

NORTH WALES FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2006-2007

C O N T E N T S

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EXPLANATORY FOREWORD

1. In 2004 WAG produced a Fire and Rescue National Framework, which provides operational guidance for Fire and Rescue Services in Wales. The National Framework seeks to expand the role of Fire and Rescue Services in Wales in relation to prevention, education and engaging with the communities they serve whilst ensuring that their reactive firefighting capability is not compromised.

The North Wales Fire and Rescue Service produces annual action plans for managing down risks with increasing emphasis on prevention and education. The Service is also actively engaged in working with the communities it serves, an example of which is the approval by the Fire Authority to convert Rhyl Fire Station into a Community Fire Station. The Fire Authority has also developed partnership working with other emergency services, for example, the property portfolio is now managed by the new Facilities Management Department operated by North Wales Police, and there is an agreement to move Fire Service Control into a shared facility with the Police at St Asaph.

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of the North Wales Fire Authority for the financial year 2006-07. In compliance with UK General Accepted Accounting Practice (GAAP) the layout of the accounts and the names of some of the financial statements have changed for 2006-07. The Consolidated Revenue Account has been replaced by the Income and Expenditure account and the Statement of Movement on the Year End Balance. There is an additional statement, the Statement of Total recognised Gains and Losses, the purpose of which is explained below. The financial statements now appear together followed by notes to the Core Financial Statements.

- 2(a). The statements and their purposes are as follows:-

- (i) **Statement of Accounting Policies**
This sets out the principles and policies upon which the Authority's accounts have been prepared.
- (ii) **Income and Expenditure Account**
This summarises the resources generated and consumed by the Authority in the year.
- (iii) **Statement of the Movement on the Year End Balance**
A reconciliation showing how the balance of resources generated and consumed in the year links in with the contributions from the constituent authorities.
- (iv) **Statement of Total Recognised Gains and Losses**
This demonstrates how the movement in net worth in the balance sheet is identified to the Income and Expenditure Account deficit and to other unrealised gains and losses.
- (v) **Balance Sheet**
The Consolidated Balance Sheet describes the financial position of the Authority.
- (vi) **Cashflow Statement**
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third-parties for revenue and capital purposes.

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

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

- 2(b). The Income and Expenditure Account, Statement of Movement on the Year End Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, and Cash Flow Statement are supported by notes which provide additional information. The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting in Great Britain (2006) and the Best Value Accounting Code of Practice (2006), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit (Wales) Regulations 2005.

3. **SUMMARY OF FINANCIAL YEAR 2006-2007**(i) **Revenue Expenditure 2006-2007**

The budget for the year was approved by Members of the Fire Authority at £29,349,655. The actual expenditure was higher than budgeted and the Authority was overspent by £121,482. The overspend was funded from money held in the Pension Provision, £85,321, and the balance on the Audit Provision of £36,161 so it will not be necessary to ask the Unitary Authorities for further funding. Part of the Pension Provision was earmarked to cover the excess cost of commutations in 2006-07 this has not been utilised so can be used to cover the overspend. The Audit Provision was set up primarily to fund work on the Statement of Internal Control, this work was carried out in 2006-07 thus the balance on the provision is no longer required. A report to Members in March 2007 estimated that the outturn for 2006-07 would be an overspend of £143,385. The table below outlines the main areas of overspend and the underspends that have been used to offset them.

<i>Overspends</i>	<i>£'000</i>	<i>Underspends</i>	<i>£'000</i>
Premises Costs	87	Staff Costs	20
Transport Costs	60	Local Taxation	44
Community Fire Safety	38	Debt Charges	115
Other Supplies and Services	56	Investment Income	32
Third Party Payments	104	Additional Income	13
Total	345		224
Net Overspend			121

(ii) **Capital Expenditure 2006-2007**

During the year the Authority spent £1,785,839 on capital projects as follows:-

	£
Buildings	
Training Facilities Colwyn Bay	3,162
Caernarfon County Offices	21,413
Remodel Harlech	20,500
Remodel Llangefni	835
Remodel Llandudno	420,234
Remodel Beaumaris	4,102
Remodel Llanberis	59,373
Remodel Johnstown	2,574
Remodel Flint	136,670
Remodel Rhyl	115,747
Minor Building Works	114,719
Hydrant Installations	7,043
Vehicles and Equipment	
Water Tenders	92,921
Light Vehicles	348,011
Exhibition Unit	51,090
Driver Training Vehicle	80,576
Upgrade Vehicles	44,293
Appliance Equipment	146,985
Other Equipment	115,591
TOTAL CAPITAL EXPENDITURE	1,785,839

Expenditure on the capital programme in 2006-2007 was less than forecasted due to slippage on a number of building projects and delays on the vehicle replacement programme, specifically on water tenders. These schemes, approximate value £2.4m, will be rolled over to 2007-2008.

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2006-2007 the capital programme was financed mainly by loans from the Public Works Loan Board and grants of £211,575. No new loans were raised within the year due to advance borrowing in 2005-06.

(iii) **Balance Sheet 2006-2007**

All buildings, vehicles and equipment that are owned by the Fire Authority are allocated an asset life and are depreciated over that expected life; this is shown in Note 11 to the Core Financial Statements. The increase in borrowing is dependant upon a number of factors; the amount of capital expenditure to be financed by borrowing and the loan debt repaid as part of the Minimum Revenue Provision. The Authority's loan debt at 31 March 2007 was £8.513m.

FRS17 was introduced to ensure that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. A full charge is made to the revenue account for the current cost of service and an entry in the

Balance Sheet to reflect the Authority's pension liability. The estimated pension liability for the North Wales Fire Authority at 31 March 2007 is £169.094m, a decrease of £4.048m. The decrease is due partly to the change in the discount rate used by the Actuary when assessing the value of the pension liability, this is explained further under the Statement of Accounting Policies.

