<b>Balance at 31 March</b>	<b>272</b>

**20 CASH FLOW STATEMENT - OPERATING ACTIVITIES**

2021/22 £'000		2022/23 £'000
7,736	<b>Net (Surplus)/Deficit on the Provision of Services</b>	5,109
	<b>Adjustment to net (surplus)/deficit for non-cash movements</b>	
35	Increase/(Decrease) in Inventories	38
742	Increase/(Decrease) in Debtors	1,310
101	(Increase)/Decrease in Creditors	(1,240)
(2,100)	Depreciation Charge	(2,089)
148	Contributions Received/Capital Receipts	34
(12,342)	IAS 19 Pension Adjustments	(9,033)
2,142	Impairment Charge/Revaluation of Assets	2,584
0	Carrying amount of Non Current Assets sold or derecognised	(23)
(151)	Contribution (to)/from Various Provisions	464
0	Other non-cash items charged to the net surplus or deficit on the provision of services	0
(12)	Accumulated Absences Reserve	66
<b>(11,437)</b>	<b>Less Total</b>	<b>(7,889)</b>
	<b>Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities</b>	
(305)	Interest paid	(465)
2	Interest Received	61
<b>(303)</b>		<b>(404)</b>
<b>(4,004)</b>	<b>Net Cash Flow From Operating Activity</b>	<b>(3,184)</b>

**21 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2021/22 £'000		2022/23 £'000
1,176	Purchase of property, plant and equipment, investment property and intangible assets	3,367
(15)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11)
(148)	Other receipts from investing activities	0
<b>1,013</b>	<b>Net cash flow from investing activities</b>	<b>3,356</b>

**22 CASH FLOW STATEMENT – FINANCING ACTIVITIES**

2021/22 £'000		2022/23 £'000
(10,767)	Cash receipts of short-term and long-term borrowing	(13,000)
12,451	Repayments of short-term and long-term borrowing	10,780
303	Other payments for financing activities	404
<b>1,987</b>	<b>Net cash flow from financing activities</b>	<b>(1,816)</b>

**23 MEMBERS' ALLOWANCES**

The Authority paid the following amounts to elected members during the year:

<b>2021/22</b> <b>£</b>		<b>2022/23</b> <b>£</b>
72,997	Salaries	74,215
96	Expenses	1,226
<b>73,093</b>	<b>Total</b>	<b>75,441</b>

Note the 2021/22 figures have been re-stated to disclose only those expenses paid to Authority Members, which previously included expenses relating to Independent Members of the Standards Committee.

**24 OFFICERS' REMUNERATION**

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

Post Title	Year	Salary (Inc Fees & Allowances) £	Expenses Reimbursed £	Benefit in Kind £	Total (Excluding Pension Contributions) £	Pension Contributions £	Total Remuneration £
Chief Fire Officer (Commenced July 2021)	2021/22	101,763	0	0	101,763	17,300	119,063
	<b>2022/23</b>	<b>138,685</b>	<b>57</b>	<b>0</b>	<b>138,742</b>	<b>23,576</b>	<b>162,318</b>
Chief Fire Officer (Retired June 2021)	2021/22	33,669	32	0	33,700	5,724	39,424
	<b>2022/23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deputy Chief Fire Officer (Commenced February 2022)	2021/22	12,820	978	0	13,798	3,500	17,298
	<b>2022/23</b>	<b>110,948</b>	<b>5,565</b>	<b>1,380</b>	<b>117,893</b>	<b>30,289</b>	<b>148,182</b>
Assistant Chief Fire Officer	2021/22	100,365	126	0	100,491	27,400	127,891
	<b>2022/23</b>	<b>105,795</b>	<b>126</b>	<b>1,896</b>	<b>107,817</b>	<b>28,882</b>	<b>136,699</b>
Assistant Chief Fire Officer	2021/22	99,428	0	0	99,428	16,903	116,331
	<b>2022/23</b>	<b>104,014</b>	<b>0</b>	<b>0</b>	<b>104,014</b>	<b>17,682</b>	<b>121,696</b>
Assistant Chief Fire Officer	2021/22	95,547	24	0	95,571	23,976	119,547
	<b>2022/23</b>	<b>104,014</b>	<b>0</b>	<b>1,595</b>	<b>105,609</b>	<b>28,396</b>	<b>134,005</b>
Assistant Chief Officer (Left February 2023)	2021/22	71,931	126	8,789	80,846	12,228	93,074
	<b>2022/23</b>	<b>76,233</b>	<b>116</b>	<b>5,194</b>	<b>81,543</b>	<b>12,960</b>	<b>94,503</b>
Temporary Assistant Chief Fire Officer (Retired January 2021)	2021/22	109	0	0	109	0	109
	<b>2022/23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Treasurer - Section 151 Officer (15 days per Year) (Retired Dec 2021)	2021/22	5,859	0	0	5,859	0	5,859
	<b>2022/23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Treasurer - Section 151 Officer (commenced Apr 2022)	2021/22	0	0	0	0	0	0
	<b>2022/23</b>	<b>8,020</b>	<b>251</b>	<b>0</b>	<b>8,271</b>	<b>0</b>	<b>8,271</b>

