

# **North Wales Fire and Rescue Authority-Statement of Accounts 2013-14**

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## **EXPLANATORY FOREWORD**

1. Operational guidance for Fire and Rescue Services in Wales is detailed in the Fire and Rescue National Framework which has been produced by the Welsh Government. 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. 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 North Wales Fire and Rescue Service produces annual action plans for managing down risks and improving services with an increasing emphasis on prevention and education. 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.

The Authority works in partnership with other emergency services, for example, the property portfolio is managed by a joint Facilities Management Department with North Wales Police and Fire Service Control is located in a shared facility with the Police at St Asaph. The Authority is also engaged in a number of other projects which reflect the objectives of the National Framework for example the Young Firefighters' Association operated by off duty firefighters with branches across North Wales; the Phoenix project which has proved very successful with youngsters in the area; and Road Safety Education in partnership with North Wales Police and the Welsh Ambulance Service through a number of 'Deadly Impact' events across North Wales.

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 2013-14.

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

(i) **The Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (ie 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.

(ii) **The Comprehensive Income and Expenditure Account (CIES)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, 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.

(iii) **Statement of Financial Position (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'.

(iv) **Cash Flow Statement**

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

(v) **The 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.

(vi) **Statement of responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Authority and its officers for the preparation and approval of the Statement of Accounts.

A statement of the responsibilities for this statement of accounts is given on page 7.

(vii) **Notes to the Accounting 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.

- 2(b). The Movement on Reserves Statement, Comprehensive Income and expenditure Statement, Balance Sheet, Cash Flow Statement and the Pension Fund Account are supported by notes which provide additional information. The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (the Code) and the Service Reporting Code of Practice (SeRCOP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit (Wales) Regulations 2005 and the 2007 Amendments to the Regulations.

### 3. **SUMMARY OF FINANCIAL YEAR 2013-2014**

#### **Revenue Expenditure 2013-2014**

The budget for the year was approved by Members of the Authority at £31,772,011. Further details on the operational spend, which is the actual expenditure for the Authority without the accounting adjustments, can be found in Note 23. The actual expenditure was lower than budgeted and was achieved by curtailing expenditure wherever possible to ease anticipated pressures in the coming years and create additional provisions to cover possible contingent liabilities. The Authority was able to set aside £1m in to a capital reserve to be used to finance the capital programme in order to reduce debt charges in the future.

	Budget	Actual	Variance
	£000	£000	£000
<b>Revenue</b>			
Expenditure	32,060	30,787	(1,273)
Income	(288)	(351)	(63)
Net Expenditure	31,772	30,436	(1,336)
Earmarked Reserves and Provisions	0	1,336	1,336
Unitary Authority Contributions	(31,772)	(31,772)	0
(Surplus) /Deficit	0	0	0
<b>Capital</b>			
(inc b/f slippage)	10,332	3,945	(6,387)

#### **Reconciliation of Revenue Surplus to the Surplus on the Provision of Services**

	£'000
*Net Expenditure	30,405
**Accounting Adjustments	(842)
***Cost of Services	29,563

\*detailed in 'The Outturn for the Year 2013/14 (above)

\*\*detailed in Note 23

\*\*\*detailed in the CIES

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the six constituent local authorities in proportion to population. For 2013-14, the proportions were as follows:

Authority	2013/2014 Contribution £	Proportion %
Conwy County Borough Council	5,198,570	16.36
Anglesey County Council	3,216,231	10.12
Gwynedd Council	5,507,985	17.34
Denbighshire County Council	4,593,630	14.46
Flintshire County Council	6,955,089	21.89
Wrexham County Borough Council	6,300,506	19.83
<b>TOTAL</b>	<b>31,772,011</b>	

The Authority received a number of revenue grants from the Welsh Government during the year to promote various schemes within North Wales. The total value of the grants received was £2.1m (£2.3m 2012-13). Details of the grants received can be found in Note 28 to the accounts.

#### **Revenue Sources of Funding Included in the CIES**

2012/13 £'000		2013/14 £'000
<b>31,772</b>	Unitary Authority Contributions	<b>31,772</b>
<b>39</b>	Revenue Grants	<b>55</b>
<b>24</b>	Interest	<b>21</b>
<b>284</b>	Fees and Charges	<b>275</b>

#### **Capital Expenditure 2013-2014**

Total capital expenditure in the year amounted to £3.945m. Further details can be found in Note 30 to the accounts.

2012/13 £'000		2013/14 £'000
2,380	Property – Refurbishments, adaptations, new buildings	1,821
193	Vehicles and Plant	1,929
502	Operational and I.C.T. Equipment	195
<b>3,075</b>	<b>Total Capital Expenditure</b>	<b>3,945</b>

#### **Capital Borrowing**

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2013-2014 the capital programme was financed mainly by internal borrowing (£2,522k) and a contribution from revenue (£543k). Of the total capital spend £880k was for the Wrexham project for which payment is due to the Welsh Ambulance Service NHS Trust.

A detailed report on the financial activity for the year was presented to the Fire Authority on 16 June 2014 and is available on the Fire service website ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)).

### **Pension Liability**

In 2013-14, 8 wholetime uniformed staff and 3 retained duty system staff retired. The net cost of the Firefighters' Pension Scheme to the revenue budget fell slightly compared to last year £2.262m (£2.28m 12/13) due to retirements in the year and the freeze on recruitment. The liability in terms of future pension commitments also fell £235.57m (£242.16m 12/13) due to a change in the actuarial assumptions. The actuarially assessed liability as at 31 March 2014 for the Local Government pension scheme was £8.41m (£9.74m 12/13), again a reduction due to a change in actuarial assumptions.

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. This is outlined in greater detail in the disclosures to the accounts.

### **Material and unusual charge or credit in the accounts**

Due to some issues with the capital programme, in particular the Wrexham project, it was necessary to charge £0.88m to the revenue account in 2012/13 for professional fees for work undertaken as it was unclear as to whether these costs could be allocated to the capital programme. This issue has now been resolved and the scheme has commenced so these charges have now been transferred to the capital programme. The liability is shown on the balance sheet as a creditor and note 16 to the accounts includes this amount under other Local Authorities.