(iv) **Cash Flow**

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

(v) **Provisions and Liabilities**

The Authority holds a number of provisions to meet known future liabilities as they arise. The balance at the beginning of the year was £2.7m and at the end of the year £0.94m. The balance on the larger provision, the Pension Provision, at 31 March 2007 is £0.58m a reduction of £1.37m of which £1m has been repaid to the constituent authorities with the remainder being used to fund the overspend, support the control re-location project and support the budget for 2006-07. Other provisions have been utilised according to the purpose for which they were set up. Further details of the provisions held are included in a note to the core financial statements.

(vi) **Capital Financing Costs**

The charge made to the service revenue accounts to reflect the cost of fixed assets used in the provision of services was £883,889. This is a notional charge for depreciation and an adjustment is made to the year end balance so the contributions required to fund the service are not affected. In previous years the revenue account was also charged with a notional interest charge to reflect the services use of assets, in accordance with the CIPFA Statement of Recommended Practice (the SORP) this is no longer a requirement for 2006-07 onwards. The actual cost to the service for financing capital is £379,033 for loan interest and £528,467 Minimum Revenue Provision and Voluntary Revenue Provision.

4. **ADDITIONAL INFORMATION**

Additional information about these accounts is available from the Treasurer to the Fire Authority at Bodlondeb, Conwy. Interested members of the public also have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised in the local press and on both the websites for North Wales Fire Authority (www.nwales-fireservice.org.uk) and Conwy County Borough Council (www.conwy.gov.uk).

K W FINCH CPFA IRRV
Treasurer to the Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

CHAIRMAN'S CERTIFICATE STATEMENT OF ACCOUNTS 2006/2007

Approved at the meeting of the Executive Panel of the North Wales Fire Authority on XX September 2007 presided over by the Chairman of the Fire Authority.

SIGNED: _____ DATED: _____

Chairman, North Wales Fire Authority

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing the Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

TREASURER'S CERTIFICATE STATEMENT OF ACCOUNTS 2006/2007

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

SIGNED: _____ DATED: _____

K W FINCH CPFA IRRV

Treasurer to the Fire Authority

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

North Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The purpose of the System of Internal Control

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

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

A system of internal control has been in place within North Wales Fire and Rescue Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with good practice. However, the system is not static and improvements are made during the year.

The internal control environment

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

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

Financial management

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

- a clear segregation of responsibilities between our management accounting function, undertaken at Headquarters, and our financial accounting arrangements, which are undertaken through our Service Level Agreement (SLA) by Conwy County Council;

- The Authority annually reviews and approves the budget, which has been developed and informed by officers, in consultation with Heads of Departments;
- The Authority receives quarterly budget monitoring reports, and the Executive Group reviews the budget in detail every 6 weeks;
- We have developed a three year capital programme, enabling us to have a short, medium and long term approach to capital planning;
- We have adopted a three year budgetary forecast which is considered in our service planning process;
- The Authority reviews and approves the Treasury Management Policy, and our borrowing requirements annually;
- We have effective SLAs with Flintshire County Council for pension management and Conwy County Borough Council for financial services, providing the Authority with specialist technical knowledge;
- We review our financial regulations and standing orders on a timely basis;
- The financial responsibilities for the Authority are undertaken by well trained and experienced personnel, and staff have clear supervisory and reporting lines;

Performance management

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

- We outline our strategic objectives and proposals to achieve these in our Risk Reduction Plan annually. We track our progress in these areas throughout the year, with reports being submitted to the Executive Group and Executive Panel;
- We continue to collect and monitor our suite of Best Value Performance Indicators, setting stretched targets against these each year. We prepare monthly reports reflecting progress against these for the Risk Reduction Forum, and quarterly reports for the Executive Panel;
- We benchmark our performance annually against our 'family group' of fire and rescue services, and publish this in our Improvement Plan;
- We have introduced arrangements to prepare departmental and county plans that allow our overall aims and objectives to be cascaded throughout the service. We monitor progress against these plans every six weeks through the Risk Reduction Forum;
- We have completed a self assessment on 'operational assurance' which has been peer reviewed by a team from the other two Welsh fire and rescue services. We will take actions arising from this review forward, both within the service, and also collaboratively with the other two fire and rescue services;
- We have procured a new performance management system to improve our collation and availability for staff throughout the service, in order to make more effective and efficient use of our resources.

Corporate governance

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

- We have a scheme of delegation of decision making powers from the Authority to the Chief Fire Officer;
- Terms of reference have been introduced, are reviewed and approved for the Authority, Executive Panel and Standards Committee, which outline clearly their remit and decision making powers;
- We have reviewed and amended our corporate governance structure. The Authority is constituted from members from each of the six constituent authorities and is responsible for the strategic direction of the service. An Executive Panel has been established which allows policies to be scrutinised at an earlier stage by a panel of fourteen members, drawn equably from each local authority.

- Specific policy can be considered through working groups which we constitute for a particular reason, for example, development of our Risk Reduction Plan;
- A Standards Committee, chaired by an independent member is responsible for investigating conduct issues concerning members of the Authority;
- The senior management structure has been reviewed and amended. The Executive Group consists of the Chief Fire Officer, the Deputy Chief Fire Officer, two Assistant Chief Fire Officers and an Assistant Chief Officer. The group meets every six weeks, and there are standing items on the agenda, including performance, risk and financial management;
- Fora for developing policy have been introduced, being for Risk Reduction, People Development and Strategic Asset Management. These are the main fora for developing, monitoring and managing policy development within the service.

