

# North Wales Fire and Rescue Authority



## Annual Statement of Accounts 2018/2019



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# NARRATIVE REPORT

## Introduction

The Statement of Accounts summarises the financial performance of the Authority for year ended 31 March 2019. These accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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 Authority for the financial year 2018/19.

## Organisational Overview

### About North Wales Fire and Rescue Service

North Wales Fire and Rescue Service (NWFRS) serves the communities within the areas of Gwynedd and Ynys Môn, Conwy and Denbighshire and Wrexham and Flintshire, as detailed below. Governance of North Wales Fire and Rescue Service is provided via the North Wales Fire and Rescue Authority (NWFRS) made up of 28 Elected Members nominated by each local authority.



NWFRA is responsible for providing, training and equipping a Fire and Rescue Service capable of undertaking the following functions:



North Wales Fire and Rescue Service helps to protect an estimated population of 678,461 people over an area of 2,400 square miles as well as hundreds of thousands of tourists and visitors who come to North Wales every year. There are around 317,051 domestic properties and 24,484 non-domestic properties in North Wales that fall under our protection.

### Key Statistics

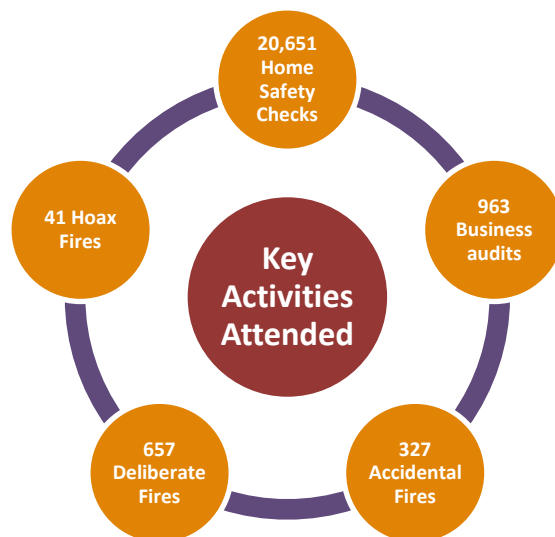


## What we do

We have a legal duty to provide a fire and rescue service that meets the needs of the local communities. We are prepared to deal with a wide-range of emergencies, from house fires and road traffic collisions, to floods and chemical spills. We work with our communities to help keep people and property safe, providing a fire and rescue service for the people that live, work and visit the North Wales area. We carry out extensive work with schools, businesses and local communities to promote fire safety and prevention.

We believe the most effective way to save lives, reduce injuries and thus reduce the broader community impact from emergencies is to reduce the number of incidents that occur. To help us do this, we work closely with partner organisations and communities to develop and deliver initiatives aimed at preventing emergency incidents, including:

- Dedicated teams work within the community as Home Safety Support Workers to access and engage with those people most vulnerable to fire, providing information, education and where necessary, additional protection measures.
- We have legal responsibilities to enforce fire safety legislation. We provide free advice to businesses to support compliance with legislative requirements. If it is necessary, to keep the public and our firefighter's safe, we will prohibit or restrict the use of premises and prosecute persons responsible for breaches of legislation.
- We support and signpost people who are vulnerable from issues not directly related to the fire service, such as older people who may be at risk from severe weather, or household security.
- We actively engage with other organisations to improve the safety of the community, including providing wide ranging education programmes including school visits (2018/19: 20,833 pupils attended visits), the Young Firefighters' Association, operated by off duty fire officers and the Pheonix Project, an initiative aimed at 13-17 year olds, received 359 referrals. The principal aim of the project is to invest in young people, utilising the skills, experience and reputation of the North Wales Fire and Rescue Service for the benefit of the community of North Wales.





The Authority's Accounts for the year 2018/19 are set out on pages 14-65 and in addition to this narrative report they consist of:

**The Statement of Responsibilities** details the responsibilities of the Authority and the Treasurer (S.151 Officer) for the Accounts. This statement is signed and dated by the Treasurer under a statement that the Accounts give a True and Fair View of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March.

**The Expenditure and Funding Analysis** is to demonstrate to stakeholders how the funding available to the Authority for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes within the Authority. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

**The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Authority. This statement is split into usable and unusable reserves; the usable reserves are those that can be used by the Authority to fund expenditure; and the unusable reserves are those Reserves that are required to mitigate the effect of some transactions on council tax and those Reserves that are created to mitigate unrealised gains and losses.

**The Comprehensive Income and Expenditure Statement** shows the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority raises taxation in accordance with regulations which are different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (the movement on usable reserves).

**The Balance Sheet** which shows the value of the Assets and Liabilities recognised by the Authority at the Balance Sheet date.

**The Cash Flow Statement** which shows the changes in cash and cash equivalents during the year. This statement shows how the Authority generates and uses its cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

**The Pension Fund Account** which shows the movements relating to the Firefighters' Pension Fund.

## FINANCIAL POSITION

At a time of extraordinary financial challenge, the North Wales Fire and Rescue Authority is committed to continuing to provide excellent prevention services, fire safety enforcement services and emergency response to a range of incidents including fire, flooding and road traffic accidents. 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 financial strategy combining the use of reserves, increasing financial contributions and making service reductions. Members agreed for 2018/19 to increase the contributions from the constituent authorities by 4% and use £0.647m of reserves to underpin the budget.

The Authority aims to ensure its assets are utilised efficiently and effectively and continues to analyse the capital programme against possible negative revenue implications.

The Authority's position over the medium term is sound, but careful attention will need to be paid to cost pressures relating to pension and payroll costs and also changes to the funding mechanism that is used by the Welsh Government for Fire and Rescue Authorities.

### 2018/19: Revenue Expenditure

The budget for the year was approved by Members of the Authority at £34.141m. Further details on the operational spend, which is the actual expenditure for the Authority without the accounting adjustments, can be found in Note 6. The actual use from general reserves used to assist with balancing the budget was £0.649m.

The table below provides a summary of the financial position for the year.

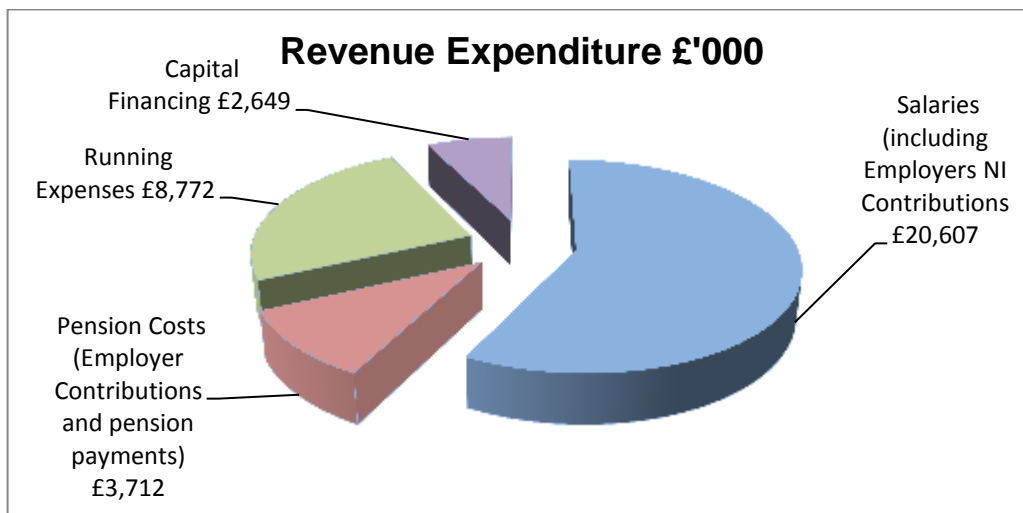
	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Revenue</b>			
Expenditure	35,650	35,740	90
Income	(1,509)	(1,728)	(219)
<b>Net Expenditure</b>	<b>34,141</b>	<b>34,012</b>	<b>(129)</b>
Earmarked Reserves	0	131	131
General Fund	(647)	(649)	(2)
Unitary Authority Contributions	(33,493)	(33,493)	0
<b>(Surplus) /Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Expenditure</b>	<b>5,890</b>	<b>1,856</b>	<b>(4,034)</b>



The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the six Constituent Authorities, in proportion to population (see note 11).

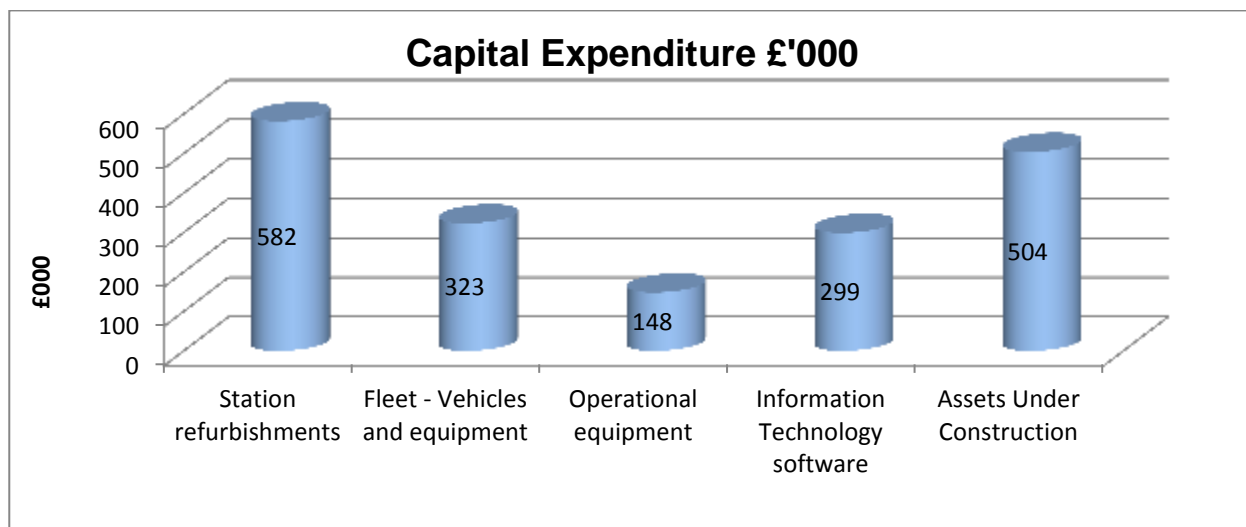
2017/18 £'000	Income	2018/19 £'000
33,161	Constituent Authority Contributions	33,493
1,430	Revenue Grants	1,260
3	Interest	12
438	Fees and Charges and Other Income	468

Details of expenditure for 2018/19 is shown below:



### 2018/19: Capital Expenditure

During 2018/19, £1,856k was invested in capital projects.