The Authority does not have any employees with a salary in excess of £150k. The Monitoring Officer is provided by Flintshire County Council as part of a Service Level Agreement so no costs for an individual are shown in the table above. Further details on the Monitoring Officer costs can be found within Note 28 – Related Parties.

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

REMUNERATION BAND	2021/22 NUMBER OF EMPLOYEES	2022/23 NUMBER OF EMPLOYEES
£60,000 - £64,999	6	9
£65,000 - £69,999	0	7
£70,000 - £74,999	2	0
£75,000 - £79,999	0	4
£80,000 - £84,999	2	0

The following table gives the ratio between the Chief Fire Officer's remuneration and the median remuneration of Fire and Rescue Service staff:

2021/22 £		2022/23 £
134,940	Chief Fire Officer	138,685
32,244	Median	34,501
4.18	Ratio	4.02

The staff that are employed under Retained Duty System Contracts have been included in the calculation on their Full Time Equivalent scale point rather than actual earnings. The above data includes total salary paid (excludes pension contributions).

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages		Total Cost of Exit Packages	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	£'000	£'000
£0-£20,000	0	0	2	0	2	0	28	0
£20,000 - £40,000	0	0	1	0	1	0	28	0
£40,000 - £60,000	0	0	1	0	1	0	48	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>104</b>	<b>0</b>

**25 EXTERNAL AUDIT COSTS**

2021/22 £'000		2022/23 £'000
	Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	
54	Financial audit work	56
17	Performance Audit work	16
<b>71</b>	<b>Total</b>	<b>72</b>

**26 GRANTS**

2021/22 £'000	Credited to Services	2022/23 £'000
416	Firelink Service Fees	416
157	Arson Reduction	179
213	Home Safety Equipment	226
10	Ask and Act	10
233	All Wales National Resilience	314
160	Youth & Young People Engagement	147
1,089	Firefighter Pension Scheme Employer Contribution Costs	1,081
210	Emergency Services Network Upgrade	0
0	Heating Survey	2
0	Security Information Event Management	10
<b>2,488</b>	<b>TOTAL</b>	<b>2,385</b>
	<b>Credited to taxation and non-specific income &amp; expenditure</b>	
238	Training Facilities Upgrade	0
0	All Wales National Resilience	133
0	Electric Vehicle Charging Points	120
<b>238</b>	<b>TOTAL</b>	<b>253</b>

**27 AGENCY SERVICES**

The Authority acts as an agent on behalf of Welsh Government in administering two grant schemes for all the Fire and Rescue Services in Wales. The approved grants are paid to North Wales Fire and Rescue Service who are then responsible for distributing the grants to the Mid and West Wales Fire and Rescue Service and South Wales Fire and Rescue Service.

The Authority acts as an agent for the Local Resilience Forum. This is a multi-agency partnership made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency and others. Contributions from the various public bodies, are paid to North Wales Fire and Rescue Service. This funding is utilised to pay for the expenditure of the Forum. As at 31 March 2023, the Authority held funds of £86k relating to the Forum.

2021/22 £'000		2022/23 £'000
2,766	All Wales National Resilience	2,545
208	Youth and Young People Engagement	247
119	Local Resilience Forum	129
<b>3093</b>	<b>Total</b>	<b>2,921</b>

## **28 RELATED PARTIES**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

### **Welsh Government**

The Welsh Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants (the Revenue Support Grant is paid to constituent authorities) and prescribes the terms of many of the transactions that the authority has with other parties. Directly received grant receipts are shown in Note 26 and constituent authority contributions are shown in Note 11.

### **Members**

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 23.