### **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 £2.765m. This is a notional charge for depreciation and an adjustment is made to the year end balance so the contributions required to fund the service are not affected. The actual cost to the service for financing capital is £390k loan interest and £2,052k Minimum Revenue Provision and Voluntary Revenue Provision.

The increase in borrowing is dependent upon a number of factors; the amount of capital expenditure to be financed by borrowing and the loan debt repaid as part of the Minimum Revenue Provision. The Authority's loan debt at 31 March 2014 was £24.320m.

### **Provisions and Reserves**

The Authority holds provisions to meet known future liabilities which have arisen due to past events. The balance at the beginning of the year was £0.441m and at the end of the year £0.764m. The movement in the year was due to additional monies being set aside to cover possible retrospective pension contributions for RDS staff following the equal pay claim.

Money has been set aside in to a capital reserve, £1.44m, which is to be used to finance the capital programme in order to reduce the debt charges for future budgets.

Further details of the provisions and reserves held are included in Notes 17 and 18 to the core financial statements.

### **Impact of the Current Economic Climate**

The national economic downturn together with the outcomes of the Comprehensive Spending Review in November 2010, gave an indication of the level of cuts to public services expected in the coming years. To ensure the Authority would be able to meet those cuts whilst maintaining service levels a 3 year plan was agreed which set out savings targets to be met over the next 3 years. 2013-14 was the third year of the 3 year plan and the agreed savings target was £835k. The majority of the savings were on front line fire cover through changing the rostering system. Other savings were to be made by freezing some Support Service and Community Fire Safety posts. Budget holders were aware of the need to identify efficiencies and to generate savings where possible, not only for the future but within the financial year. With these measures in place the Authority has managed to meet its savings target and make further savings within the year. Going forward the Authority has set a frozen budget for 2014/15 with any budgetary increases being met from reserves. Members have agreed to set a five year plan for the financial years 2015 to 2020 in order to introduce some financial stability in to the budget setting process.

#### **4. ADDITIONAL INFORMATION**

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

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **THE AUTHORITY'S RESPONSIBILITIES**

The Authority is required:

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

### **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 2014

In preparing the Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority 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 2013/2014**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2014 and its income and expenditure for the year then ended.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_  
**K W FINCH CPFA**  
*Treasurer, North Wales Fire Authority*



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

I have audited the accounting statements and related Notes of:

- North Wales Fire Authority; and
- Firefighters' Pension Fund

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

North Wales Fire Authority's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes.

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 2013-14 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Firefighters' Pension Fund's accounting statement, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes: an assessment of whether the accounting policies are appropriate to the North Wales Fire Authority's and Firefighters' Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes 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.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of North Wales Fire Authority as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

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

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Firefighters' Pension Fund during the year ended 31 March 2014 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

**Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

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

Anthony Barrett  
**Appointed Auditor**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

September 2014

## CORE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

<b>Movement in Reserves Statement for the years ended 31 March 2013 &amp; 2014</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 2012</b>		1,144	896	0	2,040	(199,364)	(197,324)
<b>Movement in Reserves during 2012/13</b>							
Surplus or (Deficit) on the Provision of Services		(10,319)	0	0	(10,319)	0	(10,319)
Other Comprehensive Income & Expenditure		0	0	0	0	(28,576)	(28,576)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(10,319)</b>	<b>0</b>	<b>0</b>	<b>(10,319)</b>	<b>(28,576)</b>	<b>(38,895)</b>
Adjustments between accounting basis & funding basis under regulations	5	10,351	0	(39)	10,312	(10,312)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		32	0	(39)	(7)	(38,888)	(38,895)
Adjustment		0	0	0	0	0	0
Transfers to/(from) Earmarked Reserves	6	433	(472)	39	0	0	0
<b>(Increase)/Decrease in 2012/13</b>		<b>465</b>	<b>(472)</b>	<b>0</b>	<b>(7)</b>	<b>(38,888)</b>	<b>(38,895)</b>
<b>Balance as at 31 March 2013</b>		<b>1,609</b>	<b>424</b>	<b>0</b>	<b>2,033</b>	<b>(238,252)</b>	<b>(236,219)</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 2013</b>		1,609	424	0	2,033	(238,252)	(236,219)
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services		(9,552)	0	0	(9,552)	0	(9,552)
Other Comprehensive Income & Expenditure		0	0	0	0	18,448	18,448
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(9,552)</b>	<b>0</b>	<b>0</b>	<b>(9,552)</b>	<b>18,448</b>	<b>8,896</b>
Adjustments between accounting basis & funding basis under regulations	5	10,990	0		10,990	(10,990)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		1,438	0	0	1,438	7,458	8,896
Adjustment		0	0	0	0	0	0
Transfers to/(from) Earmarked Reserves	6	1,322	1,322	0	0	0	0
<b>(Increase)/Decrease in 2013/14</b>		<b>116</b>	<b>1,322</b>	<b>0</b>	<b>1,438</b>	<b>7,458</b>	<b>8,896</b>
<b>Balance as at 31 March 2014</b>		<b>1,725</b>	<b>1,746</b>	<b>0</b>	<b>3,471</b>	<b>(230,794)</b>	<b>(227,323)</b>

## **THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

2012/13				2013/14			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
2,215	(60)	2,155	Community Fire Safety - Inspection & Certification		2,084	(63)	2,021
4,198	0	4,198	Community Fire Safety - Prevention & Education		3,974	0	3,974
21,140	(236)	20,904	Fire Fighting - Operational Responses		19,810	(222)	19,588
3,654	0	3,654	Fire Fighting - Communications & Mobilising		3,571	0	3,571
228	0	228	Fire Fighting - Securing Water Supplies		192	0	192
205	0	205	Corporate & Democratic Core Costs		198	0	198
38	0	38	Non Distributed Costs		19	0	19
<b>31,678</b>	<b>(296)</b>	<b>31,382</b>	<b>Cost of Services</b>		<b>29,848</b>	<b>(285)</b>	<b>29,563</b>
0	(39)	(39)	Other Operating Expenditure	7	554	0	554
11,543	(795)	10,748	Financing & Investment Income & Expenditure	8	11,228	(21)	11,207
0	(31,772)	(31,772)	Contributions from Constituent Authorities		0	(31,772)	(31,772)
		<b>10,319</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>9,552</b>
		(192)	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets				0
		28,768	Remeasurement of the net defined Benefit Liability				(18,448)
		<b>28,576</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>(18,448)</b>
		<b>38,895</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>(8,896)</b>