## **Financing of Capital Expenditure**

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2018/19 the capital programme was financed mainly by borrowing (£1.605m). More details can be found in note 32.

An annual treasury report detailing the financial activity for the year is presented to the Fire Authority and made available on the website ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)).

## **Pension Liability**

Under International Accounting Standard 19 (Employee Benefits) the Authority is required to provide details of assets and future liabilities for pensions payable to employees, both past and present. Note 35 provides details of the transactions relating to post-employment benefits.

In 2018/19, 14 whole time uniformed staff and 11 retained duty system staff retired. The net cost of the Firefighters' Pension Scheme to the revenue budget was £2.29m (2017/18: £2.34m). The liability in terms of future pension commitments has increased to £303.66m (2017/18: £299.82m) due to a change in the actuarial assumptions.

The actuarially assessed liability as at 31 March 2019 for the Local Government Pension Scheme was £15.66m (2017/18: £13.29m), the increase was due to a change in actuarial assumptions used to re-measure the schemes liabilities which has resulted in an increase in the schemes liabilities.

## **Reserves**

Earmarked reserves are held for a number of projects the main ones are to cover transitional costs for the ongoing radio project, in conjunction with other emergency services and to cover the reduction in funding for Home Fire Safety Checks. These reserves were not utilised in 2018/19 but it is envisaged that they will be used in future years.

Further details of the provisions and reserves held are included in Notes 19 and 20 to the core financial statements.

## **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 ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)) 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 2019.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_  
**Councillor**

*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). The Statement of Accounts is required to give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2019.

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

#### **TREASURER'S CERTIFICATE**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2019 and its income and expenditure for the year then ended.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_  
K W Finch FCPFA

*Treasurer, North Wales Fire and Rescue Authority*

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH WALES FIRE AND RESCUE AUTHORITY

The independent auditor's report of the Auditor General for Wales to the members of the North Wales Fire and Rescue Authority

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of

- the North Wales Fire & Rescue Authority; and
- the Firefighters Pension Fund Account

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The Firefighters' Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the North Wales Fire & Rescue Authority and the Firefighters' Pension Fund as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019.

#### Basis for opinion

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

#### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fire & Rescue Authority's ability to continue

to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

### **Report on other requirements**

#### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

#### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Fire & Rescue Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

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

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

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

## Responsibilities

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
29 July 2019

24 Cathedral Road  
Cardiff  
CF11 9LJ

## CORE FINANCIAL STATEMENTS

### COMPREHENSIVE INCOME and EXPENDITURE ACCOUNT

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.

2017/18				2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
23,417	0	23,417	Employees		36,467	0	36,467
1,765	0	1,765	Premises		1,832	0	1,832
1,008	0	1,008	Transport		1,075	0	1,075
4,523	0	4,523	Supplies & Services		4,590	0	4,590
828	0	828	Support Services		832	0	832
4,229	0	4,229	Capital Financing Costs		3,504	0	3,504
0	(2,073)	(2,073)	Income		0	(1,716)	(1,716)
<b>35,770</b>	<b>(2,073)</b>	<b>33,697</b>	<b>North Wales Fire &amp; Rescue Cost of Services</b>		<b>48,300</b>	<b>(1,716)</b>	<b>46,584</b>
27	(22)	5	Other Operating Expenditure	<b>9</b>	25	(8)	17
8,443	(3)	8,440	Financing & Investment Income & Expenditure	<b>10</b>	8,469	(12)	8,457
0	(33,161)	(33,161)	Contributions from Constituent Authorities	<b>11</b>	0	(33,493)	(33,493)
0	0	0	Contributions to/from Reserves		163	0	163
		<b>8,981</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>21,728</b>
		0	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets	<b>21</b>			0
		1,415	Remeasurement of the net defined Benefit Liability	<b>21</b>			(498)
		<b>1,415</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>(498)</b>
		<b>10,396</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>21,230</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>Movement in Reserves Statement for the years ended 31 March 2018 &amp; 2019</b>							
	Note	General Fund Balance	Earmarked and Grant Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>		2,150	1,551	0	3,701	(287,153)	(283,452)
<b>Movement in Reserves during 2017/18</b>							
Surplus or (Deficit) on the Provision of Services		(8,981)	0	0	(8,981)	0	(8,981)
Other Comprehensive Income & Expenditure		0	0	0	0	(1,415)	(1,415)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(8,981)</b>	<b>0</b>	<b>0</b>	<b>(8,981)</b>	<b>(1,415)</b>	<b>(10,396)</b>
Adjustments between accounting basis & funding basis under regulations	7	8,863	(803)	0	8,060	(8,060)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(118)</b>	<b>(803)</b>	<b>0</b>	<b>(921)</b>	<b>(9,475)</b>	<b>(10,396)</b>
Adjustment		0	0	0	0	1	1
Other Transfers to/(from) Earmarked Reserves		25	(109)	0	(84)	84	0
<b>Increase/(Decrease) in 2017/18</b>	8	<b>(93)</b>	<b>(912)</b>	<b>0</b>	<b>(1,005)</b>	<b>(9,390)</b>	<b>(10,395)</b>
<b>Balance as at 31 March 2018</b>		<b>2,057</b>	<b>639</b>	<b>0</b>	<b>2,696</b>	<b>(296,543)</b>	<b>(293,847)</b>

<b>Movement in Reserves Statement</b>							
	Note	General Fund Balance	Earmarked and Grant Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018</b>		2,057	639	0	2,696	(296,543)	(293,847)
<b>Movement in reserves during 2018/19</b>							
Surplus or (deficit) on the provision of services		(21,728)	0	0	(21,728)	0	(21,728)
Other Comprehensive Income & Expenditure		0	0	0	0	498	498
<b>Total Comprehensive Income &amp; Expenditure</b>					<b>(21,728)</b>	<b>498</b>	<b>(21,230)</b>
Adjustments between accounting basis & funding basis under regulations	7	21,046	0	0	21,046	(21,046)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(682)</b>	<b>0</b>	<b>0</b>	<b>(682)</b>	<b>(20,548)</b>	<b>(21,230)</b>
Adjustment		0	0	0	0	0	0
Other Transfers to/(from) Earmarked Reserves		0	131	0	131	0	131
<b>Increase/(Decrease) in 2018/19</b>	8	<b>(682)</b>	<b>131</b>	<b>0</b>	<b>(551)</b>	<b>(20,548)</b>	<b>(21,099)</b>
<b>Balance as at 31 March 2019</b>		<b>1,375</b>	<b>770</b>	<b>0</b>	<b>2,145</b>	<b>(317,091)</b>	<b>(314,946)</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, ie 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'.

31 March 2018		Note	31 March 2019
£'000			£'000
49,988	Property, Plant & Equipment	12	47,959
712	Intangible Assets	12	851
747	Long Term Debtors	3	0
<b>51,447</b>	<b>Long Term Assets</b>		<b>48,810</b>
564	Inventories	15	479
5,125	Debtors	16	4,607
0	Assets Held For Sale	12	0
1,455	Cash & Cash Equivalents	17	46
<b>7,144</b>	<b>Current Assets</b>		<b>5,132</b>
19,702	Short Term Borrowing	13	20,113
180	Provisions	19	450
3,548	Creditors	18	3,612
<b>23,430</b>	<b>Current Liabilities</b>		<b>24,175</b>
313,110	Pension Liability	35	332,209
15,898	Long Term Borrowing	13	12,504
<b>329,008</b>	<b>Long Term Liabilities</b>		<b>344,713</b>
<b>(293,847)</b>	<b>Net Assets</b>		<b>(314,946)</b>
2,696	Usable Reserves	20	2,145
(296,543)	Unusable Reserves	21	(317,091)
<b>(293,847)</b>	<b>Total Reserves</b>		<b>(314,946)</b>

## **CASHFLOW 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.

2017/18 £'000		Note	2018/19 £'000
8,981	<b>Net (Surplus)/Deficit on the Provision of Services</b>		21,728
(8,763)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	22	(24,904)
(452)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	22	(497)
(234)	Net Cash Flows From Operating Activities	22	(3,673)
2,564	Investing Activities	23	1,605
(3,410)	Financing Activities	24	3,477
(1,080)	Net (Increase) or Decrease in Cash and Cash Equivalents		1,409
<b>(375)</b>	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>(1,455)</b>
<b>(1,455)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	17	<b>(46)</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. 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 is due to the 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.

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

The Statement of Accounts contain 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 item in the Authority's Balance Sheet at 31 March 2019, for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions 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. An assessment of the liabilities is provided by the government actuary department. Further information is provided within the pension fund account.	Relatively small changes in the assumptions made can have a significant impact on the pension net liability. The pension net liability shown in the balance sheet will only become payable over the retirement period of current and retired employees, so adjustments to the liability can be spread over a number of years through changes in employee and employer contributions. Increases in employer contributions have a direct impact on the budget.
Property, plant Equipment & Intangibles	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets is reduced depreciation increases and the carrying amount of the asset falls.
Pay Award	Negotiations regarding the firefighters pay awards are ongoing. Provision has been made in respect of outstanding agreement.	There is uncertainty as to what the outcome will be and the affect this would have on future budgets.
EU Referendum	Following the UK's vote to leave the EU some consideration should be given to the impact of the decision on North Wales Fire and Rescue Authority. At this point in time the impact is uncertain as it is for most organisations in the UK.	The impact on the economy as a whole and on Local Authority funding is still an unknown.
Property Valuations	<p>The Authority revalues its assets every 5 years. The last valuation was undertaken in 2015-16. It is possible that property values could fluctuate considerably within this five year timeframe.</p> <p>It bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions.</p> <p>These judgements are underpinned by the best available information and made by qualified valuers but are still based on estimates.</p>	A fluctuation in property values would impact on the values held in the Balance Sheet and on the corresponding depreciation charge.