All Members completed a declaration of interest with related parties return for the year 2022/23. Apart from allowances and expenses no other transactions were identified. Nothing was paid by the Authority during 2022/23 under such arrangements (2021/22: nil), and no income was received by the Authority during 2022/23 (2021/22: nil).

A list of Elected Members' interests is maintained by the Monitoring Officer and is available to view on the website - <https://www.northwalesfire.gov.wales/fire-and-rescue-authority/members/>

### **Senior Officers**

The Senior Officers completed a declaration of interest with related parties return for the year 2022/23. Senior Officers' remuneration is shown in Note 24.

An Assistant Chief Fire Officer declared an interest as a trustee with DangerPoint. The independent charity runs an education activity centre based in North Wales. Payments of £5,450 have been made to DangerPoint in 2022/23, as part of Welsh Government grant funding (2021/22: £5,700). In addition funding is provided for the cost of an administrator, which amounted to £29,287 (2021/22: £26,701).

No income was received by the Authority during 2021/22 and 2022/23.

## Other Public Bodies

Flintshire County Council provide the role of Monitoring Officer. This post is held by the Chief Officer (Governance)/Monitoring Officer and payments amounted to £18k (2021/22: £17k).

Conwy County Borough Council provides internal audit services and legal services for which payments amounted to £12k (2021/22: £12k). As at 31 March 2023 £12k remained outstanding.

On 1 April 2022 all financial services transferred back in-house, however it was agreed that the Council would finalise all work in relation to 2021/22, which incurred costs of £64k (2021/22: £140k).

Carmarthenshire County Council, acting on behalf of the Dyfed Pension Fund, manage the payments made to firefighter pensioners on behalf of the Authority. They are also responsible for managing the records of current pensioners and active members of the scheme. Transactions in the year amounted to £98k (2021/22: £59k). As at 31 March 2023 £98k remained outstanding.

There are joint arrangements with North Wales Police and Crime Commissioner as well as a shared control room. The Authority's contribution towards facilities management amounted to £219k (2021/22: £212k) and for procurement advice which amounted to £7k (2021/22: £7k). As at 31 March 2023 £55k remained outstanding.

## 29 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

2021/22 £'000		2022/23 £'000
29,389	Opening Capital Financing Requirement	28,401
	<b>Capital Investment</b>	
1,176	Property, Plant & Equipment	3,366
	<b>Sources of Finance</b>	
0	Government Grants & Contributions	(406)
(2,164)	Sums set aside from revenue	(1,959)
0	Direct Revenue Contributions	(525)
<b>28,401</b>	<b>Closing Capital Financing Requirement</b>	<b>28,877</b>
(988)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	476
<b>(988)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>476</b>

**30 LEASES****Finance Leases**

The Authority acquired Wrexham Fire Station under a finance lease in 2016/17. The asset acquired under the lease is carried on the Balance Sheet under Property, Plant and Equipment with a net value of £6,873k. The lease payment for Wrexham Fire Station is a peppercorn rent, therefore there is no reconciliation between the total of future minimum lease payments and the present value.

**Operating Leases**

The Authority has acquired vehicles and equipment by entering into operating leases with typical lives of four years.

In addition the Authority leases three buildings with typical lease periods of five years.

The future minimum lease periods due under non cancellable leases in future years are:

2021/22 £'000		2022/23 £'000
312	Not later than 1 year	362
808	Later than 1 year and not later than 5 years	644
183	Later than 5 years	59
<b>1,303</b>	<b>Total</b>	<b>1,065</b>

**31 DEFINED BENEFIT PENSION SCHEMES****Participation in Pension Schemes**

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

The Local Government Pension Scheme (LGPS) is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Clwyd Pension Fund, Flintshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the pensions committee of Flintshire County Council. The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the amounts required by statute as described in the accounting policies note. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against levy is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Firefighters' Pension Scheme is an unfunded defined benefits scheme, meaning that no investments are held to fund the liabilities. Contributions, at a rate set by the Welsh Government, made by the employer and employees are held in a pension fund account, benefits paid are charged to the account with any balance on the account being received from, or paid to the Welsh Government.

### **O'Brien**

Following the O'Brien judgment Welsh Government Ministers have agreed to extend the pension entitlement to eligible retained firefighters to cover service pre-July 2000. The Memorandum of Understanding signed in March 2022 sets out the intended scope and operation of the options exercise required to enact remedy in this case.