## BALANCE SHEET

31 March 2013		Note	31 March 2014
£'000			£'000
37,032	Property, Plant & Equipment	10	37,761
0	Intangible Assets	10	0
<b>37,032</b>	<b>Long Term Assets</b>		<b>37,761</b>
383	Inventories	13	449
2,548	Debtors	14	2,419
2,236	Cash & Cash Equivalents	15	1,531
<b>5,167</b>	<b>Current Assets</b>		<b>4,399</b>
10,008	Short Term Borrowing	11	10,654
2,998	Creditors	16	3,407
141	Provisions	17	127
<b>13,147</b>	<b>Current Liabilities</b>		<b>14,188</b>
251,900	Pension Liability	33	243,981
300	Provisions	17	667
13,071	Long Term Borrowing	11	10,647
<b>265,271</b>	<b>Long Term Liabilities</b>		<b>255,295</b>
<b>(236,219)</b>	<b>Net Assets</b>		<b>(227,323)</b>
2,033	Usable Reserves	18	3,471
(238,252)	Unusable Reserves	19	(230,794)
<b>(236,219)</b>	<b>Total Reserves</b>		<b>(227,323)</b>

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## CASH FLOW STATEMENT

2012/13		Note	2013/14
£'000			£'000
10,319	Net (Surplus)/Deficit on the Provision of Services		9,552
(11,362)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements		(12,953)
(333)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(369)
(1,376)	Net Cash Flows From Operating Activities	20	(3,770)
2,700	Investing Activities	21	3,402
(2,359)	Financing Activities	22	1,073
(1,035)	Net (Increase) or Decrease in Cash and Cash Equivalents		705
(1,201)	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>(2,236)</b>
<b>(2,236)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	15	<b>(1,531)</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **1. GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2013-14 financial year and its position at the year-end of 31 March 2014. 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 2013-14 (the Code) and the Service Reporting Code of Practice 2013-14 (SeRCOP), 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, 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.

#### **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 following 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.

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

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

Buildings	20-75 years
Infrastructure	10-20 years
Vehicles, Plant and Equipment	3-20 years
Intangible Assets	5-15 years

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.

#### 6. **POST EMPLOYMENT BENEFITS**

The Authority participates in two different pension schemes, which meet the needs of different groups of employee. 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 pensions 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 19, 33 and the Firefighters' Pension Fund Account on page 52 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). Actuaries determine the employer's contribution rate. Further costs, which arise in respect of certain pensions paid to retired employees, are paid on an unfunded basis. Please see Note 33 for more detail.

## **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.

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) 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.

## **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.

**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 TRANSLATION**

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.

**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 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. **ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES**

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

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

## 17. **PROPERTY PLANT AND EQUIPMENT**

### Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- 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.

### Useful Economic Life of Assets

The assets will be held by the service over their useful economic life and will be in the following ranges;

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

Non-specialised operational and non-operational 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

For 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

Land and buildings have been accounted for separately, and land is assumed to have an infinite life.

Assets Under Construction

Assets under construction have been valued at historic cost.

Surplus Assets

Surplus assets have been 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.

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 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 should be depreciated individually over their useful lives. However, on transition to the Code, component accounting has only been 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.

The latest full property valuation was carried out by Wilks Head and Eve, a firm of valuers based in London, on 1 April 2009. A number of properties were re-valued on 1 April 2012 due to works undertaken on these properties and were part of the policy introduced by the Authority to value their property on a rolling basis rather than carry out a full valuation every 5 years. No properties were re-valued in 2013-14 as works undertaken on the property portfolio were minor. 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 so that a charge for depreciation could be calculated. Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

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.

**18. 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.

**19. 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.

**20. 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.

**21. 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.

**22. 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- *IFRS 10 Consolidated Financial Statements* – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts.
- *IFRS 11 Joint Arrangements* – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.
- *IFRS 12 Disclosures of Involvement with Other Entities* – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structure entities'. The Council has a number of arrangements with other entities under IFRS 12.
- *IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures* – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
- *IAS 32 Financial Instruments Presentation* – The Code refers to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- *IAS 1 Presentation of Financial Statements* – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period and therefore these changes will not have a material impact on the Statement of Accounts.
- *IFRS 13 – Fair value measurement*

## NOTES TO THE ACCOUNTS

### 1. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 14-21, 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 UNCERTAINTY

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

The main item in the Authority's Balance Sheet at 31 March 2014 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
RETAINED FIREFIGHTERS' PENSIONS	The Authority has made a provision of £667k for retrospective access to the Firefighter's pension scheme for Retained Duty System (RDS). Agreement has been reached between the FBU and DCLG and it is now a case of calculating monies due for those that take up the offer. An assessment was made of the maximum costs to the Authority and this was estimated at £960k based on the assumption that all RDS staff that are currently in the pension scheme would back date.	The provision has been based on an estimate that possibly two thirds of the RDS staff would back date. If this is significantly higher then it will be necessary to add to the provision.
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. Actuaries are engaged to provide an assessment of the liabilities.	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.

**3. MATERIAL ITEMS OF INCOME AND EXPENSE**

Due to some issues with the capital programme, in particular the Wrexham project, it was necessary to set aside £0.88m in 2012-13 from revenue for professional fees for work undertaken in 2012-13 as it was unclear as to whether these costs could be allocated to the capital programme. The scheme has now commenced and these charges have now been charged to the capital programme. The liability is shown on the balance sheet as a creditor and note 16 to the accounts includes this amount under other Local Authorities.

**4. EVENTS AFTER BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Treasurer to the Fire Authority on 15 September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**5. 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.