Risk management

In the past, we have recognised the need to develop a more integrated risk-based approach to strengthen our financial and service planning arrangements, which would consequently strengthen our overall internal control arrangements. We recognise we still have some way to go to strengthen the corporate risk management arrangements within the service, but have made a number of important steps to achieve this:

- We have prepared a corporate Risk Management policy;
- Working in conjunction with Heads of Department, we have prepared a comprehensive corporate risk register;
- The Risk Reduction Forum is responsible for monitoring, updating and managing the Risk Register at each of its six weekly meetings;
- We annually prepare a Risk Reduction Plan which outlines proposals and updates our progress to deliver our services efficiently, effectively and economically;
- We make use of a wide range of data including demographic, economic, geographical and environmental data to inform our policy decision making process and resource allocation;
- Our services are delivered by highly skilled and experienced staff, and we are fully committed to supporting staff in their professional and personal development.

Annual review of effectiveness

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

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

- Our S151 officer and Clerk are external officials to the Authority. They both have statutory duties to ensure internal control procedures are efficient and effective and are being complied with to ensure a sound financial and legality standing for the Authority;
- Our internal auditors have undertaken a number of risk based reviews of our internal control procedures across a wide range of functions within the Authority. Each review contains an opinion on the effectiveness of those control procedures. The reports are reviewed by the Executive Group, and appropriate actions are taken to follow up recommendations raised. An annual report is also presented to the Authority.
- Our external auditors provide assurance annually on our financial statements. Their statutory remit has widened to cover our corporate governance and performance management arrangements also. We have received unqualified opinions from our auditors on all of these issues.

- Throughout 2006/07, the Authority has received and/or adopted:
 - 2006/07 Statement of Accounts;
 - Quarterly budget management reports;
 - Treasury Management policy;
 - Budget for 2007/08, supported by a three year budgetary forecast;
 - External audit plans and reports, including the Annual Audit Letter; and
 - 2007/08 Risk Reduction Plan.

Significant internal control issues

We fully recognise that there are always improvements that can be made in any control environment, and we are committed to developing and strengthening our arrangements. In particular, we have identified the following as being priorities in 2007/08:

- Approving and introducing our Corporate Risk Management policy, and policies to support its implementation, including the corporate risk register;
- Reviewing the arrangements that support how we undertake our partnership working;
- Further develop our performance management framework, for example, formalising the arrangements for our department and County performance plans;
- We will address any issues that arise from the peer review of our operational service delivery.

Chair of the North Wales Fire and Rescue Authority
Dated:

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

Ian Miller
Clerk to the North Wales Fire and Rescue Authority
Dated:

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

STATEMENT OF ACCOUNTING POLICIES

1. **GENERAL**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2006 (SORP), issued in September 2006 by CIPFA and also with guidance notes issued by CIPFA on the application of Accounting Standards (SSAPs) and Financial Reporting Standards (FRS).

2. **FIXED ASSETS**

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

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

3. **INTANGIBLE ASSETS**

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

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

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

The Income and Expenditure account is charged with a capital charge for depreciation for all fixed assets used in service provision. In previous years the Authority was required in addition to the charge for depreciation to charge a specified notional rate of interest of net asset values to the revenue account this requirement has now been removed.

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

5. **DEPRECIATION**

Assets, other than land and non-operational assets, are being depreciated over their useful lives. Under FRS 15 a provision for depreciation must be made on all the Fire Authority's buildings.

Where depreciation is provided for, assets are being depreciated using the straight-line method over the following periods:-

Buildings	15 -80 years
Infrastructure	5-20 years
Vehicles, Plant and Equipment	4-20 years
Intangible Assets	5-15 years

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

The Authority has taken out long-term loans of variable duration to finance the purchase of fixed assets. Provision for redemption of debt is a calculation based on the opening adjusted capital financing requirement. The capital financing requirement is generally being shown as a movement on the Year End Balance as an amount equivalent to 4% of its value. However, additional (voluntary) provision has been made for the redemption of debt to reflect the increase in short life assets that are now being financed through borrowing, instead of operational leases. The additional provision is based on the economic life of the asset and the movement on the Year End Balance is calculated on that basis.

7. **RESERVES & PROVISIONS**

The financial regime under which the Authority operates does not permit it to hold Reserves. The Authority is however permitted to hold Provisions. Provisions relate to liabilities which have been incurred, but the amount or timing of the payment cannot be accurately determined. Expenditure is charged to the service expenditure account in the year the provision is created; expenditure to discharge the liability is charged directly to the provision. Details of Provisions held by the Authority at 31 March 2007 are provided in a note to the Core Financial Statements.

8. **STOCKS AND STORES**

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

9. **PENSION COSTS**

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

(i) **Uniformed Fire-fighters**

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

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

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

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

(iii) **FRS 17**

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

In assessing liabilities for retirement benefits at 31 March 2006 for the 2005-2006 Statement of Accounts the actuary was required by the SORP to use a discount rate of 2.9% real (4.9% actual), a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities was used. For the 2006-2007 Statement of Accounts the actuary has advised that a rate of 2.3% real (5.4% actual) is appropriate.

10. **ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES**

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

11. **DEBTORS AND CREDITORS**

The Authority's accounts are presented on an accruals basis in accordance with the SORP and SSAP 2; that is to say that sums due to or from the Authority during the year are included in the revenue account whether or not the cash has actually been received or paid in the year. Any material capital expenditure accruals have been made at the year end and all capital expenditure, including accruals, have been financed.

12. **INVESTMENTS**

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

13. **LEASES**

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

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

Annual lease payments are charged to the service expenditure accounts. Details of leases are outlined in a note to the Core Financial Statements.