### 3. MATERIAL ITEMS OF INCOME AND EXPENSE

In 2017/18, the Authority took the decision to pre-pay three years of the lump sum due from the employer, for the Local Government Pension Scheme. This required the Authority to pay the full three year amount of £2.164m within 2017/18. This was undertaken in order to realise a discount of £0.138m over the three year period. The accounting treatment was to recognise £0.695m as the lump sum contribution within the 2017/18 accounts and a payment in advance of £1.468m (2018/19 & 2019/20 lump sum payments) as at the 31<sup>st</sup> March 2018. As at the 31<sup>st</sup> March 2019, the Authority has recognised £0.721m within the 2018/19 accounts and has treated the final £0.747m 2019/20 lump sum contribution as a payment in advance within current assets.

#### 4. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts have been authorised for issue by the Treasurer to the Fire and Rescue Authority on the 29<sup>th</sup> July 2019. Events after the reporting period are those taking place between the end of the reporting period (31<sup>st</sup> March 2019) and the date when the financial statements are authorised for issue (29<sup>th</sup> July 2019).

There are two types of events that can occur after the reporting period and the Financial Statement will have been amended in accordance with the following two category of events:

Adjusting events: those that provided evidence of conditions that existed at the Balance Sheet date – where material, the financial statements and notes in the Statement of Accounts are amended to reflect the impact of the events.

An adjusting event that has taken place relates to a court ruling whereby in December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age. These cases are referred to as McCloud/Sergeant. The Government requested leave to appeal this decision but on Thursday, 27<sup>th</sup> June 2019, the Supreme Court denied the Government's application. There was sufficient evidence that these judgements apply to both Fire Fighters Pension Scheme and the Local Government Pension Scheme and there was also sufficient data to make a reliable estimate for accounting purposes. On this basis we have included an estimate of the impact on these schemes in our financial statements by increasing in year past service costs by £12.883m, uplifting our period end pension's liabilities by the same amount.

Further details of the impact of the McCloud ruling within the accounts can be found within Note 35 – Transactions Relating to Post-Employment Benefits, pages 46 to 51.

Non-adjusting events: those that are indicative of conditions that arose after the Balance Sheet date – the financial statements and notes in the Statement of Accounts are not amended to reflect the events, but additional explanatory notes may be added.

## 5. EXPENDITURE AND FUNDING ANALYSIS

The 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.

2017/18			2018/19			
Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income & Exp Statement		Net Expenditure Chargeable to the General Fund	Adjustments Between the funding and Accounting basis	Net Expenditure in the Comprehensive Income & Exp Statement
£'000	£'000	£'000		£'000	£'000	£'000
24,361	(944)	23,417	Employees	24,737	11,730	36,467
1,765	0	1,765	Premises	1,832	0	1,832
1,008	0	1,008	Transport	1,075	0	1,075
4,550	(27)	4,523	Supplies & Services	4,615	(25)	4,590
828	0	828	Support Services	832		832
2,637	1,592	4,229	Capital Financing Costs	2,649	855	3,504
						0
(1,869)	(204)	(2,073)	Income	(1,728)	5	(1,723)
<b>33,280</b>	<b>417</b>	<b>33,697</b>	<b>North Wales Fire &amp; Rescue</b>			
			<b>Net Cost of Service</b>	<b>34,012</b>	<b>12,565</b>	<b>46,577</b>
			<b>Other Income &amp; Expenditure</b>			
0	8,445	8,445	Other Income & Expenditure Adjustments	0	8,481	8,481
(33,161)	0	(33,161)	Taxation and Non Specific Grant Income	(33,493)		(33,493)
0	0	0	Contribution to/(from) reserves	163		163
<b>119</b>	<b>8,862</b>	<b>8,981</b>	<b>Deficit or (Surplus) on Provision of Services</b>	<b>682</b>	<b>21,046</b>	<b>21,728</b>
		(2,150)	Opening General Fund Balance			(2,057)
		118	Deficit on General Fund Balance in Year			681
		(25)	Other Movements Not included above i.e. Earmarked Reserves			
		<b>(2,057)</b>	<b>Closing General Fund Balance</b>			<b>(1,376)</b>



## Notes to the Expenditure and Funding Analysis

2018/19				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Employees	0	11,637	93	11,730
Supplies & Services	0	0	(25)	(25)
Capital Financing Costs	1,364	0	(509)	855
Income	(7)	0	12	5
<b>Net Cost of Service</b>	<b>1,357</b>	<b>11,637</b>	<b>(429)</b>	<b>12,565</b>
<b>Other Income &amp; Expenditure</b>				
Other Income & Expenditure Adjustments	0	7,960	521	8,481
<b>Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services</b>	<b>1,357</b>	<b>19,597</b>	<b>92</b>	<b>21,046</b>

2017/18				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Employees	0	(920)	(24)	(944)
Supplies & Services	0	0	(27)	(27)
Capital Financing Costs	2,048	0	(455)	1,593
Income	(207)	0	3	(204)
<b>Net Cost of Service</b>	<b>1,841</b>	<b>(920)</b>	<b>(503)</b>	<b>418</b>
<b>Other Income &amp; Expenditure</b>				
Other Income & Expenditure Adjustments	(22)	7,989	479	8,446
<b>Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services</b>	<b>1,819</b>	<b>7,069</b>	<b>(24)</b>	<b>8,864</b>

## 6. DETAILED ANALYSIS OF EXPENDITURE AND INCOME

2017/18 £'000		2018/19 £'000
	<b>EXPENDITURE</b>	
23,393	Salaries (includes employer pension contributions)	23,869
313	Training Costs	319
474	Pension payments	450
181	Other Staff Costs	98
24,361	Total Employee Costs	24,736
1,765	Premises	1,832
1,008	Transport	1,075
4,550	Supplies & Services	4,616
827	Support Services	832
2,636	Capital Financing Costs	2,649
<b>35,147</b>	<b>TOTAL EXPENDITURE</b>	<b>35,740</b>
<b>(1,868)</b>	<b>INCOME</b>	<b>(1,728)</b>
<b>33,279</b>	<b>NET OPERATING COSTS</b>	<b>34,012</b>
50	Contribution to Reserves for Equipment & Vehicles	0
(75)	Contribution to/(from) Earmarked Reserves	130
(93)	Contribution to/(from) General Reserve	(649)
(33,161)	Income From Contributions	(33,493)
<b>0</b>	<b>SURPLUS/DEFICIT FOR YEAR</b>	<b>0</b>

## Reconciliation of Service Income and Expenditure presented in the Management Accounts to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the Expenditure and Funding Analysis Statement relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2017/18 £'000			2018/19 £'000	
	33,279	Net Expenditure in the Service Analysis		34,012
		<b>Amounts in the Comprehensive Income &amp; Expenditure Statement not reported to management in the Analysis</b>		
3,291		Depreciation	3,148	
(596)		Government Grant Released	(143)	
803		Released from Grant Reserve	0	
(920)		IAS 19 – Pensions Adjustment (Note 35)	11,637	
671		Impairment	499	
(24)		Accumulated Absences	93	
(147)	3,078	Adjustment CAA/Asset Disposal	0	15,234
		<b>Amounts included in the Analysis not included in the Comprehensive Income &amp; Expenditure Statement</b>		
(2,181)		Debt Repayment (MRP)	(2,140)	
(455)		Interest Paid	(509)	
3		Interest Received	12	
(27)	(2,660)	Trading Account Deficit	(25)	(2,662)
		<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>		
	<b>33,697</b>			<b>46,584</b>

## 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2018/19	Useable Reserves				Unusable Reserves
	General Fund Balance £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	3,647	0	0	3,647	(3,647)
Revaluation (losses)/Gains on Property, Plant and Equipment	0	0	0	0	0
Gain on Disposal	(8)	0	0	(8)	8
Capital grants and contributions applied	(143)	0	0	(143)	143
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	(2,140)	0	0	(2,140)	2,140
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
<b>Adjustment primarily involving the Pensions Reserve</b>					
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,627)	0	0	(8,627)	8,627
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	28,224	0	0	28,224	(28,224)
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Adjustment to Grants reserve	0	0	0	0	0
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	93	0	0	93	(93)
<b>Total Adjustments</b>	<b>21,046</b>	<b>0</b>	<b>0</b>	<b>21,046</b>	<b>(21,046)</b>

2017/18	Useable Reserves				Unusable Reserves
	General Fund Balance £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	3,962	0	0	3,962	(3,962)
Revaluation (losses)/Gains on Property, Plant and Equipment	(147)	0	0	(147)	147
Gain on Disposal	(22)	0	0	(22)	22
Capital grants and contributions applied	(596)	0	0	(596)	596
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	(2,181)	0	0	(2,181)	2,181
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
<b>Adjustment primarily involving the Pensions Reserve</b>					
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,871)	0	0	(7,871)	7,871
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	14,940	0	0	14,940	(14,940)
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Adjustment to Grants reserve	803	(803)	0	0	0
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)	0	0	(25)	25
<b>Total Adjustments</b>	<b>8,863</b>	<b>(803)</b>	<b>0</b>	<b>8,060</b>	<b>(8,060)</b>

## 8. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves from 1 April 2018.

	<b>Balance 01-Apr-17 £'000</b>	Transfers out 2017/18 £'000	Transfers In 2017/18 £'000	<b>Balance 31-Mar-18 £'000</b>	Transfers out 2018/19 £'000	Transfers In 2018/19 £'000	<b>Balance 31-Mar-19 £'000</b>
General Fund	(2,150)	142	(48)	(2,056)	680	0	(1,376)
Earmarked and Grant Reserves	(1,551)	912	0	(639)	0	(130)	(769)
<b>Total</b>	<b>(3,701)</b>	<b>1,054</b>	<b>(48)</b>	<b>(2,695)</b>	<b>680</b>	<b>(130)</b>	<b>(2,145)</b>