This options exercise will increase the pension entitlement for some current special retained members and also allow access to the scheme for additional historic retained firefighters. The pension liabilities include an actuarial estimate of the impact although significant uncertainty remains at this time.

### **Guaranteed Minimum Pension equalisation and indexation**

The Government has published a consultation on indexation and equalisation of Guaranteed Minimum Pensions (GMP), with the proposal being to extend the "interim solution" to those members who reach State Pension Age after 5 April 2021.

A past service cost was included within the 2019/20 disclosures for extending the equalisation to all future retirees. There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. For public service pension schemes, the expectation is that this ruling will be taken forward on a cross scheme basis and will need legal input.

This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs are yet to be determined. Data on historic CETVs is not available to estimate the potential impact. It is expected that this will be a relatively small uplift for a relatively small subset of members (i.e. those who took a CETV and are in scope for a top up).

### **Goodwin**

The Welsh Government have advised that there is no requirement to allow for this legal challenge within the 2022/23 disclosures. (Case refers to dependants benefits)

### **McCloud and 2016 valuation cost control**

Following the Court of Appeal, the McCloud judgment was handed down in December 2018 which concluded that the transitional protections introduced in 2015 were discriminatory on the basis of age. The UK Government subsequently announced plans to address the discrimination across the UK public sector pension schemes including the Firefighters' Pension Scheme. The cap mechanism for the 2016 valuation has since been un-paused and the calculations completed, with the outcome being no changes to benefits or contributions.

It also announced that the outstanding issues arising from the 2016 actuarial valuation will be addressed and that the McCloud costs would fall into the 'member cost' category of the cost control element of the valuations process. By taking into account the increased value as a result of the McCloud remedy the scheme cost control valuation outcomes will show greater costs than otherwise would have been expected.

The past service costs have been estimated to take into account the impact of the McCloud judgment and have been included since 2018/19 and updated to reflect the proposed remedy outlined by the UK Government following the consultation during 2020.

The new regulations are due to go through the WG's legislative process and will be implemented from 1 October 2023. There is currently no ongoing litigation around the processing of Cat 2 claims and given that any new litigation would not be concluded before the implementation of the new regulations there is no residual risk. Further, the regulations will make provision for interest to be paid on money due and therefore the risk of litigation arising from any delays in introducing the regulations is not a likely risk.

### **Scheme Valuation - 2020**

Scheme Valuations are carried out on a quadrennial basis, and the next valuation will be based on data at 31 March 2020. The Government Actuary's Department has collected the necessary data and the valuation will be undertaken following the recent issuing of Directions by HM Treasury. Initial results are anticipated over the Summer 2023, and the final valuation will set employer contribution rates from 1 April 2024.

LGPS	FFPS		LGPS	FFPS
2021/22 £'000	2021/22 £'000	General Fund Transfers	2022/23 £'000	2022/23 £'000
		<b>Comprehensive Income &amp; Expenditure Statement</b>		
		<b>Cost of Services</b>		
		<b>Service Cost comprising:</b>		
2,119	9,750	Current Service Cost	2,295	7,170
0	2,400	Past Service Costs	0	0
43	0	Administration Expenses	46	0
		<b>Financing &amp; Investment Income &amp; Expenditure</b>		
380	6,400	Net Interest Expense	396	8,270
0	0	Transfers out of scheme	0	0
0	80	Transfers in to scheme	0	220
0	0	Curtailments	22	0
<b>2,542</b>	<b>18,630</b>	<b>Total Post Employment Benefits Charged to Provision of Services</b>	<b>2,759</b>	<b>15,660</b>
		<b>Other Post Employment Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</b>		
		<b>Remeasurement of the net defined benefit/liability comprising:</b>		
(4,157)	0	Return on Plan Assets (excluding Interest)	4,634	0
(1,177)	0	Actuarial (Gains)/Losses arising on Changes in Demographic Assumptions	4,966	(10,560)
(313)	(3,780)	Actuarial (Gains)/Losses arising on Changes in Financial Assumptions	(24,238)	(101,710)
0	(12,740)	Actuarial (Gains)/Losses - experience		17,520
<b>(5,647)</b>	<b>(16,520)</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(14,638)</b>	<b>(94,750)</b>
		<b>Movement in Reserves Statement</b>		
(2,542)	(18,630)	Reversal of net charges made to the surplus or deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(2,759)	(15,660)
		<b>Actual amounts charged to the General Fund for pensions in the year</b>		
0	7,910	Retirement Benefits payable to Pensioners	0	8,470
920	0	Employer Contributions Payable to the scheme	916	0