14. **CAPITAL RECEIPTS**

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

15. **VALUE ADDED TAX**

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

16. **GRANTS**

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

CORE FINANCIAL STATEMENTS

THE INCOME & EXPENDITURE ACCOUNT

<i>OBJECTIVE ANALYSIS</i>	<i>NOTES</i>	<i>2006/07</i> <i>£'000</i>	<i>2005/06</i> <i>£'000</i>
Community Fire Safety - Inspection & Certification		2,252	1,195
Community Fire Safety - Prevention & Education		4,340	2,277
Fire Fighting - Operational Responses		21,096	22,062
Fire Fighting - Communications & Mobilising		3,511	2,439
Fire Fighting - Securing Water Supplies		187	1,000
Corporate & Democratic Core Costs		259	160
Non Distributed Cost		51	137
GROSS EXPENDITURE		31,696	29,270
Income – Community Fire Safety		-175	-51
Income - Fire Fighting		-283	-211
TOTAL INCOME		-458	-262
Transfer to Various Provisions from 2005-2006 Underspend	Note 17	0	631
Transfer to/(from) the Budget Provision	Note 17	-250	-781
Transfer to/(from) Various Provisions 2005-2006	Note 17	0	-202
Transfer to/(from) the Pension Provision	Note 17	-374	0
Transfer to/(from) the Control Project Provision	Note 17	127	0
Transfer to/(from) Audit Provision	Note 17	-36	0
Increase/(Decrease) in Bad Debt Provision	Note 17	8	0
NET COST OF SERVICE		30,713	28,656
Interest Received		-211	-223
External Interest Charges		379	361
Pension Interest Cost	Note 24	8,791	8,161
Expected Return on Pension Assets	Note 24	-439	-351
NET OPERATING EXPENDITURE		39,233	36,604
INCOME FROM CONTRIBUTIONS	Note 8	-29,350	-27,952
DEFICIT/(SURPLUS) FOR YEAR		9,883	8,652

STATEMENT OF MOVEMENT ON THE YEAR END BALANCE

		<i>2006/07</i> <i>£'000</i>	<i>2005/06</i> <i>£'000</i>
DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT		9,883	8,652
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Year end Balance	Notes 9 and 10	-9,883	-8,652
SURPLUS FOR THE YEAR		0	0

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		<i>2006/07</i> <i>£'000</i>	<i>2005/06</i> <i>£'000</i>
DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT		9,883	8,652
Actuarial Gains and Losses on Pension Fund Assets and Liabilities	Note 18	-12,226	19,552
Revaluations & No Added Value Assets	Note 18	462	168
Pension Fund Adjustment for Injury Awards	Note 18	-1,430	0
TOTAL RECOGNISED GAINS & LOSSES FOR THE YEAR		-3,311	28,372

BALANCE SHEET

	NOTES	31 March 2007		31 March
		£'000	£'000	2006
				£'000
FIXED ASSETS	Note 15			
Intangible Fixed Assets			46	56
Tangible Fixed Assets				
Operational Assets:	Note 11			
Land and Buildings		19,725		19,765
Vehicles, Plant and Equipment		4,324		4,046
Infrastructure		47	24,096	48
Non-Operational Assets				
Assets under Construction			297	35
Investments			3	3
TOTAL LONG TERM ASSETS			24,442	23,953
CURRENT ASSETS				
Stock	Note 20	354		362
Debtors	Note 21	850		493
Investments	Note 23	2,510		4,690
Payments in Advance		118		190
Cash in Hand		0	3,832	0
LESS CURRENT LIABILITIES				
Creditors	Note 22	1,328		1,180
Borrowing Repaid within one year	Note 16	0		500
Cash Overdrawn	Note 19	810		26
Receipts in Advance		509	2,647	528
NET CURRENT ASSETS			1,185	3,501
TOTAL ASSETS LESS CURRENT LIABILITIES			25,627	27,454
Pension Liability	Note 24		169,094	173,142
Provision for Pension Liabilities	Note 17		580	1,955
Provisions - Underspend 2005-06	Note 17		0	441
Retained Provision	Note 17		90	90
Rank to Role Provision	Note 17		44	100
Capital Provision	Note 17		83	83
Control Provision	Note 17		141	40
Long Term Borrowing	Note 16		8,513	8,013
Government Grants Deferred	Note 18		313	132
TOTAL ASSETS LESS LIABILITIES			(153,231)	(156,542)
FINANCED BY:				
Capital Financing Account	Note 18		875	1,150
Fixed Asset Restatement Account	Note 18		14,509	14,971
Usable Capital Receipts	Note 18		479	479
Pension Reserve			(169,094)	(173,142)
TOTAL FINANCING			(153,231)	(156,542)

CASH FLOW STATEMENT

	<i>2006/07</i> <i>£'000</i>	<i>2005/06</i> <i>£'000</i>
<u>REVENUE ACTIVITIES</u>		
EXPENDITURE		
Cash Paid to and on Behalf of Employees	19,882	18,904
Pensions Paid	5,011	4,512
Other Operating Costs	4,069	4,677
INCOME		
Contributions	-29,350	-27,952
Other Income	351	-315
REVENUE ACTIVITIES NET CASH (INFLOW)/OUTFLOW	-37	-174
<u>SERVICING OF FINANCE</u>		
EXPENDITURE		
Interest Paid	338	345
INCOME		
Interest Received	-187	-219
<u>CAPITAL & PROVISION ACTIVITIES</u>		
EXPENDITURE		
Purchase of Fixed Assets	1,786	1,072
Other Payments from Provisions	1,275	0
INCOME		
Capital Receipts	0	-175
Capital Grants	-211	-34
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING	2,964	815
MANAGEMENT OF LIQUID RESOURCES		
Increase/(decrease) in short –term deposits	-2,180	-80
<u>FINANCING</u>		
EXPENDITURE		
Repayments of Amounts Borrowed	5,274	964
INCOME		
New Loans Raised	-5,274	-2,364
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS	784	-665

NOTES TO THE CORE FINANCIAL STATEMENTS

1. **APPORTIONMENT OF COSTS- BEST VALUE ACCOUNTING CODE OF PRACTICE**

CIPFA Best Value Accounting Code of Practice recommends that service costs are apportioned across a number of headings according to the type of activity. In 2006-07 the basis of apportionment was reviewed and amendments were made to reflect the shift in work patterns between activities. A comparison with the 2005-06 figures shows the shift towards more 'Community Fire Safety' activity which is a reflection of the changes taking place within the Service.