## 9. OTHER OPERATING EXPENDITURE AND INCOME

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
27	(Surplus) / Deficit on Trading Operations (see Note 25)	25
(22)	(Gains) or Loss on the disposal of non-current assets	(8)
<b>5</b>	<b>Total</b>	<b>17</b>

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
454	Interest payable & similar charges	509
(3)	Interest	(12)
7,989	Net Interest on the net defined benefit liability	7,960
<b>8,440</b>	<b>Total</b>	<b>8,457</b>

## 11. TAXATION AND NON SPECIFIC GRANT INCOME

Contributions from the Constituent Authorities are detailed below:

<b>2017/18 Contribution £</b>	<b>Authority</b>	<b>2018/19 Contribution £</b>
5,539,433	Conwy County Borough Council	5,589,830
3,330,579	Anglesey County Council	3,356,175
5,851,817	Gwynedd Council	5,914,137
4,524,683	Denbighshire County Council	4,568,797
7,339,795	Flintshire County Council	7,409,315
6,574,970	Wrexham County Borough Council	6,654,624
<b>33,161,277</b>	<b>TOTAL</b>	<b>33,492,878</b>

## 12. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets are valued as outlined in Notes 4 and 16 of Accounting Policies. Details of the value of assets held at 31 March 2019 and comparative figures for 31 March 2018 are shown below, together with details of the movement in the year.

2018-2019	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Assets Under Construction</i>	<i>Property Plant &amp; Equipment</i>	<i>Intangible Assets</i>	<i>Assets Held for Sale</i>
	£'000	£'000	£'000	£'000	Total £'000	Total £'000	Total £'000
<b>Gross Book Value at 1 April 2018</b>	38,640	29,035	260	6	67,941	864	0
Additions	582	471	0	504	1,558	299	0
Disposals	0	(913)	0	0	(913)	0	0
Impairment/Capitalised Under Statute	(499)	0	0	0	(499)	0	0
<b>Gross Book Value at 31 March 2019</b>	<b>38,723</b>	<b>28,593</b>	<b>260</b>	<b>510</b>	<b>68,087</b>	<b>1,163</b>	<b>0</b>
Accumulated Depreciation at 1 April 2018	(2,314)	(15,389)	(249)	0	(17,952)	(152)	0
Depreciation for Year	(816)	(2,171)	(2)	0	(2,989)	(160)	0
Disposals	0	813	0	0	813	0	0
<b>Accumulated Depreciation at 31 March 2019</b>	<b>(3,130)</b>	<b>(16,747)</b>	<b>(251)</b>	<b>0</b>	<b>(20,128)</b>	<b>(312)</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2019</b>	<b>35,593</b>	<b>11,846</b>	<b>9</b>	<b>510</b>	<b>47,959</b>	<b>851</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2018</b>	<b>36,326</b>	<b>13,646</b>	<b>11</b>	<b>6</b>	<b>49,989</b>	<b>712</b>	<b>0</b>

2017-2018	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Assets Under Construction</i>	<i>Property Plant &amp; Equipment</i>	<i>Intangible Assets</i>	<i>Assets Held for Sale</i>
	£'000	£'000	£'000	£'000	Total £'000	Total £'000	Total £'000
<b>Gross Book Value at 1 April 2017</b>	38,428	29,637	260	720	69,045	566	411
Additions	793	2,571	0	0	3,364	366	0
Reclassification Assets under Construction	0	714		(714)	0	0	0
Revaluation Increase / (Decrease)	147	0	0	0	147	0	0
Disposals	(147)	(3,674)	0	0	(3,821)	(192)	(411)
Impairment/Capitalised Under Statute	(581)	(21)	0	0	(602)	(68)	0
Reclassification of Assets	0	(192)	0	0	(192)	192	0
<b>Gross Book Value at 31 March 2018</b>	<b>38,640</b>	<b>29,035</b>	<b>260</b>	<b>6</b>	<b>67,941</b>	<b>864</b>	<b>0</b>
Accumulated Depreciation at 1 April 2017	(1,499)	(16,867)	(248)	0	(18,614)	(65)	0
Depreciation for Year	(815)	(2,388)	(1)	0	(3,204)	(87)	0
Reclassification of Assets	0	192	0	0	192	(192)	0
Disposals	0	3,674	0	0	3,674	192	0
<b>Accumulated Depreciation at 31 March 2018</b>	<b>(2,314)</b>	<b>(15,389)</b>	<b>(249)</b>	<b>0</b>	<b>(17,952)</b>	<b>(152)</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2018</b>	<b>36,326</b>	<b>13,646</b>	<b>11</b>	<b>6</b>	<b>49,989</b>	<b>712</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2017</b>	<b>36,929</b>	<b>12,770</b>	<b>12</b>	<b>720</b>	<b>50,431</b>	<b>501</b>	<b>411</b>



The latest full property valuation was carried out by Wilks Head and Eve, on 1 April 2015. Office accommodation has 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. Depreciation is based on the Beacon Approach where 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 a straight line depreciation percentage. For Fire Stations the percentage used is 2.45% and for Office Buildings 2.21%. Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

### 13. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
<b>Investments</b>				
Loans and receivables	0	0	550	1,425
Available-for-sale financial assets	0	0	0	0
<b>Total Investments</b>	0	0	550	1,425
<b>Debtors</b>				
Loans and receivables	0	0	0	0
Financial assets carried at contract amounts	0	0	0	0
<b>Total Debtors</b>	0	0	0	0
<b>Borrowings</b>				
Interest Accrued	0	0	142	155
Financial liabilities at amortised cost	12,504	15,898	19,971	19,547
<b>Total Borrowings</b>	12,504	15,898	20,113	19,702
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	3,269	3,203
<b>Total Creditors</b>	0	0	3,269	3,203

**Note 1** – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet, which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. The effective interest rate is accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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

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

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

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

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

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

These are explained in more detail below.

### Financial instruments Gains/Losses

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

Financial Instruments Gains and Losses				
	2017/18		2018/19	
	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	455		509	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>455</b>		<b>509</b>	
Interest income		(3)		(12)
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(3)</b>		<b>(12)</b>
<b>Net gain/(loss) for the year</b>	<b>(455)</b>	<b>3</b>	<b>(509)</b>	<b>12</b>

## External Borrowing

The loans outstanding have been raised through the Public Works Loan Board (PWLB) and on the financial markets. The following table gives an analysis of the loans by maturity. The table shown excludes the interest accrual for the year which is shown under short term borrowing.

Source of Loan	Interest Rate Payable	Minimum to Maximum approved limits	Actual	Total Outstanding at 31 March 2018		Actual	Total Outstanding at 31 March 2019	
	2018/19 2017/18 %			% March 2018	£'000		% March 2019	£'000
Public Works Loans Board	1.45 – 4.9				18,445			15,475
Market Loans	1.45 – 4.9 0.82 – 0.98 0.43 – 0.80				17,000			17,000
<b><u>ANALYSIS OF LOANS BY MATURITY</u></b>								
Within 1 Year		0% - 55%	55.15		19,547	61.5		19,971
Between 1 and 2 years		0% - 50%	8.38	2,971		8.59	2,790	
Between 2 and 5 years		0% - 50%	21.58	7,648		19.26	6,254	
Between 5 and 10 years		0% - 75%	6.36	2,255		3.07	997	
Over 10 years		0% - 100%	8.53	3,024		7.58	2,463	
<b>TOTAL</b>					<b>35,445</b>			<b>32,475</b>

Conwy County Borough Council manages the Treasury function on behalf of the Fire and Rescue Authority but all loans are under the name of North Wales Fire and Rescue Authority.

## 14. 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-18		31-Mar-19	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	18,445	19,960	15,475	17,043
Non-PWLB debt	17,000	17,000	17,000	17,000
<b>Total debt</b>	<b>35,445</b>	<b>36,960</b>	<b>32,475</b>	<b>34,043</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. The carrying amount excludes the accrued interest as per note 13.

## 15. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2018 and 31 March 2019 is shown below.

	Main Stores		Transport Van Stock		Totals	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Balance at start of year	510	541	26	23	536	564
Purchases	529	259	30	55	559	314
Recognised as an Expense in year	(498)	(342)	(33)	(57)	(531)	(399)
<b>Balance outstanding at year end</b>	<b>541</b>	<b>458</b>	<b>23</b>	<b>21</b>	<b>564</b>	<b>479</b>

## 16. DEBTORS

2017/18 £'000		2018/19 £'000
255	Other	433
3,917	Trade	2,959
953	Payment in Advance	1,215
<b>5,125</b>	<b>Total</b>	<b>4,607</b>

## 17. CASH AND CASH EQUIVALENTS

The actual cash in hand represented the cash shown in the balance sheet, together with transactions not effected within the cleared bank balance at 31 March 2019. The following table summarises the position:

	31-Mar-18 £'000	31-Mar-19 £'000
Bank Call Accounts	1,425	550
Short Term Investments	0	0
Bank Current Accounts	20	(514)
Petty Cash Imprests	10	10
<b>Total Cash and Cash Equivalents</b>	<b>1,455</b>	<b>46</b>

## 18. CREDITORS

2017/18 £'000		2018/19 £'000
677	Other	773
2,871	Trade	2,839
<b>3,548</b>	<b>Total</b>	<b>3,612</b>

## 19. PROVISIONS

At 31 March 2019 the Authority held a provision with a value of £450k 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
Pay settlements	180	315	(45)	450

## 20. USABLE RESERVES

### General Reserves

It is prudent for the Authority to hold a General Reserve and it is anticipated that the areas where it will be used will be:

- pay increases;
- decrease in grant funding.