2013/14	Useable Reserves				Unusable Reserves
	General Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'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	(3,216)	0	0	(3,216)	3,216
Revaluation losses on Property, Plant and Equipment					
Amortisation of Intangible assets	0			0	0
Capital grants and contributions applied	543	0	0	543	(543)
Movement in the Donated Assets Account	0	0	0	0	0
Adjustment	125	0	0	125	(125)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	2,052	0	0	2,052	(2,052)
<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
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
<b>Adjustment primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(13,685)	0	0	(13,685)	13,685
Employer's pensions contributions and direct payments to pensioners payable in the year	3,156	0	0	3,156	(3,156)
<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	35	0	0	35	(35)
<b>Total Adjustments</b>	<b>(10,990)</b>	<b>0</b>	<b>0</b>	<b>(10,990)</b>	<b>10,990</b>

2012/13	Useable Reserves				Unusable Reserves
	General Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'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	(3,652)	0	0	(3,652)	3,652
Revaluation losses on Property, Plant and Equipment					
Amortisation of Intangible assets	0			0	0
Capital grants and contributions applied	74	0	0	74	(74)
Movement in the Donated Assets Account	0	0	0	0	0
Adjustment	122	0	0	122	(122)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	1,988	0	0	1,988	(1,988)
<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	39	39	(39)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
<b>Adjustment primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(12,045)	0	0	(12,045)	12,045
Employer's pensions contributions and direct payments to pensioners payable in the year	3,106	0	0	3,106	(3,106)
<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	56	0	0	56	(56)
<b>Total Adjustments</b>	<b>(10,351)</b>	<b>0</b>	<b>39</b>	<b>(10,312)</b>	<b>10,312</b>

## 6. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves from 1 April 2012.

	<b>Balance 1 April 2012</b>	Transfers out 2012/13	Transfers In 2012/13	<b>Balance 31 March 2013</b>	Transfers out 2013/14	Transfers In 2013/14	<b>Balance 31 March 2014</b>
	£000	£000	£000	£000	£000	£000	£000
General Fund	(1,144)	0	(465)	(1,609)	0	(116)	(1,725)
Earmarked and Grant Reserves	(896)	688	(216)	(424)	118	(1,440)	(1,746)
<b>Total</b>	<b>(2,040)</b>	<b>688</b>	<b>(681)</b>	<b>(2,033)</b>	<b>118</b>	<b>(1,556)</b>	<b>(3,471)</b>

## 7. OTHER OPERATING EXPENDITURE AND INCOME

<b>2012/13 £000</b>		<b>2013/14 £000</b>
0	Deficit on Trading Operations	11
(39)	Gains/losses on the disposal of non-current assets	0
0	Revenue Contribution to Capital	543
<b>(39)</b>	<b>Total</b>	<b>554</b>

## 8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2012/13 £000</b>		<b>2013/14 £000</b>
374	Interest payable and similar charges	390
(24)	Interest	(21)
10,398	Net Interest on the net defined benefit liability	10,828
<b>10,748</b>	<b>Total</b>	<b>11,207</b>

## 9. TAXATION AND NON SPECIFIC GRANT INCOMES

<b>2012/13 £000</b>		<b>2013/14 £000</b>
(31,772)	Local Authority Levies	(31,772)
<b>(31,772)</b>	<b>Total</b>	<b>(31,772)</b>

## 10. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets are valued as outlined in Notes 4 and 17 of Accounting Policies. Details of the value of assets held at 31 March 2014 and comparative figures for 31 March 2013 are shown below, together with details of movement in the year:-

2013-2014	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Non-Operational Assets</i>	<i>Property Plant and Equipment Total</i>	<i>In-Tangible Assets Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross Book Value at 1 April 2013	26,088	25,121	260	173	51,642	65
<b>VALUE AT 1 APRIL 2013</b>	<b>26,088</b>	<b>25,121</b>	<b>260</b>	<b>173</b>	<b>51,642</b>	<b>65</b>
Additions	782	726	0	2,437	3,945	0
Revaluations	0	0	0	0	0	0
Write out Depreciation	0	0	0	0	0	0
Disposals	0	(2,520)	0	0	(2,520)	0
Impairment/Capitalised Under Statute	(451)	0	0	0	(451)	0
<b>GROSS BOOK VALUE AT 31 MARCH 2014</b>	<b>26,419</b>	<b>23,327</b>	<b>260</b>	<b>2,610</b>	<b>52,616</b>	<b>65</b>
Accumulated Depreciation at 1 April 2013	(2,760)	(11,608)	(242)	0	(14,610)	(65)
Revaluation	0	0	0	0	0	0
Depreciation for Year	(747)	(2,016)	(2)	0	(2,765)	0
Impairment CIES	0	0	0	0	0	0
Impairment Rev Res	0	0	0	0	0	0
Disposals	0	2,520	0	0	2,520	0
<b>Accumulated Depreciation at 31 March 2014</b>	<b>(3,507)</b>	<b>(11,104)</b>	<b>(244)</b>	<b>0</b>	<b>(14,855)</b>	<b>(65)</b>
<b>NET BOOK VALUE AT 31 MARCH 2014</b>	<b>22,912</b>	<b>12,223</b>	<b>16</b>	<b>2,610</b>	<b>37,761</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2013</b>	<b>23,328</b>	<b>13,513</b>	<b>18</b>	<b>173</b>	<b>37,032</b>	<b>0</b>

Comparative Data 2012-2013	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Non- Operational Assets</i>	<i>Property Plant and Equipment Total</i>	<i>In- Tangible Assets Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2012	24,465	24,669	260	61	49,455	65
<b>VALUE AT 1 APRIL 2012</b>	<b>24,465</b>	<b>24,669</b>	<b>260</b>	<b>61</b>	<b>49,455</b>	<b>65</b>
Additions	2,268	695	0	112	3,075	0
Revaluations	173	0	0	0	173	0
Commissioned	0	0	0	0	0	0
Expenditure	0	(243)	0	0	(243)	0
Disposals						
Impairment/Capitalised Under Statute	(818)	0	0	0	(818)	0
<b>GROSS BOOK VALUE AT 31 MARCH 2013</b>	<b>26,088</b>	<b>25,121</b>	<b>260</b>	<b>173</b>	<b>51,642</b>	<b>65</b>
Accumulated Depreciation at 1 April 2012	(1,810)	(9,899)	(240)	0	(11,949)	(65)
Revaluation	68	165	0	0	233	0
Depreciation for Year	(782)	(1,862)	(2)	0	(2,646)	0
	(188)	0	0	0	(188)	0
	(49)	0	0	0	(49)	0
Adjustment	1	(255)	0	0	(254)	0
Disposals	0	243	0	0	243	0
<b>Accumulated Depreciation at 31 March 2012</b>	<b>(2,760)</b>	<b>(11,608)</b>	<b>(242)</b>	<b>0</b>	<b>(14,610)</b>	<b>(65)</b>
<b>NET BOOK VALUE AT 31 MARCH 2013</b>	<b>23,328</b>	<b>13,513</b>	<b>18</b>	<b>173</b>	<b>37,032</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2012</b>	<b>22,655</b>	<b>14,770</b>	<b>20</b>	<b>61</b>	<b>37,506</b>	<b>0</b>