2. **LEASE RENTALS**

The operating lease payments outstanding as at 31 March 2007 are £1,900,866 (31 March 2006, £2,456,757), with payment of operating leasing charges during the year of £805,313 (2005/06, £932,792). All operating leases are for vehicles and equipment. Finance lease payments during the year amounted to £3,746; the original purchase price of the vehicles was £359,048. The finance lease is in the secondary rental period, which lasts for the useful life of the vehicles.

LEASING OBLIGATIONS	£'000
2007/2008	660
2008/2009	380
2009/2010	258
2010/2011	214
2011/2012	214
2012/2013	85
2013/2014	75
2014/2015	14
2015/2016	1
TOTAL	1,901

3. **PUBLICITY EXPENDITURE**

Under Section 5 of the Local Government Act 1986, the Authority is required to disclose the expenditure on publicity and advertising directed at the public at large or particular sections of the public. In 2006-2007 this expenditure amounted to £85,676.

PUBLICITY EXPENDITURE	2006/07 £'000	2005/06 £'000
Recruitment	23	57
Fire Safety Advertising	63	37
TOTAL	86	94

4. **MEMBERS ALLOWANCES AND EXPENSES**

During 2006-2007 the sum of £57,757 (£55,546 in 2005-2006) was paid to Members in the form of Members Allowances and travel expenses.

5. **OFFICERS' EMOLUMENTS**

The number of employees whose remuneration, excluding pension contributions, was £60,000 or more in bands of £10,000 was:-

REMUNERATION BAND	2006/07 NUMBER OF EMPLOYEES	2005/06 NUMBER OF EMPLOYEES
£90,000 - £99,999	1	0
£80,000 - £89,999	0	1
£70,000 - £79,999	1	0
£60,000 - £69,999	3	4

6. **TRANSACTIONS WITH RELATED PARTIES**

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

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

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

	£'000
Conwy CBC – Financial Services	72
Denbighshire CC – Monitoring Officer and Legal Services	21
Flintshire CC – Superannuation Service	17
Welsh Local Government Association	22
Other Fire Authorities	4

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

7. **AUDIT FEES 2006/07**

The total fee paid to the Wales Audit Office for external audit services was £55,857 (2005/06, £47,153). Fees payable with regard to external audit services carried out in accordance with section 16 of the Public Audit Wales Act 2004 were £32,478. Fees payable in respect of statutory inspection under section 10 of the Local Government Act 1999 were £23,379.

8. **CONTRIBUTIONS**

In 2006-2007 contributions totalling £29,349,655 were applied to fund revenue expenditure from the following Local Authorities:-

AUTHORITY	2006/07 £'000	2005/06 £'000
Anglesey County Council	2,989	2,850
Gwynedd Council	5,139	4,896
Conwy County Borough Council	4,865	4,621
Denbighshire County Council	4,160	3,955
Flintshire County Council	6,531	6,225
Wrexham County Borough Council	5,666	5,405
TOTAL LEVIES	29,350	27,952

9. **MOVEMENT ON THE YEAR END BALANCE**

The surplus achieved on the Income and Expenditure Account represents the amount by which income is greater than expenditure. The adjustments to the year end balance are amounts that have either not been included in the Income and Expenditure Account but are required by statute to be included or have been included but are required by statute to be excluded when determining the Movement on the Year End Balance. Currently Fire Authorities in Wales are prevented from holding reserves so there will be no surplus or deficit for the year as there is a requirement to balance income received with expenditure for the year.

The table below details the reconciling items to the movement on the year end balance.

	<i>2006/07</i> <i>£'000</i>	<i>2005/06</i> <i>£'000</i>
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Year end Balance		
Provision for Depreciation Adjustment	-834	-771
Government Grants Deferred Adjustment	30	11
Deferred Charges Adjustment	0	-284
Pension Adjustment due to FRS17	-9,608	-7,978
	-10,412	-9,022
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the Year end Balance		
Statutory Provision for Repayment of Debt	175	160
Voluntary Provision for Repayment of Debt	354	210
	529	370
TOTAL	-9,883	-8,652

MINIMUM REVENUE PROVISION (MRP) AND DEPRECIATION

The Authority is required by statute to set aside MRP for the redemption of debt, the Authority can also set aside voluntary provision (VRP) for the early repayment of debt. For 2006-2007, the amount for MRP and VRP is £528,467 and this has been shown as an adjustment on the Movement in the Year End Balance as it is an actual charge to the Authority. In accordance with the Best Value Accounting Code of Practice a depreciation charge has been made to the Service Expenditure headings for the use of the Authority's fixed assets. The depreciation charge is shown as an adjustment to the Year End Balance as the actual charge to the Authority for the repayment of debt is the MRP. The entries forming the calculation of the transfer from the Capital Financing Account are shown below:-

	<i>2006/07</i> <i>£'000</i>	<i>2005/06</i> <i>£'000</i>
Amount Charged as Depreciation	834	771
Transfer from Capital Financing Account to Movement on the Year End Balance	-305	-401
MINIMUM REVENUE PROVISION & VOLUNTARY REVENUE PROVISION	529	370

GOVERNMENT GRANTS DEFERRED ADJUSTMENT

Grants received towards the purchase of fixed assets are credited to the Service Expenditure headings in line with the depreciation charge for the asset. An adjustment for the £30,000 (2005-06 £11,000) deferred grant is made on the Movement on the Year End Balance and the credit is applied to the Capital Financing Account.