The balance on the reserve at 31 March 2019 is £1,376k (31 March 2018: £2,057k). The decrease is due to the utilisation of the reserve to underpin the revenue budget for 2018/19.

## Earmarked Reserves

A number of earmarked reserves have been set up for specific purposes, which the Authority has agreed to fund.

	Balance 1 April 17 £'000	Transfers in/(out) 2017/18 £'000	Balance 31 March 18 £'000	Transfers in/(out) 2018/19 £'000	Balance 31 March 19 £'000
Pension Reserve	100	(56)	44	41	85
Radio Scheme	300	0	300	0	300
HFSC Grant Reduction/Training	195	0	195	0	195
Interest Reserve	100	0	100	0	100
Vehicle Purchase	53	(53)	0	0	0
Fire Hydrant Repairs	0	0	0	90	90
<b>Totals</b>	<b>748</b>	<b>(109)</b>	<b>639</b>	<b>131</b>	<b>770</b>

## Grant Reserves

Under IFRS any grants that have been received by the Authority for specific schemes but have not yet been utilised in year have been shown under Capital Grants receipts in advance.

## Total Usable Reserves

31-Mar-18 £'000		31-Mar-19 £'000
2,057	General Reserve	1,375
639	Earmarked Reserves	770
<b>2,696</b>	<b>Total Usable Reserves</b>	<b>2,145</b>

## 21. UNUSABLE RESERVES

31-Mar-18 £'000		31-Mar-19 £'000
9,460	Revaluation Reserve	9,244
7,323	Capital Adjustment Account	6,183
(313,110)	Pensions Reserve	(332,209)
(216)	Accumulated Absences Account	(309)
<b>(296,543)</b>	<b>Total Unusable Reserves</b>	<b>(317,091)</b>

## 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.

2017/18 £'000	Revaluation Reserve	2018/19 £'000
9,676	Balance at 1 April	9,460
0	Upward revaluation of assets/Remove Depreciation	0
0	Adjustment from Capital Adjustment Account through CIES	0
0	Adjustment from Capital Adjustment Account	0
(216)	Difference between fair value depreciation and historical cost depreciation	(216)
0	Asset Disposal net	0
9,460	Balance at 31 March	9,244

## 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.

2017/18 £'000	Capital Adjustment Account	2018/19 £'000
8,037	Balance at 1 April	7,323
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(411)	▪ Amount of non current asset written off on disposal or sale as part of the gain/loss on disposal to CIES	(100)
(3,745)	▪ Charges for depreciation & impairment of non-current assets	(3,432)
0	▪ Adjustment to the Revaluation Reserve through CIES	0
0	▪ Adjusting amounts written out of the Revaluation Reserve	0
(4,156)	Net written out amount of the cost of non-current assets consumed in the year	(3,532)
	<b>Capital financing applied in the year:</b>	
569	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	107
692	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	144
2,181	▪ Statutory provision for the financing of capital investment charged against the General Fund	2,140
(714)		(1,140)
<b>7,323</b>	<b>Balance at 31 March</b>	<b>6,183</b>

The opposite entries for depreciation, impairment charges and revaluations are posted to either the Revaluation Reserve or the Capital Adjustment Account according to the criteria detailed above. The table below shows the transactions that have been posted to the Revaluation Reserve and the Capital Adjustment Account.

2017/18	Fixed Asset Statement (Note 12)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(3,291)	(216)	(3,075)	(3,291)
Impairments	(670)	0	(670)	(670)
<b>Total</b>	<b>(3,961)</b>	<b>(216)</b>	<b>(3,745)</b>	<b>(3,961)</b>
2018/19	Fixed Asset Statement (Note 12)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(3,149)	(216)	(2,933)	(3,149)
Impairments	(599)	0	(599)	(599)
<b>Total</b>	<b>(3,748)</b>	<b>(216)</b>	<b>(3,532)</b>	<b>(3,748)</b>



## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require any benefits earned to be financed as the Authority makes employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £'000	MOVEMENTS on PENSION RESERVE	2018/19 £'000
(304,626)	Opening Balance 1 April	(313,110)
(14,940)	Reversal of Items related to retirement benefits debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	(28,224)
7,871	Employer's pensions contributions and direct payments to pensioners payable in the year	8,627
(1,415)	Re-measurement of the net defined benefit liability	498
<b>(8,484)</b>	<b>MOVEMENT ON PENSION RESERVE</b>	<b>(19,099)</b>
<b>(313,110)</b>	<b>CLOSING BALANCE</b>	<b>(332,209)</b>

## Accumulated Absences Account

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

2017/18 £'000	Accumulated Absences Account	2018/19 £'000
(241)	Balance at 1 April	(216)
241	Settlement or cancellation of accrual made at the end of the preceding year	216
(216)	Amounts accrued at the end of the current year	(309)
<b>(216)</b>	<b>Balance at 31 March</b>	<b>(309)</b>

## 22. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2017/18 £'000		2018/19 £'000
8,981	<b>Net (Surplus)/Deficit on the Provision of Services</b>	21,728
	<b>Adjustment to net (surplus)/deficit for non-cash movements</b>	
28	Increase/(decrease) in Inventories	(85)
2,658	Increase/(Decrease) in Debtors	(2,116)
(992)	(Increase)/Decrease in Creditors	787
(3,291)	Depreciation Charge	(3,149)
569	Contributions Received/Capital Receipts	250
(7,056)	IAS 19 Pension Adjustments	(19,597)
(671)	Impairment Charge	(599)
147	Revaluation Adjustment Capital Adjustment Account	0
(180)	Contribution (to)/from Various Provisions	(270)
0	Other non-cash items charged to the net surplus or deficit on the provision of services	(32)
25	Accumulated Absences Reserve	(93)
<b>(8,763)</b>	<b>Less Total</b>	<b>(24,904)</b>
	<b>Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities</b>	
(455)	Interest paid	(509)
3	Interest Received	12
<b>(452)</b>	<b>Less Total</b>	<b>(497)</b>
<b>(234)</b>	<b>Net Cash Flow From Operating Activity</b>	<b>(3,673)</b>

## 23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £'000		2018/19 £'000
3,729	Purchase of property, plant and equipment, investment property and intangible assets	1,856
(569)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(107)
(596)	Other receipts from investing activities	(144)
<b>2,564</b>	<b>Net cash flows from investing activities</b>	<b>1,605</b>

## 24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £'000		2018/19 £'000
(38,490)	Cash receipts of short-term and long-term borrowing	(17,637)
34,628	Repayments of short –term and long-term borrowing	20,617
452	Other payments for financing activities	497
<b>(3,410)</b>	<b>Net cash flow from financing activities</b>	<b>3,477</b>

## 25. TRADING OPERATIONS

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

2017/18 £'000		2018/19 £'000
(23)	Turnover	(25)
50	Expenditure	50
<b>27</b>	<b>Deficit</b>	<b>25</b>

## 26. MEMBERS' ALLOWANCES

2017/18 £		2018/19 £
	<b>Full Year Allowances</b>	
10,415	Chair	10,445
5,415	Vice Chair	5,445
5,415	Chair Audit Committee	5,445
1,715	Member	1,745
<b>57,888</b>	<b>Total of Members' Allowances paid</b>	<b>65,448</b>
<b>7,789</b>	<b>Total of Members' Expenses paid</b>	<b>6,585</b>
<b>65,677</b>	<b>Total Paid to Members</b>	<b>72,033</b>

## 27. OFFICERS' REMUNERATION

### Senior Officers' Emoluments 2018/19 – Salary Between £60,000 and £150,000

POST TITLE	Year	SALARY (inc fees and allowances)	EXPENSES REIMBURSED	BENEFIT IN KIND (Provided vehicle)	TOTAL (excl pension contributions)	PENSION CONTRIBUTIONS	TOTAL REMUNERATION
		£	£	£	£	£	£
Chief Fire Officer	2017/18	123,515	135	6,757	130,407	36,703	167,110
	2018/19	125,674	126	4,398	130,198	36,650	166,848
Deputy Chief Fire Officer (Left 3rd Dec 2017)	2017/18	64,802	96	4,507	69,405	19,402	88,807
	2018/19	0	0	0	0	0	0
Assistant Chief Fire Officer	2017/18	89,235	126	796	90,157	26,516	116,673
	2018/19	90,795	126	0	90,921	26,479	117,400
Assistant Chief Fire Officer	2017/18	89,235	245	4,215	93,695	22,755	116,450
	2018/19	90,795	248	2,444	93,487	23,153	116,640
Temporary Assistant Chief Fire Officer (Left 10th Feb 2018)	2017/18	71,514	3	1,600	73,117	18,236	91,353
	2018/19	0	0	0	0	0	0
Assistant Chief Officer (Started 1st April 2018)	2017/18	0	0	0	0	0	0
	2018/19	61,200	0	11,057	72,257	17,848	90,105
Temporary Assistant Chief Officer (Started 4th Dec 2017)	2017/18	19,516	237	0	19,753	5,708	25,461
	2018/19	61,200	126	0	61,326	17,848	79,174
Temporary Assistant Chief Fire Officer (Started 3rd Sept 2018)	2017/18	0	0	0	0	0	0
	2018/19	49,547	179	2,489	52,215	6,519	58,734
Treasurer – Section 151 Officer (15 Days per Year)	2017/18	7,236	422	0	7,658	0	7,658
	2018/19	7,508	210	0	7,718	0	7,718

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 31 – Related Parties.

For those officers that are members of the Local Government Pension Scheme the employers contribution includes 14.7% of their salary plus an apportionment of the lump sum payable to the Pension Fund based on a percentage of total pensionable pay.

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

REMUNERATION BAND	2017/2018 NUMBER OF EMPLOYEES	2018/2019 NUMBER OF EMPLOYEES
£80,000 - £84,999	0	0
£75,000 - £79,999	2	3
£70,000 - £74,999	2	0
£65,000 - £69,999	0	0
£60,000 - £64,999	0	5

(Note the above excludes senior officers as they are separately disclosed on page 40).