## 11. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	-	-	1,510	2,210
Available-for-sale financial assets	-	-	-	-
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>1,510</b>	<b>2,210</b>
<b>Debtors</b>				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	40	179
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>179</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	10,647	13,071	10,654	10,008
<b>Total Borrowings</b>	<b>10,647</b>	<b>13,071</b>	<b>10,654</b>	<b>10,008</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	1,066	909
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>1,066</b>	<b>909</b>

**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. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively 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;
- Reclassification of instruments;
- De-recognition of instruments;
- Collateral;
- Allowance for credit losses; and
- 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:

<b>Financial Instruments Gains and Losses</b>				
	2012/13		2013/14	
	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	374		390	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>374</b>		<b>390</b>	
Interest income		(24)		(21)
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(24)</b>		<b>(21)</b>
<b>Net gain/(loss) for the year</b>	<b>(374)</b>	<b>24</b>	<b>(390)</b>	<b>21</b>

### 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.

<b>Source of Loan</b>	<b>Interest Rate Payable 2013/14 %</b>	<b>Minimum to Maximum approved limits %</b>	<b>Actual % March 2013</b>	<b>Actual % March 2014</b>	<b>Total Outstanding at 31 March 2013</b>		<b>Total Outstanding at 31 March 2014</b>	
					£'000		£'000	
Public Works Loans Board	1.09 – 4.9					16,071		14,290
Market Loans	0.45 – 0.55					7,000		7,000
<b><u>ANALYSIS OF LOANS BY MATURITY</u></b>								
Within 1 Year		0% - 55%	43.34%	50.04%		10,000		10,654
Between 1 and 2 years		0% - 50%	21.68%	17.22%	5,000		3,666	
Between 2 and 5 years		0% - 50%	11.23%	14.89%	2,592		3,171	
Between 5 and 10 years		0% - 75%	9.75%	4.35%	2,250		927	
Over 10 years		0% - 100%	14.00%	13.50%	3,229		2,872	
<b>TOTAL</b>						<b>23,071</b>		<b>21,290</b>

Conwy County Borough Council manages the Treasury function on behalf of the Fire Authority and has brokered the short term Market loans under the name of Conwy County Borough Council to take advantage of the lower rates available to a Local Authority.

## 12. 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 have 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 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	16,071	17,559	14,290	15,263
Non-PWLB debt	7,000	7,000	7,000	7,000
<b>Total debt</b>	<b>23,071</b>	<b>24,559</b>	<b>21,290</b>	<b>22,263</b>

The fair value has been calculated with direct reference to published price quotations in an active market. In the case of the Fire 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.

## 13. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2013 and 31 March 2014 is shown below.

	<i>Main Stores</i>		<i>Transport Van Stock</i>		<i>Totals</i>	
	<i>2012/13 £'000</i>	<i>2013/14 £'000</i>	<i>2012/13 £'000</i>	<i>2013/14 £'000</i>	<i>2012/13 £'000</i>	<i>2013/14 £'000</i>
Balance at start of year	299	369	14	14	313	383
Purchases	252	280	21	19	273	299
Recognised as an Expense in year	(182)	(214)	(21)	(19)	(203)	(233)
Write Offs in year	0	0	0	0	0	0
<b>Balance outstanding at year end</b>	<b>369</b>	<b>435</b>	<b>14</b>	<b>14</b>	<b>383</b>	<b>449</b>



#### 14. DEBTORS

	<b>31 March 2013</b> <b>£'000</b>	<b>31 March 2014</b> <b>£'000</b>
Central Government Bodies	2,293	2,213
Other Local Authorities	34	11
NHS Bodies	39	28
Public Corporations and Trading Funds	91	77
Other Entities and Individuals	91	90
<b>TOTAL DEBTORS</b>	<b>2,548</b>	<b>2,419</b>

#### 15. CASH AND CASH EQUIVALENT

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 2014. The following table summarises the position:-

	<b>31 March 2013</b> <b>£'000</b>	<b>31 March 2014</b> <b>£'000</b>
Bank Call Accounts	2,210	1,510
Short Term Investments	0	0
Bank Current Accounts	23	19
Petty Cash Imprests	3	2
<b>Total Cash and Cash Equivalents</b>	<b>2,236</b>	<b>1,531</b>

#### 16. CREDITORS

	<b>31 March 2013</b> <b>£'000</b>	<b>31 March 2014</b> <b>£'000</b>
Central Government Bodies	329	510
Other Local Authorities	964	902
Public Corporations and Trading Funds	77	46
Other Entities and Individuals	1,628	1,949
<b>TOTAL CREDITORS</b>	<b>2,998</b>	<b>3,407</b>

#### 17. PROVISIONS

At 31 March 2014 the Authority held three provisions. The provisions held and the movement on the provisions is as follows.

##### **Pension Provision**

A provision has been set aside for lump sum payments in to the Pension Fund due to full time Firefighters retiring on ill health grounds. The level of the provision is based on the known liability of the future payments in to the pension fund. There has been no movement on the fund this year as it has been possible to fund these costs from the revenue budget.

##### **Equal Pay Provision**

A provision has been recognised to offset the financial consequences of retained firefighters becoming entitled to the same conditions of service as whole-time firefighters. The majority of the payments were paid in 2012-13 and some in 2013-14, it is expected that there may be some more payments in 2014-15.

### Retrospective Pension provision

Following negotiations between the Fire Brigade Union and DCLG an agreement has been reached which allows RDS staff retrospective access to the pension scheme. The provision is to cover the backdating of the employer's contribution in to the pension fund for RDS staff. It will take some time to set up and calculate the sums due so it has been designated as a longer term provision.