DEFERRED CHARGES ADJUSTMENT

Deferred charges represent expenditure which has been properly capitalised, but does not result in tangible fixed assets. The write off is charged to revenue with a compensating credit to revenue from the Capital Financing Account. There were no deferred charges in 2006-07.

	<i>2006/07</i> <i>£'000</i>	<i>2005/06</i> <i>£'000</i>
Balance at 31 March 2006	0	0
Expenditure in year	0	283
Capital Reserve	0	0
Written off to Revenue	0	-283
Balance at 31 March 2007	0	0

10. **PENSIONS**

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

In 2006-2007 the Authority paid an employer's Superannuation contribution of £580,630 (2005-2006, £524,819) representing 21.3% (2005-2006, 21.3%) of employees' pensionable pay into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2004. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. During 2006-2007 added years benefits and early retirement costs due to redundancies of £50,847 (2005-2006, £8,624) were paid to employees which represents 1.87%(2005-2006, 0.35%) of employees' pensionable pay. Further information on the Clwyd Pension Fund can be found in the Pension Funds Annual Report and Accounts which is available on request from the County Treasurer at Flintshire County Council, County Hall, Mold, CH7 6NA or on the website www.flintshire.gov.uk.

(ii) **Firefighters**

The Firefighters' pension scheme is an unfunded scheme with defined benefits. In 2006-2007 the net cost of pensions and other benefits amounted to £3.72m (2005-2006, £3.5m).

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

In accordance with FRS17 the current cost of pensionable service is allocated to gross expenditure in the Income & Expenditure Account (I & E). Actual superannuation payments on behalf of employees in current service are removed from the I & E, an adjustment is then applied below the line so there is no effect on the overall expenditure of the Authority. Actuarial valuations have been

carried out on the Firefighters' scheme by the Government Actuary's Department, and the Local Government Pension scheme by Mercers. The table below analyses the appropriation from the Pension reserve to the Movement on the Year End Balance for 2006-2007 for both schemes.

MOVEMENTS	2006/07 £'000	2005/06 £'000
Employers contributions		
– Local Government Pension Scheme	618	539
– Pensions Paid Firefighters	4,927	4,455
– Less Contributions Firefighters	-1,277	-979
Current Service Cost		
– Firefighters	-4,920	-3,650
– Local Government Pension Scheme	-522	-408
Past Service Cost		
– Firefighters	0	-350
– Local Government Pension Scheme	-82	225
Interest Cost		
– Firefighters	-8,180	-7,600
– Local Government Pension Scheme	-611	-561
Expected Return on Pension Assets		
– Local Government Pension Scheme	439	351
APPROPRIATION FROM PENSION RESERVE TO YEAR END BALANCE	-9,608	-7,978

Further information on pensions is contained in Note 18 and Note 24.

11. **FIXED ASSETS**

Assets are valued as outlined in Note 2 and Note 3 of Accounting Policies. Details of the value of assets held at 31 March 2007 are shown below, together with details of movement in the year:-

	Land and Buildings	Vehicles and Equipment	Infra - structure	Non-Operational Assets	In-Tangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2006	20,381	7,852	253	35	65	28,586
Revaluations and Restatements	0	0	0	0	0	0
VALUE AT 1 APRIL 2006	20,381	7,852	253	35	65	28,586
Additions	695	787	7	297	0	1,786
Commissioned	35	0	0	-35	0	0
Expenditure						
Disposals	0	0	0	0	0	0
Written-Off to Fixed Asset Restatement Account	-462	0	0	0	0	-462
GROSS BOOK VALUE AT 31 MARCH 2007	20,649	8,639	260	297	65	29,910
Accumulated Depreciation at 1 April 2006	-616	-3,806	-205	0	-10	-4,637
Depreciation for Year	-308	-509	-8	0	-9	-834
Disposals	0	0	0	0	0	0
Accumulated Depreciation at 31 March 2007	-924	-4,315	-213	0	-19	-5,471
NET BOOK VALUE AT 31 MARCH 2007	19,725	4,324	47	297	46	24,439
NET BOOK VALUE AT 31 MARCH 2006	19,765	4,046	48	35	56	23,951

13. **CAPITAL EXPENDITURE AND FINANCING**

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

	2006/2007 £'000	2005/2006 £'000
Opening Capital Financing Requirement	7,694	6,948
Capital Investment in Year		
• Intangible Assets	0	0
• Fixed Assets	1,786	1,150
Sources of Finance		
• Grants & Contributions	-211	-34
• Revenue and Other Provisions	-529	-370
Closing Capital Financing Requirement	8,740	7,694
Change in Capital Financing Requirement	1,046	746
Explanation of change:		
Increase in underlying need to borrow (supported)	845	746
Increase in underlying need to borrow (unsupported)	201	0

14. **CAPITAL COMMITMENTS 2007-2008 Onwards**

Major capital commitments entered into at 31 March 2007 were £2.373m and are detailed in the table below.