The amount included on the Balance Sheet arising from the Authority's obligation, in respect of its defined benefit plans are as follows:

LGPS 2021/22 £'000	FFPF 2021/22 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	LGPS 2022/23 £'000	FFPF 2022/23 £'000
(56,519)	312,950	Present value of the defined benefit obligation	(40,312)	(225,390)
<b>(56,519)</b>	<b>312,950</b>	<b>Sub Total</b>	<b>(40,312)</b>	<b>(225,390)</b>
41,971		Fair Value of plan assets	38,559	
<b>(14,548)</b>	<b>312,950</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(1,753)</b>	<b>(225,390)</b>

LGPS 2021/22 £'000	FFPF 2021/22 £'000	Movement in the Value of Scheme Assets	LGPS 2022/23 £'000	FFPF 2022/23 £'000
37,071	0	Opening Fair Value of Scheme Assets	41,971	0
779	0	Interest Income	1,176	0
		<b>Remeasurement Gain/Loss</b>		
4,157	0	The return on plan assets, excluding the amount included in the net interest expense	(4,634)	0
920	9,520	Contributions from employer	916	10,270
371	0	Contributions from employees into the scheme	369	0
(1,284)	(9,520)	Benefits/transfer Paid	(1,193)	(10,270)
(43)	0	Administration Expenses	(46)	0
<b>41,971</b>		<b>Closing value of scheme assets</b>	<b>38,559</b>	<b>0</b>

LPGS 2021/22 £'000	FFPF 2021/22 £'000	Movement in the Fair Value of Scheme Liabilities	LGPS 2022/23 £'000	FFPF 2022/23 £'000
(55,644)	(318,750)	Opening Balance as at 1 April	(56,519)	(312,950)
(2,119)	(9,750)	<b>Current Service Cost</b>	(2,295)	(7,170)
0	(80)	Transfers In	0	(220)
(1,159)	(6,400)	Interest Costs	(1,572)	(8,270)
(371)	(1,610)	Contributions from scheme participants	(369)	(1,800)
		<b>Remeasurement Gains and losses</b>		
0	0	Actuarial Gains/losses- experience	0	(17,520)
313	16,520	Actuarial Gains/losses arising from changes in demographic assumptions	(4,966)	10,560
1,177	0	Actuarial Gains/losses arising from changes in financial assumptions	24,238	101,710
1,284	9,520	Benefits/ transfers paid	1,193	10,270
0	0	Curtailments	(22)	0
0	(2,400)	Past Service Cost	0	0
<b>(56,519)</b>	<b>(312,950)</b>	<b>Balance at 31 March</b>	<b>(40,312)</b>	<b>(225,390)</b>

**Local Government Pension Scheme: Assets Comprised Of:**

Quoted 2021/22 £'000	Fair Value of Scheme Assets	Quoted 2022/23 £'000
	<b>Cash &amp; Cash Equivalents</b>	
1,343	Cash Accounts	1,697
0	Temporary Investments	0
<b>1,343</b>	<b>Subtotal Cash and Cash Equivalents</b>	<b>1,697</b>
	<b>Equity Securities</b>	
4,490	Global Quoted	2,236
3,777	Emerging Markets	1,967
<b>8,267</b>	<b>Subtotal Equities</b>	<b>4,203</b>
	<b>Bonds</b>	
4,197	Overseas Other	3,933
10,703	LDI	10,604
<b>14,900</b>	<b>Subtotal Bonds</b>	<b>14,537</b>
	<b>Property</b>	
2,099	UK	2,044
420	Overseas	308
<b>2,519</b>	<b>Subtotal Property</b>	<b>2,352</b>
	<b>Alternatives</b>	
2,728	Hedge Funds	2,776
4,449	Private Equity	5,013
2,015	Infrastructure	2,236
210	Timber and Agriculture	193
4,659	DGF	4,511
881	Private Credit	1,041
<b>14,942</b>	<b>Subtotal Alternatives</b>	<b>15,770</b>
<b>41,971</b>	<b>Totals Assets</b>	<b>38,559</b>

All scheme assets have quoted prices in active markets

## Basis for Estimating Assets and Liabilities

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

The LGPS liabilities have been valued by Mercer, an independent firm of actuaries and are based on the latest full valuation of the scheme as at 1 April 2022.