	<i>Pension Provision</i>	<i>Equal Pay Provision</i>	<i>Retrospective Pension provision</i>	<i>Less than 1 Year Totals</i>	<i>Greater than 1 year Totals</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Closing Bal 31 March 2012	(100)	(546)	0	(646)	0
Transfers (in)/out,	0	505	(300)	505	(300)
Closing Bal 31 March 2013	(100)	(41)	(300)	(141)	(300)
Transfer (in)/out 2013-14	0	14	(367)	14	(367)
<b>Closing Bal 31 March 2014</b>	<b>(100)</b>	<b>(27)</b>	<b>(667)</b>	<b>(127)</b>	<b>(667)</b>

## 18. USABLE RESERVES

### General Reserves

Money has been transferred from an earmarked reserve in to the general reserve as it is no longer necessary to hold that specific earmarked reserve. 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;
- underpin the budget for 2014-15; and
- decrease in grant funding.

The balance on the reserve at 31 March 2014 is £1,725,061 (31 March 2013, £1,609,061).

### Earmarked Reserves

A number of earmarked reserves have been set up for schemes that the Authority has agreed to fund.

	<i>Balance 1 April 12</i>	<i>Transfers in/(out) 12/13</i>	<i>Balance 31 March 13</i>	<i>Transfers in/(out) 13/14</i>	<i>Balance 31 March 14</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Pension Reserve	169	0	169	0	169
Early Termination Scheme	300	(300)	0	0	0
Purchase Headquarters - Fees	68	(68)	0	0	0
Software Purchase	65	(65)	0	0	0
Incident Command Courses	0	116	116	(116)	0
Interest Reserve	0	100	100	0	100
Capital Reserve	0	0	0	1,440	1,440
<b>Totals</b>	<b>602</b>	<b>(217)</b>	<b>385</b>	<b>1,324</b>	<b>1,709</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 are shown under Usable Reserves. The amount carried forward for 2013-14 relates to Resilience grants. The balance on the reserve as at 31 March 2014 is £37,165 (31 March 2013 - £39,143).

<b>31 March 2013</b> <b>£'000</b>		<b>31 March 2014</b> <b>£'000</b>
1,609	General Reserve	1,725
385	Earmarked Reserves	1,709
39	Grant Reserves	37
<b>2,033</b>	<b>Total Usable Reserves</b>	<b>3,471</b>

### 19. UNUSABLE RESERVES

<b>31 March 2013</b> <b>£'000</b>		<b>31 March 2014</b> <b>£'000</b>
3,147	Revaluation Reserve	3,028
10,783	Capital Adjustment Account	10,406
(251,900)	Pensions Reserve	(243,981)
(282)	Accumulated Absences Account	(247)
<b>(238,252)</b>	<b>Total Unusable Reserves</b>	<b>(230,794)</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.

<i>012/13</i> <i>£'000</i>	<i>Revaluation Reserve</i>	<i>2013/14</i> <i>£'000</i>
<b>3,081</b>	<b>Balance at 1 April</b>	<b>3,147</b>
173	Upward revaluation of assets	0
68	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
(49)	Remove Depreciation	0
(126)	Difference between fair value depreciation and historical cost depreciation	(119)
<b>3,147</b>	<b>Balance at 31 March</b>	<b>3,028</b>

### **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.

2012/13	Capital Adjustment Account	2013/14
£'000		£'000
12,087	Balance at 1 April	10,783
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,339)	▪ Charges for depreciation & impairment of non-current assets	(3,097)
(188)	▪ Revaluation losses on Property, Plant & Equipment	0
0	▪ Amortisation of Intangible Assets	0
(3,527)		(3,097)
(3,527)	Net written out amount of the cost of non-current assets consumed in the year	(3,097)
	<b>Capital financing applied in the year:</b>	
39	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	0
404	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	543
1,988	▪ Statutory provision for the financing of capital investment charged against the General Fund	2,052
(208)	▪ Prior year lease adjustment	125
(1,304)		(377)
<b>10,783</b>	<b>Balance at 31 March</b>	<b>10,406</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.

2013-14	Fixed Asset Statement (Note 10)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(2,765)	(119)	(2,646)	(2,765)
Impairment	(451)	0	(451)	(451)
Revaluations	0	0	0	0
Revaluations Depreciation	0	0	0	0
Total	(3,216)	(119)	(3,097)	(3,216)
2012-13	Fixed Asset Statement (Note 10)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(2,646)	(126)	(2,520)	(2,646)
Impairment	(1,055)	(49)	(1,006)	(1,055)
Revaluations	173	173	0	173
Revaluations Depreciation	68	68	0	68
Total	(3,460)	66	(3,526)	(3,460)

## 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.

<b>2012/13</b> <b>£'000</b>	<b>MOVEMENTS</b> <b>on PENSION RESERVE</b>	<b>2013/14</b> <b>£'000</b>
<b>(214,193)</b>	Opening Balance 1 April	<b>(251,900)</b>
(12,045)	Reversal of Items related to retirement benefits debited to the Provision of Service in the Comprehensive Income and Expenditure Statement	(13,685)
3,106	Employer's pensions contributions and direct payments to pensioners payable in the year	3,156
(28,768)	Re-measurement of the net defined benefit liability	18,448
<b>(37,707)</b>	<b>MOVEMENT ON PENSION RESERVE</b>	<b>7,919</b>
<b>(251,900)</b>	<b>CLOSING BALANCE</b>	<b>(243,981)</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.