Scheme	Contracted Future Cost £'000
Various Properties	518
Water Tenders, Vehicles and Equipment	1,855
TOTAL	2,373

15. **INFORMATION ON ASSETS HELD**

Fixed assets owned by the Authority include the following:-

	Number at 31 March 2007	Number at 31 March 2006
<u>LAND AND BUILDINGS</u>		
Fire Stations	44	44
Brigade Headquarters	0	0
Divisional Headquarters	2	2
Control Rooms	1	1
Training Establishments	4	4
Vehicle Workshops	1	1
Stores	1	1
<u>VEHICLES AND EQUIPMENT</u>		
Operational Vehicles	40	40
Ancillary Vehicles	50	24

16. **EXTERNAL BORROWING**

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

<i>Source of Loan</i>	<i>Interest Rate Payable 2005/06 %</i>	<i>Total Outstanding at 31 March 2007</i>		<i>Total Outstanding at 31 March 2006</i>	
		£'000		£'000	
Public Works Loans Board	3.85 – 5.0		8,513		8,513
<u>ANALYSIS OF LOANS BY MATURITY</u>					
Within 1 Year			0		500
Between 1 and 2 years		0		1,000	
Between 2 and 5 years		414		1,579	
Between 5 and 10 years		500		1,012	
Over 10 years		7,599		4,422	
			8,513		8,013
TOTAL			8,513		8,513

17. **MOVEMENT ON PROVISIONS**

At 31 March 2007 the Authority held a number of provisions. The provisions held and the movement on the provisions is as follows.

Pension Provision

The Provision for Pension Liabilities was established to smooth the impact of the liabilities, arising from past service, to make future pension payments. Changes to the funding arrangements for the Firefighters' pension scheme has made it unnecessary for the Authority to hold such a large provision in future years. Due to the pension changes Members approved the following to be funded from the Pension Provision; £162,200 to finance the budget for 2006-2007; £127,000 towards the Tri-Control project; £85,321 towards the overspend in 2006-07; and £1,000,000 repaid to the constituent authorities. The balance on the provision at 31 March 2007 is £580,045.

Capital Provision

The balance on the Capital Provision of £82,490 has been set aside to offset the costs of the proposed replacement of the PPE (Personal Protective Equipment) uniform. There has been no movement on the provision in 2006/07 as the replacement programme is not due to start until 2008/09.

Control Provision

To cover the costs of the project to co-locate the three emergency services controls and assist with the re-location costs a sum of £100,000 was set aside from the 2004-2005 underspend. In 2005-2006 and 2006-2007 £85,707 of the provision was utilised. Members agreed to transfer the control room from Rhyl to St.Asaph (Executive Panel, 24 January 2007) the transfer is due to take place early in 2008/2009 when it is envisaged that the balance on the provision, £141,293, will be utilised.

Bad Debt Provision

The Authority maintains a Bad Debt Provision which adequately covers debts which may be required to be written off. An analysis of the year end debtors has resulted in the provision being increased by £8,000.

Other Provisions

The following provisions have been utilised within the year:-

- £35,000 – Estates Provision
- £70,000 – Redundancy Provision
- £40,534 – HR System Provision
- £250,000 – Budget Provision
- £44,984 – Audit Provision (£36,161 used to fund the overspend)

Rank to Role Provision

In 2005-06 £100,000 was set aside to cover the back pay of the Rank to Role costs. In 2006-07 £55,704 of the provision was utilised, the remaining balance will be used in 2007-08.

Equal Pay Provision

In 2005-06 £90,000 was set aside to offset the financial consequences of retained firefighters being entitled to the same conditions of service as whole-time firefighters. In 2006-07 none of the provision was utilised but it is envisaged that there will be some expenditure in 2007-08.

Some of the provisions held by the Authority (Rank to Role, Equal Pay and Control) are not technically provisions but reserves as they do not strictly comply with the requirements of Financial Reporting Standard 12 and the CIPFA Statement of Recommended Practice on what constitutes a 'provision.' The Combination Order for Fire Authorities in Wales does not strictly permit a Combined Fire Authority from holding reserves, which would be the proper classification of the provisions detailed above. The Fire Authority has taken a pragmatic approach and categorised them as provisions as has been the custom and practice for the Authority since 1996. The constituent authorities are aware of and content with the arrangement.

18. DETAILS OF MOVEMENTS ON RESERVES

	<i>REVENUE RESERVES</i>	<i>CAPITAL RESERVES</i>				
	<i>Pension Reserve</i> £'000	<i>Government Grants Deferred</i> £'000	<i>Capital Financing Account</i> £'000	<i>Fixed Asset Restatement Account</i> £'000	<i>Usable Capital Receipts</i> £'000	<i>Total</i> £'000
Balance at 1 April 2006	-173,142	132	1,150	14,971	479	16,600
Adjustment for Injury Awards	1,430	0	0	0	0	0
Net (Deficit)/Surplus for Year – Appropriations to Revenue	-9,608	-30	-305	0	0	-305
Financing of Fixed Assets	0	211	30	0	0	30
Revaluation of Assets	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Capital Spend 2006-2007 - No Added Value	0	0	0	-462	0	-462
Deferred Charges Written Off	0	0	0	0	0	0
Actuarial Gain	12,226	0	0	0	0	0
BALANCE AT 31 MARCH 2007	-169,094	313	875	14,509	479	15,863

Pension Reserve

The actuarial gains and losses identified as movements on the Pensions Reserve in 2006-07 can be analysed into the following categories.

CATEGORY	2006/07		2005/06		2004/05		2003/04		2002/03	
	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %
Difference between expected and actual return on Assets	50	0.6	1,026	14.70	156	3.02	540	13.03	(1,042)	-34.84
Difference between actuarial assumptions about liabilities and actual experience	1,350	0.8	3,950	(2.19)	709	(0.47)	1,860	(1.68)	(830)	0.89
Changes in the demographic and financial assumptions used to estimate liabilities	10,826	6.4	(24,528)	13.62	(34,468)	22.86	(13,850)	12.54	0	0
Totals	12,226		(19,552)		(33,603)		(11,450)		(1,872)	

Fixed Asset Restatement Account

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

Capital Financing Account

The Capital Financing Account (CFA) contains a number of entries concerning capital accounting. These include the excess of depreciation over revenue provisions for potential debt redemption and part of the financing of the 2006-2007 capital programme.