2021/22	LGPS	2022/23
	<b>Mortality Assumptions</b>	
	Longevity at retirement for current pensioners:	
22.5	Men	21.4
24.9	Women	23.8
	Longevity at retirement for future pensioners	
24.0	Men	22.9
26.9	Women	25.6
	<b>Other Assumptions</b>	
3.3%	Rate of Inflation	2.7%
4.6%	Rate of Increase in Salaries	4.0%
3.4%	Rate of Increase in Pensions	2.8%
2.8%	Rate of Discounting Scheme Liabilities	4.8%
3.3%	CARE Revaluation Rate	2.7%

2021/22	Firefighters Pension Scheme	2022/23
	<b>Mortality Assumptions</b>	
	Longevity at retirement for current pensioners:	
21.5	Men	21.2
21.5	Women	21.2
	Longevity at retirement for future pensioners	
23.2	Men	22.9
23.2	Women	22.9
	<b>Other Assumptions</b>	
3.0%	Rate of Inflation	2.6%
4.8%	Rate of Increase in Salaries	3.9%
3.0%	Rate of Increase in Pensions	2.6%
2.7%	Rate of Discounting Scheme Liabilities	4.7%
4.8%	CARE revaluation rate	3.9%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above tables.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the other assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumption used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Impact of Assumptions on the obligation - LGPS

	As Reported	+0.5% pa discount	+0.25%pa inflation	+0.25% pa pay growth	1 year increase in life expectancy	+/-1% change in 2022/23 investment returns	
						+1%	-1%
	£000	£000	£000	£000	£000	£000	£000
Liabilities	40,312	36,920	42,165	40,639	41,130	40,312	40,312
Assets	(38,559)	(38,559)	(38,559)	(38,559)	(38,559)	(38,945)	(38,173)
Deficit (surplus)	1,753	(1,639)	3,606	2,080	2,571	1,367	2,139
Projected Service Cost for next year	1,004	858	1,088	1,004	1,029	1,004	1,004
Interest Cost for next year	71	(102)	160	86	110	52	89

	As Reported	Discount rate on liabilities 0.5% increase	Increase in salaries 0.5% increase	Life expectancy 1 year increase	Increase in pensions 0.5% increase
	£000	£000	£000	£000	£000
FFPS	Impact (225,390)	-6.50% (210,740)	1% (227,644)	6.50% (240,040)	2% (225,389)

### Impact on the Authority's Cashflow

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

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

The Authority has adopted the CIPFA Code of Practice on Treasury Management which ensures the Authority has measures in place to manage financial risks. The Authority's Treasury Management Strategy for 2022/23 was approved at a meeting on 16 January 2022. The Strategy sets out the Prudential Indicators (PI's) for the year. During the year a report details progress against the strategy and if necessary a revision of the PI's.

At year end, a final report sets out how the Authority has performed during the year. How the Authority manages risks arising from financial instruments is detailed in the treasury reports presented to Members and can be accessed from North Wales Fire and Rescue Service website - [www.northwalesfire.gov.wales](http://www.northwalesfire.gov.wales)

The authority's activities expose it to a variety of financial risks, including:

### **Credit Risk**

This is the possibility that other parties might fail to pay amounts due to the Authority.

The highest credit risk is for investments and these are managed through the Treasury Management Strategy, which sets out the parameters for the management of risks associated with Financial Instruments and emphasises that priority is to be given to security and liquidity, rather than yield. The Authority's policy on treasury investments is to place short term cash surpluses into bank call accounts until required. The Authority does not have long term investments. Cash that is likely to be spent in the near term is invested securely, with selected high-quality banks, to minimise the risk of loss.

### **Liquidity Risk**

This is the possibility that the Authority might not have funds available to meet its commitments, to make payments.

The Authority monitors its cash balance to ensure that cash is available as needed. The Authority has ready access to borrowings from the Public Works Loan Board and so there is no perceived risk that the Authority 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.

### **Market Risk**

This is the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

An assessment of the financial effect of a 1% increase in interest rates has been undertaken. Interest on variable rate and temporary borrowing would have increased by £30k.

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

### **33 CONTINGENT LIABILITY**

#### **Legal Claims**

There are legal claims currently being dealt with by the Authority where there is less than 50% likelihood of settlement. The Authority has a sum of £0.186m reserved for insurance in relation to current emerging claims not currently recognised. The value of known legal cases are £0.050m.