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

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

2017/18 £		2018/19 £
130,055	Chief Fire Officer	130,072
29,934	Median	30,533
4.34	Ratio	4.26

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 other redundancies are set out in the table below.

## Exit Packages

Exit Packages Cost Band (including special payments)	Number of Departures Agreed		Total Cost of Exit Packages in Each Band	
	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	-	2	-	10,867
<b>Total</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>10,867</b>

## 28. EXTERNAL AUDIT COSTS

2017/18 £'000		2018/19 £'000
64	Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	71

## 29. GRANTS

The following grants were received by the Authority:

2017/18 £'000		2018/19 £'000
	<b>Revenue</b>	
416	Airwave	416
157	Arson Reduction Team	148
66	Community Assistance Team	0
186	Interventions	203
99	NDG Equipment Maintenance	107
291	New Dimensions/All Wales Resilience	136
162	Phoenix	162
53	Resilience Officer	88
<b>1,430</b>	<b>TOTAL</b>	<b>1,260</b>
	<b>Capital</b>	
37	Community Assistance Team	0
559	Water Rescue Grant	0
0	Mobile Data Terminals	143
<b>596</b>	<b>TOTAL</b>	<b>143</b>

## 30. 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 other two Fire and Rescue Services.

2017/18 £'000		2018/19 £'000
3,711	New Dimensions/All Wales Resilience	2,010
224	Phoenix	225
<b>3,935</b>	<b>Total</b>	<b>2,235</b>

## 31. RELATED PARTIES

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

- Each Member of the Authority is also a Member of one of the constituent authorities
- The Treasurer to the Authority was formerly the Strategic Director - Democracy, Regulation and Support, Conwy County Borough Council. The post is now employed directly by the Fire and Rescue Service.
- The Monitoring Officer is the Chief Executive of Flintshire County Council

Conwy County Borough Council manages the Treasury function on behalf of the Fire and Rescue Authority and brokers market loans and investments on behalf of the Authority. The position as at 31 March 2019 was that £10m in market loans were brokered by Conwy CBC on behalf of the Fire and Rescue Authority. Conwy CBC also provides legal services to the Authority.

Carmarthenshire County Council provides a superannuation service for the Authority specifically in relation to the Firefighters' Pension Scheme.

There are joint arrangements with North Wales Police which include a joint Facilities Management Department, a shared control room and partnership working on a number of projects.

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

2017/18 £'000		2018/19 £'000
14	Flintshire CC – Monitoring Officer	14
135	Conwy CBC – Financial Services	135
4	Conwy CBC – Legal Services	10
43	Carmarthenshire CC – Superannuation Service	48
19	Welsh Local Government Association	19
145	North Wales Police – Facilities Management	149
8	North Wales Police - Procurement	15

Members and senior officers of the Authority were asked to declare any third party transactions during the year. Apart from Councillor J Rodney Skelland (whereby no declaration of interest was received by the time the Statement of Accounts were completed) all other members have submitted declarations of interest and apart from allowances and expenses no other transactions were identified.

The table below provides details of all payments made to the related parties.

2017/18		2018/19
43,212	Carmarthen County County	48,491
310,912	Conwy County Borough Council	327,649
92,544	Flintshire County Council	76,376
344,733	North Wales Police Authority	611,247
19,172	Welsh Local Government Association	19,152

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

## 32. CAPITAL EXPENDITURE AND FINANCING

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

2017/18 £'000		2018/19 £'000
33,662	Opening Capital Financing Requirement	33,916
(33)	Prior Year Adjustment	0
	Capital Investment in Year	
3,729	- Fixed Assets	1,857
	Sources of Finance	
(596)	- Grants & Contributions	(144)
(2,846)	- Revenue and Other Provisions	(2,246)
33,916	Closing Capital Financing Requirement	33,383
<b>(254)</b>	Change in Capital Financing Requirement	<b>533</b>
	Explanation of change:	
(254)	(Increase)/decrease in underlying need to borrow	533

Capital Expenditure during the year was as follows:

Scheme	Operational Assets £'000	Assets Under Construction £'000
Station refurbishments	582	0
Fleet - vehicles and equipment	324	42
Operational equipment	148	143
Information Technology software	299	319
<b>Total</b>	<b>1,353</b>	<b>504</b>



## CAPITAL COMMITMENTS 2019/20 Onwards

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 2019 for future periods equates to £421k (2017/18: £ nil). The commitments relate to ICT projects, see the table below:

Description	£'000
ICCS Migration	200
HR System Replacement	65
ICT Mobile Data Project	55
Commad & Control Refresh	101
<b>Total</b>	<b>421</b>

The Authority has also received approval from the Welsh Government that £222k of Capital Grants meant for 2018/2019 can be utilised within 2019/2020 in order to procure four vehicles (two for the North Wales Fire Authority and two for the Mid & West Wales Fire Authority).

## FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

2017/18 £'000		2018/19 £'000
2,468	External Loans	1,606
596	Grant Funding	144
569	Capital Receipts	107
96	Revenue Contribution to Capital	0
<b>3,729</b>	<b>Total</b>	<b>1,857</b>

## 33. LEASES

### Finance Leases

The Authority has acquired the new 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 £5,741k. The lease payment for the Wrexham Fire Station is a peppercorn rent so therefore there is no reconciliation between the total of future minimum lease payments and the present value.

### Operating Leases

The Authority had no obligation for operating lease payments as at 31 March 2018 or 31 March 2019. Previous to the introduction of the Prudential Code in 2003 the Authority financed the majority of their short life assets through leasing. Following the introduction of the code the Authority was free to choose the most cost effective way of financing their assets. This has resulted in a move away from leasing as a method of financing to direct purchase.

## **34. TERMINATION BENEFITS**

Two contracts were terminated during 2018/19 (2017/18: nil). The termination costs in 2018/19 amounted to £11k.

## **35. TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS**

### **Pensions**

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

In 2018/19 the Authority paid employer's pension contribution of £1,467k (2017/18: £1,471k) representing 14.7% (2017/18, 14.7%) of employees' pensionable pay and included a lump sum payment of £721k (2017/18: £695k) into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2016. Following the review, the employer's contribution is due to remain at 14.7% for 2019/20. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

Pension contributions to be paid in to the scheme for the financial year 2019/20 are estimated to be £1,462k for the employer.

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

#### **(ii) Firefighters**

The Firefighters' Pension Scheme is an unfunded scheme with defined benefits. In 2018/19 the Authority paid an Employer's Pension contribution of £1,889,329 (2017/18, £1,939,508). Pensions payments relating to ill health paid from revenue amounted to £404,915 (2017/18 £403,815). In 2019/20 the employer's contribution to the scheme is estimated to be £3,051,877 and the estimate for Pensions paid from revenue is £415,000. The majority of pension payments to retired firefighters are paid from a separate Pension Fund account administered by the Authority.

Note that the disclosures make no allowances for the 29th March 2019 High Court ruling that firefighters' contractual overtime payments are pensionable.

Within 2017/2018 a past service cost was recognised reflecting the extension of the interim solution regarding guarantee minimum pension ("GMP") indexation. Members of public service pension schemes with GMP entitlements who reach State Pension age on or after 6 December 2018 and before 6 April 2021 will be covered by this extension of the interim solution. As HMT have not announced any changes to the current solution, no past service cost has been recognised in 2018/19 in this respect.

## **International Accounting Standard No 19 – Retirement Benefits**

In accordance with the requirements of International Accounting Standard No 19 - Retirement Benefits (IAS19) the Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 35 the Authority participates in two schemes, the Firefighters' Pension Scheme for Firefighters which is unfunded, and the Local Government Pension Scheme (Clwyd Pension Fund) for other employees which is administered by Flintshire County Council. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

To comply with IAS19 the Authority appoints actuaries on an annual basis to assess the assets and liabilities of both schemes.

The following table provides a detailed breakdown of the data in line with the Code.

## Transactions Relating to Retirement Benefits Recognised in the Accounts

	Funded		Unfunded	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>				
<b>Net Cost of Service</b>				
Current Service Cost	1,624	1,513	4,960	5,700
Past Service Costs	0	733	180	12,150
Administration Expenses	57	58	0	0
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
Net Interest Expense	329	320	7,660	7,640
Transfers in to scheme	0	0	130	110
<b>Total Defined Benefit Charged to Provision of Service</b>	<b>2,010</b>	<b>2,624</b>	<b>12,930</b>	<b>25,600</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>				
*Return on Plan Assets (excluding Interest) (A)	(451)	(740)	0	0
*Actuarial (Gains)/Losses arising on Changes in Demographic Assumptions (B)	0	0	(8,710)	0
*Actuarial (Gains)/Losses arising on Changes in Financial Assumptions (C)	(1,974)	2,692	8,580	8,450
*Other (D)	0		3,970	(10,900)
<b>Total Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(2,425)</b>	<b>1,952</b>	<b>3,840</b>	<b>(2,450)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus or deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(2,010)	(2,624)	(12,930)	(25,600)
<b>Actual Amounts charged to the General Fund for pensions in the year</b>				
Total Employer Contributions	1,471	1,467	2,357	2,395
Fire Fighters Pensions Top Up Grant	0	0	4,043	4,765

\* A + B + C + D = Re-measurement of the Net Defined Benefit Liability/(Asset) as quoted in the Comprehensive Income and Expenditure Statement: 2018/19: (£498k); 2017/18: £1,415k

## IAS 19 Pension Adjustment to the Net Cost of Service Income and Expenditure Statement

2017/18 £'000	Adjustment to Net Cost of Service	2018/19 £'000
6,584	Current Service Costs	7,213
180	Past Service Costs	12,883
57	Administration Expenses	58
(3,828)	Employer's Contributions	(3,772)
(4,043)	Top Up Grant	(4,765)
260	Actuarial Adjustment/Curtailment	0
(130)	Transfer Out	(90)
0	Transfer In	110
<b>(920)</b>	<b>Adjustment to Net cost of Service</b>	<b>11,637</b>

Pension assets and liabilities recognised in the balance sheet arising from the Authority's obligation, in respect of its defined benefit plan are as follows:

31st March 2018 £'000		31st March 2019 £'000
299,820	Estimated Present value of the defined benefit obligation in the Fire Fighters Pension Fund	315,810
40,275	Estimated Present value of the defined benefit obligation in the Clwyd Pension Fund	45,355
<b>340,095</b>	<b>Total Estimated share of liabilities</b>	<b>361,165</b>
(26,985)	Estimated Share of assets in Clwyd Pension Fund	(28,956)
<b>313,110</b>	<b>Net Pensions Deficit</b>	<b>332,209</b>

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Liabilities	2017/18	2017/18	2018/19	2018/19
	£'000 Clwyd	£'000 Firefighters	£'000 Clwyd	£'000 Firefighters
Balance as at 1 April	40,030	289,450	40,275	299,820
Current Service Cost	1,624	4,960	1,513	5,700
Transfer Values	0	130	0	110
Interest	1,035	7,660	1,075	7,640
Actuarial Loss/Gain	(1,974)	3,840	2,692	(2,450)
Benefits paid	(779)	(8,010)	(1,270)	(8,710)
Member contribution	339	1,610	337	1,550
<i>Past Service Cost</i>	0	180	733	12,150
<b>Net Pension Liabilities at Year End</b>	<b>40,275</b>	<b>299,820</b>	<b>45,355</b>	<b>315,810</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. A reconciliation of the fair value of the scheme assets only relates to the Clwyd Pension Fund:

2017/18 £'000	Assets	2018/19 £'000
(24,854)	Balance 1 April	(26,985)
(706)	Interest on Plan Assets	(755)
(451)	Remeasurements (Assets)	(740)
57	Administration Expenses	58
(1,471)	Employer Contributions	(1,467)
(339)	Member Contributions	(337)
779	Benefits Paid	1,270
<b>(26,985)</b>	<b>Net Pension Assets at Year End</b>	<b>(28,956)</b>

The Local Government Scheme is a funded scheme and as such has built up assets over the years to generate income to meet future liabilities. Assets in the Clwyd Pension Fund consist of:

Asset Category	Quoted Prices in Active Markets	31-Mar-18	31-Mar-18	31-Mar-19	31-Mar-19
		£'000	%	£'000	%
<b>Equity Securities</b>					
Global Quoted	Y	2,213	8%	2,316	8%
Emerging Markets	Y	1,889	7%	1,795	6%
<b>Bonds</b>					
Overseas Other	Y	3,076	11%	3,214	11%
LDI	Y	6,099	23%	6,602	23%
<b>Property</b>					
UK	Y	1,376	5%	1,593	6%
Overseas	Y	351	1%	319	1%
<b>Alternatives</b>					
Hedge Funds/Private Equity/ Commodities/GTAA	Y	11,657	43%	13,059	45%
<b>Cash &amp; Cash Equivalents</b>					
All	Y	324	1%	58	0%
<b>Totals</b>		<b>26,985</b>	<b>100%</b>	<b>28,956</b>	<b>100%</b>

Details regarding the changes in the rules can be found at [Local Government Pension Scheme Rules](#).

## Sensitivity Analysis

If the assumptions were changed the effect on the data would be as per the following table.

	LGPS	LGPS Impact	Firefighters	Firefighters Impact
	% Change	£ Million	% Change	£ Million
Rate of Discounting	0.1	-0.837	0.5	-29
Rate of Increase in Salaries	0.1	0.204	0.5	5
Rate of Increase in Inflation	0.1	0.855	0.5	22
Life Expectancy + 1 Year	1.0	0.755	1	7

## 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 and the Clwyd Pension Fund liabilities have been valued by Mercer, an independent firm of actuaries. The main assumptions used in the calculations are:

	Firefighters' Scheme		Clwyd Pension Fund	
	2018 %	2019 %	2018 %	2019 %
Rate of Inflation	2.3	2.35	2.1	2.2
Rate of Increase in Salaries	4.3	4.35	3.35	3.45
Rate of Increase in Pensions	2.3	2.35	2.2	2.3
Rate of Discounting Scheme Liabilities	2.55	2.45	2.7	2.5
	Life Expectancies Estimated as at 31 March 2019			
Life Expectancy at 65	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
Current Pensioners	22.0	22.0	23.2	25.7
Future Pensioners	23.9	23.9	25.9	28.4

The Firefighters' Pension Scheme is an unfunded scheme and as such holds no assets to generate income to meet the scheme's liabilities. Funding for the payments made from the scheme is met from employers and employees contributions in the year and an annual grant from the Welsh Government.

## 36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:

<b>Credit Risk</b>	<p>This is the possibility that other parties might fail to pay amounts due to the Authority.</p> <p>The highest credit risk is for investments and these are managed through the Treasury Management Strategy. In the current market the Authority only invests short term, up to a maximum of 3 months, with institutions that are on the Authority's counterparty list. On a daily basis the Authority is updated with any changes to the credit status of institutions on the counterparty list and if any institutions are downgraded and fail to meet the criteria set out in the Treasury management Strategy then they are removed from the list. If an institute failed to repay an investment then the financial loss to the Authority could be in excess of £0.5m. However, due to careful management of the portfolio no institutions have failed to repay monies due.</p>
<b>Liquidity Risk</b>	<p>This is the possibility that the Authority might not have funds available to meet its commitments to make payments.</p> <p>The Authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority</p>

	will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.
<b>Market Risk</b>	<p>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.</p> <p>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 £100k; and interest from investments would have increased by £3k.</p>

The Authority has adopted the CIPFA Code of Practice on Treasury Management which ensures the Authority has measures in place to manage the above risks. At the beginning of the financial year Members are presented with a report outlining the Treasury Management Strategy to be followed for the year and setting out the Prudential Indicators (PI's) for the year. Half way through the year a report detailing progress against strategy and if necessary a revision of the PI's. At year end the final report sets out how the Authority has performed during the year. How the Authority manages risks arising from financial instruments is detailed in the treasury reports presented to Members and can be accessed from North Wales Fire and Rescue Service website [www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk).

### **37. CONTINGENT ASSETS**

The Authority does not have any Contingent Assets that require disclosure. The Authority has previously disclosed a supplier dispute in relation to the supply of smoke alarms. During 2018/19 this matter was concluded on the basis of legal advice received without the need to issue legal proceedings. The details of the final agreement remain confidential due to the commercial sensitivity to the supplier.

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

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Amendments to IAS 40 Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments – Payment Features with Negative Compensation.

The various changes covered by the Annual Improvements to IFRS's cycles are relatively minor updates to the relevant standards to clarify the correct treatment. None will have a material impact on the Statement of Accounts.



## FIREFIGHTERS' PENSION FUND ACCOUNT

This shows the financial position of the Firefighters' Pension Fund Account, indicating whether the Authority owes, or is owed money by the Welsh Government in order to balance the account, together with details of its net assets.

2017/18 £'000	Fund Account	2018/19 £'000
	<b>INCOME</b>	
	<b>Contributions Receivable:</b>	
(1,940)	Employer normal contributions	(1,889)
(56)	Employer Ill Health Charge	(31)
(1,430)	Members normal contributions	(1,466)
(75)	Members backdated contributions	(83)
(131)	Transfers In	(120)
<b>(3,632)</b>	<b>TOTAL</b>	<b>(3,589)</b>
	<b>EXPENDITURE</b>	
	<b>Benefits Payable:</b>	
6,609	Pension Payments	6,954
1,066	Commutation of Pensions and Lump Sum benefits	1,262
0	Backdated Commutation Payments	43
	<b>Payments to and on Behalf of Leavers:</b>	
0	Transfers out	95
<b>7,675</b>	<b>TOTAL</b>	<b>8,354</b>
<b>4,043</b>	<b>NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT</b>	<b>4,765</b>
(4,043)	Top Up grant receivable from WG	(4,765)
<b>0</b>	<b>NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR</b>	<b>0</b>

2017/18 £'000	Net Assets Statement	2018/19 £'000
	<b>Net Current Assets and Liabilities:</b>	
(599)	Prepayment to Pensioners	(628)
(1,143)	Top Up payable (from)/to WG	(1,294)
1,742	Amount owed (from)/to the General Fund	1,922
<b>0</b>	<b>Net Assets at year end</b>	<b>0</b>

## Notes to the Firefighters' Pension Fund Account

The Fund was established 1 April 2007 and covers the 1992, 2007 and 2015 Firefighters' Pension Schemes and is administered by the Authority.

Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Welsh Government and subject to triennial revaluation by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by Top Up Grant from the Welsh Government.

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 in to the fund and these are the costs that are included in the accounts for the Authority.

Carmarthenshire County Council, acting on behalf of the Dyfed Pension Fund, provide a service to the Authority by managing 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.

In 2018/19 the estimate for the Top Up Grant due was £4,389k and the actual was £4,765k. At the year end the WG owed £1,294k to the Authority.

### Contribution Rates

Under the Firefighters' Pension Regulations the employer's contribution rates for the 2015 scheme were 14.3% of pensionable pay with employees' rates as per the pensionable pay banding detailed below:

Pensionable Pay Band	2018/19 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

Under the Firefighters' Pension Regulations the employer's contribution rates for the 2007 scheme were 16.8% of pensionable pay with employees' rates as per the pensionable pay banding detailed below:

<b>Pensionable Pay Band</b>	<b>2018/19 Contribution Rate %</b>
Up to and including £15,609	8.5
More than £15,609 and up to and including £21,852	9.4
More than £21,852 and up to and including £31,218	10.4
More than £31,218 and up to and including £41,624	10.9
More than £41,624 and up to and including £52,030	11.2
More than £52,030 and up to and including £62,436	11.3
More than £62,436 and up to and including £104,060	11.7
More than £104,060 and up to and including £124,872	12.1
More than £124,872	12.5

For the 1992 scheme the employer's contribution rates were 25.5% of pensionable pay with employees' rates as per the pensionable pay bandings detailed below:

<b>Pensionable Pay Band</b>	<b>2018/19 Contribution Rate %</b>
Up to and including £15,609	11.0
More than £15,609 and up to and including £21,852	12.2
More than £21,852 and up to and including £31,218	14.2
More than £31,218 and up to and including £41,624	14.7
More than £41,624 and up to and including £52,030	15.2
More than £52,030 and up to and including £62,436	15.5
More than £62,436 and up to and including £104,060	16.0
More than £104,060 and up to and including £124,872	16.5
More than £124,872	17.0

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 35 to the core financial statements.