<b>2012/13</b> <b>£'000</b>	<b>Accumulated Absences Account</b>	<b>2013/14</b> <b>£'000</b>
<b>(339)</b>	<b>Balance at 1 April</b>	<b>(282)</b>
339	Settlement or cancellation of accrual made at the end of the preceding year	282
(282)	Amounts accrued at the end of the current year	(247)
<b>(282)</b>	<b>Balance at 31 March</b>	<b>(247)</b>

**20. CASH FLOW STATEMENT - OPERATING ACTIVITIES**

2012/13 £'000		2013/14 £'000
10,319	<b>Net (Surplus)/Deficit on the Provision of Services</b>	9,552
	<b>Adjustments to Net (Surplus)/Deficit for Non Cash Movements</b>	
70	Increase/(Decrease) in Stock	66
924	Increase/(Decrease) in Debtors	(129)
267	(Increase)/Decrease in Creditors	(409)
(2,646)	Depreciation Charge	(2,765)
74	Government Grants Received	0
(8,939)	IAS 19 Pension Adjustments	(10,529)
(1,006)	Impairment Charge	(451)
(191)	Revaluation	0
39	Gain on Asset Disposal	0
209	Adjustment for Finance Leases	(125)
7	Contribution (to)/from Various Provisions	(14)
255	Decrease in Grant Reserve	(2)
(369)	Transfers to/(from) Reserves	1,440
(56)	Accumulated Absences Reserve	(35)
<b>(11,362)</b>	<b>Less Total Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities</b>	<b>(12,953)</b>
(357)	Interest paid	(390)
24	Interest Received	21
<b>(333)</b>	<b>Less Total</b>	<b>(369)</b>
<b>(1,376)</b>	<b>Net Cash Flow From Operating Activity</b>	<b>(3,770)</b>

**21. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2012/13 £'000		2013/14 £'000
2,813	Purchase of property, plant and equipment, investment property and intangible assets	3,945
(39)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(74)	Other receipts from investing activities	(543)
<b>2,700</b>	<b>Net cash flows from investing activities</b>	<b>3,402</b>

**22. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

<b>2012/13</b> <b>£'000</b>		<b>2013/14</b> <b>£'000</b>
(29,397)	Cash receipts of short-term and long-term borrowing	(15,291)
31,741	Repayments of short –term and long-term borrowing	17,069
(30)	(Decrease)/Increase in call accounts and short –term investments (Note 15) less interest due	(705)
45	Other payments for investing activities	0
<b>(2,359)</b>	<b>Net cash flow from financing activities</b>	<b>1,073</b>

**23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Fire Authority on the basis of budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- The Fire Authority budget reporting is based on a subjective analysis of expenditure and income e.g. Employee costs, Premises, Transport etc. rather than on the objective basis that is reported in the accounts e.g. Fire Fighting – Operational Response, Community Fire Safety – Inspection and Certification.

A summary of the budget report presented to Members reporting the financial position is as follows:-



**North Wales Fire & Rescue Service**  
**Management Accounts Summary 2012/13 and 2013/14**

2012/13		2013/14
	<b>EXPENDITURE</b>	
	<b>EMPLOYEE COSTS</b>	
13,197,815	Uniformed Staff - Wholetime	13,046,523
3,851,556	Uniformed Staff - Part time	3,829,504
3,835,740	Support Services Staff	3,951,665
418,077	Training Costs	527,711
38,083	Supplementary Payments to Pension Funds	19,236
437,186	Pension payments	469,112
75,347	Other Staff Costs	81,921
<b>21,853,804</b>	<b>TOTAL EMPLOYEE COSTS</b>	<b>21,925,672</b>
	<b>PREMISES COSTS</b>	
918,853	Utilities & Taxation	910,377
338,470	Maintenance	286,170
171,166	Rents	148,948
882,124	Other/Wrexham Fees	0
<b>2,310,613</b>	<b>TOTAL PREMISES COSTS</b>	<b>1,345,495</b>
	<b>TRANSPORT</b>	
882,523	Maintenance & Running Expenses	804,824
253,282	Travelling Expenses & Lease Car Scheme	295,026
198,029	Operating Lease Payments	157,118
<b>1,333,834</b>	<b>TOTAL TRANSPORT COSTS</b>	<b>1,256,968</b>
	<b>SUPPLIES &amp; SERVICES</b>	
317,340	Equipment	381,682
1,421,031	IT & Communications	1,508,089
934,453	Other Supplies & Services	1,119,510
<b>2,672,824</b>	<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>3,009,281</b>
	<b>SUPPORT SERVICES</b>	
322,515	Agency Payments	310,593
384,838	Support Service Agreements	363,302
<b>707,353</b>	<b>TOTAL SUPPORT SERVICES</b>	<b>673,895</b>
209,463	Contribution to Capital for Equipment & IT	102,717
2,362,432	<b>CAPITAL FINANCING COSTS</b>	2,442,048
<b>31,450,323</b>	<b>TOTAL EXPENDITURE</b>	<b>30,756,076</b>
	<b>INCOME</b>	
(302,515)	Sales, Fees & Charges	(329,839)
(44,588)	Other Income	(21,165)
<b>(347,103)</b>	<b>TOTAL INCOME</b>	<b>(351,004)</b>
<b>31,103,220</b>	<b>NET OPERATING COSTS</b>	<b>30,405,072</b>
668,791	Contribution to Provisions and Reserves	1,366,940
(31,772,011)	Income From Contributions	(31,772,011)
<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 Management Accounts relate to the amounts included in the Comprehensive Income and Expenditure Statement.

<b>2012/13 £'000</b>			<b>2013/14 £'000</b>	
	31,103	Net Expenditure in the Service Analysis		30,405
		<b>Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis</b>		
2,646		Depreciation	2,765	
(120)		Lease Adjustment	(125)	
(74)		Government Grant Released	0	
(1,459)		IAS 19 – Pensions Adjustment (Note 33)	(309)	
1,006		Impairment	451	
(56)		Accumulated Absences	35	
	1,943	<b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b>		2,817
(1,988)		Debt Repayment (MRP and VRP)	(2,052)	
(374)		Interest Paid	(390)	
24		Interest Received	21	
674		Provisions and Reserves	(1,249)	
0		Trading Account Deficit	11	
	(1,664)			(3,659)
	<b>31,382</b>	<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>		<b>29,563</b>

**24. TRADING OPERATIONS**

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

<b>2012/13 £'000</b>		<b>2013/14 £'000</b>
(34)	Turnover	(31)
34	Expenditure	42
0	<b>Deficit</b>	11

## 25. MEMBERS' ALLOWANCES

During 2013-2014 the sum of £60,947 (£58,826 in 2012-2013) was paid to Members in the form of Members Allowances and travel expenses.