#### **Pension Claims**

Following a lengthy legal process, the judgment in the case of O'Brien vs Ministry of Justice was issued during 2019. This found that the decision to limit the period from which a part-time employee could join the pension scheme was erroneous and eligible employees should be permitted to join the relevant scheme with effect from the start of their contracts.

This judgment will have implications for the Firefighters' Modified Pension Scheme which previously restricted past service to 1 July 2000. The result is that the government proposes to run a second options exercise although precisely when it will open is not yet known. The FPS can only be amended by legislation, the timing of which will depend on a consultation exercise and parliamentary timetable. It is not yet possible to determine the financial impact of the second options exercise.

### **34 CONTINGENT ASSET**

In July 2016 the European Commission fined European truck manufacturers 2.926 billion Euro for price fixing and other cartel activities between 1991 and 2001. DAF, Daimler, Iveco, MAN, and Volvo/Renault acknowledged their guilt (Scania is still being investigated) and confirmed they did the following:

- At Senior HQ management level, fixed gross and sometimes net list prices.
- Aligned gross list prices in Europe including the UK at the start of the cartel.
- Reduced rebates when the Euro was introduced.
- Delayed introduction of more fuel efficient Euro 3, 4, 5 and 6 technologies.
- Agreed the cost that operators should pay for Euro technologies.

This involves any trucks of 6 tonnes and over, purchased outright, financed or leased between 1997 and 2011. A legal action is now ongoing to recoup some of the money lost due to this cartel price fixing. No specific value or percentage has been discussed as yet and the legal action may take several years to complete.

Under the Litigation Funding Agreement, only the VAT is payable by the Authority for the legal costs.

Current payments under the Litigation Funding Agreement (VAT payable only) for 2022/23 totalled £52 (2021/22: £1,257).

**FIREFIGHTERS' PENSION FUND ACCOUNT**

Firefighters Pension Fund Account for the year ended 31 March 2023

2021/22 £'000		2022/23 £'000
	<b>Contributions Receivable:</b>	
(3,192)	Employer normal contributions	(3,893)
(131)	Employer ill health charge	(135)
(186)	Employer backdated contributions	0
(1,509)	Members normal contributions	(1,822)
(132)	Members backdated contributions	(100)
(76)	Transfers In	(221)
<b>(5,226)</b>	<b>TOTAL</b>	<b>(6,171)</b>
	<b>Benefits Payable:</b>	
7,983	Pension Payments	8,246
719	Commutation of Pensions and Lump Sum retirement benefits	2,381
7	Backdated Commutation Payments	67
	<b>Payments to and on account of leavers:</b>	
711	Transfers out	413
<b>9,420</b>	<b>TOTAL</b>	<b>11,107</b>
4,194	Deficit for the year before grants receivables from the Welsh Government	4,936
(4,194)	Top Up grant receivable from the Welsh Government	(4,936)
<b>0</b>	<b>NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR</b>	<b>0</b>

**Net Assets Statement as at 31 March 2023**

2021/22 £'000		2022/23 £'000
	<b>Current assets</b>	
2,577	Amount owed (from)/to the General Fund	2,616
<b>2,577</b>	<b>Total Current Assets</b>	<b>2,616</b>
	<b>Current Liabilities</b>	
(669)	Prepayment to Pensioners	
(1,908)	Top Up grant payable from Welsh Government	(2,616)
<b>(2,577)</b>	<b>Total Current Liabilities</b>	<b>(2,616)</b>

## Notes to the Firefighters' Pension Fund Account

The Fund was established on 1 April 2007, under the Firefighters' Pension Scheme (Wales) Order 2007, and covers the 1992, 2007 and 2015 Firefighters' Pension Schemes and is administered by the Authority. 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 the Welsh Government.

Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employee's and employer's contribution levels are based on percentages of pensionable pay set nationally by the Welsh Government and subject to triennial revaluation by the Government Actuary's Department (GAD).

Transfers in to the scheme are a transfer of pension benefits from another pension scheme, for new or existing employees and transfers out are transfer of benefits for employees who have left the Authority and joined another pension scheme.

The Authority is responsible for paying the employer's contributions into the fund. These are the costs that are included in the accounts for the Authority.

At the beginning of the financial year an assessment is made as to the amount of Top Up grant required from the Welsh Government. The estimate includes an assessment of the number of firefighters due to retire within the year, based on age and years' service.