Government Grants Deferred

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

	£'000
Balance at 31 March 2006	132
Grants and Contributions Applied during 2006/07	211
Written to Movement on Year End Balance	-30

Balance at 31 March 2007	313
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19. **CASH OVERDRAWN**

The actual cash in hand represented the cash shown in the Balance Sheet, together with transactions not effected within the cleared bank balance at 31 March 2007. The following table summarises the position:-

	31 March 2007 £'000	31 March 2006 £'000
Cash Per Balance Sheet	-810	-26
Uncleared Bank Transactions	948	70
Cash in Transit	0	-2
BANK TOTAL	138	42

20. **STOCKS**

An analysis of the stocks held at 31 March 2006 and 31 March 2007 is shown below:-

STOCKS	31 March 2007 £'000	31 March 2006 £'000
Main Stores (HQ)	342	350
Transport Stock	12	12
TOTAL	354	362

21. **DEBTORS**

	31 March 2007 £'000	31 March 2006 £'000
Government Departments and Other Agencies	607	342
Other Local Authorities	42	67
Sundry Debtors	215	90
GROSS DEBTORS	864	499
Bad Debt Provision	-14	-6
NET DEBTORS	850	493

22. **CREDITORS**

	31 March 2007 £'000	31 March 2006 £'000
Government Departments and Agencies	143	106
Other Local Authorities	120	112
Sundry Creditors	1,065	962
TOTAL	1,328	1,180

23. **INVESTMENTS**

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

<i>Institutions</i>	<i>31 March 2007 £'000</i>	<i>31 March 2006 £'000</i>
Short Term		
Bank of Scotland	250	2,490
Anglo Irish	2,260	2,200
Total	2,510	4,690

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

In accordance with the requirements of Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Fire Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 10 the Authority participates in two schemes, the Firefighters' Pension Scheme for full time Firefighters which is unfunded, and the Local Government Pension Scheme (Clwyd Pension Fund) for other employees which is administered by Flintshire County Council. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The Authority's assets and liabilities as at 31 March 2007 and 31 March 2006 were as follows:

	<i>31 March</i>	
	<i>2007 £'000</i>	<i>2006 £'000</i>
Estimated liabilities in the Firefighters' Pension Scheme	164,390	167,820
Share of liabilities in Clwyd Pension Fund	12,614	12,300
Total liabilities	177,004	180,120
Share of assets in Clwyd Pension Fund	7,910	6,978
Net Pensions Deficit	169,094	173,142

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

	<i>Firefighters Scheme</i>		<i>Clwyd Pension Fund</i>	
	<i>2007 %</i>	<i>2006 %</i>	<i>2007 %</i>	<i>2006 %</i>
Rate of Inflation	3.4	3.2	3.1	2.9
Rate of Increase in Salaries	4.9	4.7	4.4	4.2
Rate of Increase in Pensions	3.4	3.2	3.1	2.9
Rate of Discounting Scheme Liabilities	5.4	4.9	5.4	4.9

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

	<i>31 March</i>	<i>31 March</i>	<i>Expected Return On Asset</i>
	<i>%</i>	<i>£'000</i>	<i>%</i>
2007			
Equity Investments	63.4	5,015	7.5
Bonds	12.4	981	5.4
Other Assets	24.2	1,914	6.4
Total		7,910	
2006			
Equity Investments	66.0	4,605	7.0
Bonds	10.1	705	4.6
Other Assets	23.9	1,668	5.8
Total		6,978	

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

	<i>£'000</i>	<i>£'000</i>
Net Deficit at the Beginning of Year		-173,142
Current Service Cost	-5,442	
Past Service Cost	-82	
Contributions	618	
Pensions Paid	4,927	
Contributions Firefighters	-1,277	
Removal of Provision for Injury	1,430	174
Finance Income		
Return on Assets	439	
Interest on Pension Liabilities	-8,791	-8,352
Actuarial Gain/ (Loss)		12,226
Net Pension Deficit at Year End		-169,094

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

	£'000
Actual gain expected on Pension Fund Assets	10,826
Gains Arising on Pension Assets	1,400

	12,226

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

	2006/07 £'000	2005/06 £'000
Revenue Activities Net Cash Inflow	-37	-173
<u>NON-CASH MOVEMENTS ON I & E ACCOUNT</u>		
Decrease/(Increase) in Stock	8	-64
Decrease/(Increase) in Debtors	-357	63
Decrease/(Increase) in Payments in Advance	71	-83
Decrease/(Increase) in Creditors	148	-149
Decrease/(Increase) in Receipts in Advance	-19	262
Depreciation Charge	834	771
Government Grants Deferred	-30	-11
Deferred Charges	0	284
FRS17 Pension Adjustment	9,608	7,978
<u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW STATEMENT</u>		
Interest Paid	339	345
Interest Received	-187	-219
Contribution to/(from) Various Provisions	-503	-352
Contribution to Bad Debt Provision	8	0
DEFICIT (SURPLUS) ON I & E ACCOUNT	9,883	8,652

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

	31 March 2007 £'000	31 March 2006 £'000
Cash in Bank	810	26
Cash in Transit	-2	-2
Cash Held in Imprest Accounts	4	4
TOTAL	812	28
INCREASE IN CASH AND CASH EQUIVALENTS	784	