### **Additional Note to the Firefighters' Pension Fund Account**

During 2018/19 the Authority fully implemented the requirements of Rule B5C of the Firefighters' Pension (Wales) Scheme (Amendment) Order 2014.

Rule B5C included specific reference to temporary promotions which had historically been included within the final salary pension calculation. The effect of the new rule was to remove the remuneration received for temporary promotions from the final salary calculation. Instead the Authority as the Scheme Manager had the discretion to treat the temporary promotion remuneration as pensionable using an additional pension benefit.

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

The ratio of Current Liabilities to Current Assets is high and this would indicate that the Authority may have a problem with liquidity in that it will not have sufficient resources available to meet its' short term obligations. However, the Authority has ready access to borrowings from the Public Works Loan Board and other sources and there is no significant risk that it will be unable to raise finance to meet its commitments.

### 2. INCOME AND EXPENDITURE

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

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

- When payments relate to services that straddle more than one financial year one payment may be recognised in the year the payment was made.

### 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. CHARGES TO REVENUE FOR NON CURRENT ASSETS

Depreciation is provided for vehicles on a straight-line basis, with acquisitions being depreciated in the year following purchase.

Buildings have been depreciated on a straight-line basis over the estimated useful life of the assets, as supplied by Wilks Head and Eve, Chartered Surveyors. The Beacon Approach is used where 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 a straight line depreciation percentage. For Fire Stations the percentage used is 2.45% and for Office Buildings 2.21%.

Depreciation is charged to the Fire Service 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.

Assets are being depreciated using the straight-line method over the following periods or using a percentage of the opening values:-

Buildings	2.21% to 2.45%
Infrastructure	10-20 years
Vehicles, Plant and Equipment	3-20 years
Intangible Assets	5-15 years

Leased buildings that are recognised in the balance sheet under Property Plant and Equipment are depreciated over the term of the lease.

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. 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.

## **5. EMPLOYEE BENEFITS**

### **Benefits payable during employment**

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

### **Termination Benefits**

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

## **6. POST EMPLOYMENT BENEFITS**

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

### **Firefighter Pension Scheme (FPS)**

The Firefighters' pension scheme is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet the actual pension payments as they fall due. Employee and employer contributions are based on a percentage of pensionable pay set nationally by the Welsh Government and this is subject to triennial revaluation by the Government Actuary's Department (GAD).

The pension fund is treated as a separate income and expenditure statement in the Statement of Accounts and is ring fenced to ensure accounting clarity, please see Notes 21, 34 and the Firefighters' Pension Fund Account on page 53 for more detail. It is through the pension fund that the Authority discharges its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the scheme.

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

### **Support and Control Room Staff**

This is a funded scheme with pensions paid from the underlying investment funds managed by Flintshire County Council pension fund (the 'fund') which is part of the Local Government Pension Scheme (LGPS).

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

- The liabilities of the 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.
- The assets of the pension fund attributable to the authority are included in the Balance Sheet at their fair value.

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

- Service Costs Comprising:
  - Current Service Cost,
  - Past Service Costs,
  - Net interest on the net defined benefit liability,
- Remeasurements comprising:
  - The return on plan assets,
  - Actuarial gains and losses
  - Contributions paid to the pension fund.

#### **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 reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified.

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

## **8. EXCEPTIONAL ITEMS**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## **9. 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.

## **10. 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.

## **11. INVESTMENTS**

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

## **12. FOREIGN CURRENCY TRANSACTIONS**

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



purchased from abroad it has been necessary to pay for the goods in the currency of the country the transaction took place.

### **13. ACCOUNTING FOR GOVERNMENT GRANTS**

Government grants cannot be offset against fixed assets, but government grants (and other contributions) are immediately recognised in the Comprehensive Income and Expenditure Account when the required conditions have been satisfied. The income is subsequently transferred to the Capital Adjustment Account or Capital Grants Unapplied Account, dependent upon whether it has been applied. In essence Government Grants awarded for capital schemes are used as a source of financing for the capital programme.

### **14. INVENTORIES**

Inventories have been valued using First in First Out (FIFO) or weighted average cost formulae. Where there are deferred payment terms for the purchase of inventories, this is regarded as a financing arrangement and the difference between the price that would have been paid for "normal" credit terms and the actual amount paid has been recognised as an interest expense over the period of the financing.

### **15. LEASES**

#### **Finance leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Authority, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

#### **Operating Leases**

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

## 16. PROPERTY PLANT AND EQUIPMENT

Recognition	<ul style="list-style-type: none"> <li>-held for use in delivering services or for administrative purposes;</li> <li>-probable that future economic benefits will flow to, or service potentially be provided to, the Authority;</li> <li>-expected to be used for more than one financial year;</li> <li>-the cost of the item can be measured reliably;</li> <li>-the items form part initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.</li> </ul>								
De Minimus level	£1,000								
Useful Economic Life of Assets	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Buildings</td> <td style="text-align: right;">20-75 years</td> </tr> <tr> <td>Infrastructure</td> <td style="text-align: right;">10-20 years</td> </tr> <tr> <td>Vehicles, Plant and Equipment</td> <td style="text-align: right;">3-20 years</td> </tr> <tr> <td>Intangible Assets</td> <td style="text-align: right;">5-15 years</td> </tr> </table>	Buildings	20-75 years	Infrastructure	10-20 years	Vehicles, Plant and Equipment	3-20 years	Intangible Assets	5-15 years
Buildings	20-75 years								
Infrastructure	10-20 years								
Vehicles, Plant and Equipment	3-20 years								
Intangible Assets	5-15 years								
Non-Specialised Operational and Non-Operational Assets	Land and buildings are carried at Fair Value normally determined from market based evidence, which is generally taken to mean open market value, but the Code allows these assets to be carried forward at the existing use value.								
Assets of a Specialised Nature	where there is no market evidence, an estimate of fair value has been based on Depreciated Replacement Cost (DRC), the valuation being that of a Modern Equivalent Asset (MEA) using the “instant build” approach. Fire stations are included under this category.								
Land and Buildings	accounted for separately, and land is assumed to have an infinite life. Property is revalued every 5 years, the latest valuation was carried out by external valuers Wilks, Head & Eve on the 1 April 2015.								
Assets Under Construction	valued at historic cost								
Surplus Assets	<p>valued at Fair Value that is considered to be open market value. Where the asset is not held for generating cashflows, the value in use is the Present Value of the asset’s remaining service potential, assumed to be at least equal to the cost of replacing that service potential and used as a measure of fair value.</p> <p>If the surplus asset is of a specialised nature, then DRC has been used as an estimate of fair value. Surplus assets have been depreciated, with the</p>								

	depreciation being shown against “non-distributed costs” rather than a specific service.
Component Accounting	A component of property, plant and equipment is an item that has a cost that is significant in relation to the total cost of the asset. Components are depreciated individually over their useful lives and all buildings are depreciated on a component basis. Component accounting will only be applied when a component is replaced or part enhanced, and the old component has been derecognised.
Revaluation	When an asset is re-valued, an entry has been made between the Revaluation Reserve and the Capital Adjustment Account which represents the difference between depreciation based on historic cost and the re-valued amount.
Revaluation Losses	A revaluation loss that is due to a clear consumption of economic benefit, if there is a previous revaluation surplus on that asset, is first charged against the surplus to the extent of the surplus, with the balance of the loss being charged to the Comprehensive Income and Expenditure Account.
Impairment	Assets are carried at no more than their recoverable amount, and impairment is measured by comparing the carrying value with the higher of fair value less costs to sell (equivalent to net selling price) and value in use. Impairment is assessed annually, and the indicators to reverse an impairment are the same for tangible and intangible assets. All impairment losses on re-valued assets are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each individual asset.
Disposals and Non-current Assets Held for Sale	<p>When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing 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.</p> <p>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.</p>

## **17. CAPITAL RECEIPTS**

The proceeds from disposed of assets are held as Usable Capital Receipts in the Usable Capital Receipts reserve until used to finance capital expenditure. All receipts from the sale of assets above £10k are treated as capital receipts. The exception to this rule is when the receipt relates to specific vehicles for which the proceeds have been factored in to the repayment schedule, these amounts could be less than £10k.

## **18. RESERVES and PROVISIONS**

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

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

The Authority maintains reserves to meet future expenditure. These are disclosed within the balance sheet and their purposes are explained in the notes to the balance sheet.

## **19. 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 reliably.

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

## **20. VALUE ADDED TAX**

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

## **21. INTANGIBLE ASSETS**

Internally generated intangible assets are capitalised where the recognition criteria are met. The criteria are as follows:

- it must be possible to separate the asset from the entity, the entity must control the asset,
- there must be future economic benefit from the asset,
- it must be probable that the economic benefits will flow to the entity, and
- the cost of the asset can be measured reliably.

The intangible asset will be initially measured at cost, all revaluations are charged initially to the revaluation reserve, and there is no maximum useful life for the asset.

## **22. MINIMUM REVENUE PROVISION POLICY**

Regulations require that the Fire and Rescue Authority approve an MRP statement in advance of each year. Members approved a revised policy in December 2017 which was applied to the set aside provision for expenditure incurred before 1 April 2018. For Land and Buildings the MRP policy is to repay expenditure incurred using the Asset Life Method-straight line. For Vehicles, Plant, Equipment and Infrastructure the MRP will be based on the estimated life of the assets. Expenditure incurred on the new Wrexham Fire station be re-paid over the life of the lease held with the Wales Ambulance Service Trust (50 years).

## **23. 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.