### Contribution Rates

On 1 April 2022, all scheme participants were transferred into the 2015 scheme. Under the Firefighters' Pension Regulations the employer's contribution rate for the 2015 scheme was 27.3% (2021/22: 27.3%) of pensionable pay with employee's rate as per the pensionable pay banding detailed below:

Pensionable Pay Band	2022/23 Contribution Rate %
Up to £27,818	11.0
£27,819 to £51,515	12.9
£51,516 to £142,500	13.5
More than £142,501	14.5

The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period end as this is the responsibility of the Authority. Details of the long term pension obligations can be found in Note 31 to the core financial statements.

## ACCOUNTING POLICIES

### 1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require the accounts to be prepared in accordance with proper accounting practices. These practices, under section 21 of the Local Government Act 2003, primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. ACCRUALS OF INCOME AND EXPENDITURE

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

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Amounts due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

### 3. CASH AND CASH EQUIVALENTS

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

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

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

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

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

#### **5. CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance - MRP, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

## 6. EMPLOYEE BENEFITS

### Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, in exchange for those benefits, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

### Post-Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- the Firefighters' Pension Scheme, administered by Dyfed Pension Fund, Carmarthenshire County Council
- the Local Government Pensions Scheme, administered by Flintshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

### Firefighters' Pension Scheme (FFPS)

The Firefighters' Pension Scheme is accounted for as an unfunded defined benefits scheme, the scheme has no assets and no investment income:

- The liabilities of the Fund are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.65% (based on Government bond yields of appropriate duration plus an additional margin). The change in the net pension liability is analysed into the following components:

Service cost comprising:

- Current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost — the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability, i.e. net interest expense for the Authority — the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement — this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period — taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- Actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension funds or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees<sup>61</sup>

## Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Clwyd Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.7%-4.9% (based on the indicative rate of return on corporate bonds).
- The assets of Clwyd Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement [note that the treatment of past service costs will depend on the decisions of the Authority about how they are allocated to service segments]
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
- contributions paid to the Clwyd pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Discretionary Benefits:**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **7. EVENTS AFTER THE REPORTING PERIOD**

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

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

## 8. FINANCIAL INSTRUMENTS

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

The Authority recognises expected credit losses on all of its financial assets held at amortised cost.

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Authority holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL)

The Authority’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

## **9. FOREIGN CURRENCY TRANSACTIONS**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

## **10. ACCOUNTING FOR GOVERNMENT GRANTS**

Whether paid on account, by instalments, or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due are not credited to the Comprehensive Income & Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When the conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation & Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure

## **11. INTANGIBLE ASSETS**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it

can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at cost less accumulated depreciation and any accumulated impairment loss. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

## **12. INVENTORIES**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

## **13. LEASES**

### **Finance Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise a levy to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **14. PROPERTY PLANT AND EQUIPMENT**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant & Equipment.

### **Recognition**

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

A de-minimus expenditure level of £10,000 has been set for Property, Plant & Equipment, below which expenditure will not be subject to capital accounting requirements. Where an asset is revalued below £10,000, any associated expenditure and depreciation will normally be written out and the asset removed from the Fixed Asset Register.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred while assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value.

Assets are carried on the Balance Sheet using the following measurement bases:

- Land & Buildings: Offices/Workshops – current value (Existing Use Value)
- Land & Buildings: Fire Stations – current value (Depreciated Replacement Cost)
- Assets under construction - historical cost
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

## Impairments

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## Depreciation

Depreciation is provided for all property, plant and equipment assets, by systematic allocation of their depreciable amounts over their useful lives.

### Useful Economic Life of Assets

Land	Infinite (no depreciation)
Buildings	Useful life of the property (as estimated by the valuer)
Buildings (leased)	Term of lease
Vehicles, Plant and Equipment	5 - 20 years
Intangible Assets	5 years

Depreciation is provided on a straight-line basis, with acquisitions being depreciated in the year following purchase. A full year's depreciation is charged in the year of disposal.

Buildings are depreciated using the Beacon Approach. An estimate is made of the components of the building and the useful life of each component. The weighted average method is then used to determine the depreciation charge. The percentages used are:

Buildings – fire stations	2.12% - 2.22%
Buildings – offices/workshops	2.22% - 2.23%

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

The Authority is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution from General Fund

Balances (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

## **Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continued use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the capital receipts reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

## **15. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the Authority a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **16. RESERVES**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

## **17. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.