2012/13		2013/14
	<u>Full Year Allowances</u>	
10,085	Chair	10,085
5,095	Vice Chair	5,095
5,095	Chair Audit Committee	5,095
1,350	Member	1,350
<b>48,049</b>	Total of Members' Allowances paid	<b>53,917</b>
<b>10,777</b>	Total of Members' Expenses paid	<b>7,030</b>

## 26. OFFICERS' REMUNERATION

### SENIOR OFFICERS' EMOLUMENTS 2013-2014 – SALARY BETWEEN £60,000 AND £150,000

<b>POST TITLE</b>	<b>Year</b>	<b>SALARY (inc fees and allowances)</b>	<b>EXPENSES RE-IMBURSED</b>	<b>BENEFIT IN KIND (Provided vehicle)</b>	<b>TOTAL (excl pension contributions)</b>	<b>PENSION CONTRIBUTIONS</b>	<b>TOTAL REMUNERATION</b>
		£	£	£	£	£	£
Chief Fire Officer	2012/13	116,387	106	4,378	120,871	0	120,871
	2013/14	120,911	168	6,260	127,339	0	127,339
Deputy Chief Officer	2012/13	90,280	267	4,068	94,615	19,230	113,845
	2013/14	97,531	229	4,268	102,028	20,736	122,764
Assistant Chief Fire Officer	2012/13	83,990	390	2,731	87,111	17,863	104,974
	2013/14	83,861	128	2,900	86,889	17,059	103,948
Assistant Chief Fire Officer	2012/13	0	0	0	0	0	0
	2013/14	81,226	922	2,361	84,509	17,301	101,810
Assistant Chief Officer	2012/13	73,407	62	2,966	76,435	15,609	92,044
	2013/14	87,151	165	3,934	91,250	18,441	109,691

The Authority does not have any employees with a salary in excess of £150k. One of the Assistant Chief Fire Officers retired in March 2012 and the post was filled in 2013-14. The Treasurer to the Authority is not included in the above table as he is not an employee of North Wales Fire Authority.

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

<b>REMUNERATION BAND</b>	<b>2012/13 NUMBER OF EMPLOYEES</b>	<b>2013/14 NUMBER OF EMPLOYEES</b>
£70,000 - £74,999	3	2
£65,000 - £69,999	0	1
£60,000 - £64,999	1	1

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

There were no exit packages in 2012-13 or 2013-14 or compulsory redundancies.

## 27. EXTERNAL AUDIT COSTS

Fees payable to the statutory auditors equate to £62,229 (2012/13 £60,082) with regard to external audit services received.

	<b>2012/2013 £000</b>	<b>2013/2014 £000</b>
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	60	53
Fees payable to the Auditor General for Wales in respect of Statutory inspection	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0

**28. GRANTS**

The following grants were received by the Authority:-

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Airwave	416	457
All Wales Resilience	74	0
Arson Reduction Team	290	255
Community Safety Partnership	28	0
Dangerpoint	0	8
Defra/DEIIT Phase 1	60	250
HFSC Partnership Development	41	25
Interventions	463	477
MRG Training	11	0
NDG Equipment Maintenance	122	112
New Dimensions	426	281
Operation mail Guard/Assurance	9	0
Phoenix	197	176
Resilience Officer	63	55
RTC Initiatives	1	4
Third Sector Co-ordinator	97	24
<b>TOTAL</b>	<b>2,298</b>	<b>2,124</b>

**29. RELATED PARTIES**

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

- Each Member of the Authority is also a Member of one of the constituent authorities
- The Treasurer to the Authority is the Strategic Director -Democracy, Regulation and Support, Conwy County Borough Council
- The Monitoring Officer is the Chief Executive of Flintshire County Council

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

The service works closely with and contributes towards Firebrake Wales a community fire safety trust that has been set up to promote fire safety across Wales.

Conwy County Borough Council manages the Treasury function on behalf of the Fire Authority and brokers Market loans and Investments under the name of Conwy County Borough Council to take advantage of the lower rates available to a Local Authority. The position as at 31 March 2014 was that £7m in Market Loans and £1.5m in Investments were brokered by Conwy on behalf of the Fire Service.

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

	<b>£'000</b>
Conwy CBC – Treasurer and Financial Services	109
Conwy CBC – Legal Services	10
Flintshire CC – Monitoring Officer	13
Carmarthenshire CC – Superannuation Service	28
Welsh Local Government Association	21
North Wales Police – Facilities Management	144
North Wales Police - Procurement	8
Firebrake	35

There were no balances outstanding at the year end.

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

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

### 30. CAPITAL EXPENDITURE AND FINANCING

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

<b>2012/13 £'000</b>		<b>2013/14 £'000</b>
22,327	Opening Capital Financing Requirement	22,969
	Capital Investment in Year	
	• Fixed Assets	
3,075	Sources of Finance	3,945
(443)	• Grants and Contributions	(543)
(1,988)	• Revenue and Other Provisions	(2,051)
(2)	• Prior year adjustment	0
22,969	Closing Capital Financing Requirement	24,320
<b>642</b>	Change in Capital Financing Requirement	<b>1,351</b>
	Explanation of change:	
642	Increase in underlying need to borrow	1,351

Capital Expenditure during the year was as follows:

Scheme	£000
Station Refurbishments	1,821
Vehicles	1,929
ICT	138
Operational Equipment	57
<b>Total</b>	<b>3,945</b>

## CAPITAL COMMITMENTS 2013-2014 ONWARDS

The major capital commitments entered into as at 31 March 2014 were for vehicles. The contracts let are for stage builds on 15 Water Tenders and final stage build of the new Aerial Appliance. The capital commitment as at 31 March 2014 is £2,393,518.

## FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

	2012/13 £000	2013/14 £000
External Loans	2,347	0
Grant Funding	74	0
Capital Receipts	39	0
Internal Borrowing	285	2,522
Revenue Contribution	330	543
External Creditor	0	880
<b>Total</b>	<b>3,075</b>	<b>3,945</b>

## 31. LEASES

### Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2013 £'000	31 March 2014 £'000
Vehicles, Plant, furniture and Equipment	165	40
<b>Total</b>	<b>165</b>	<b>40</b>

The change in the lease values is due to a renegotiation of the terms of the leases. The minimum lease payments are made up of the following amounts:

	31 March 2013 £'000	31 March 2014 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	165	40
▪ Non-Current	0	0
Finance costs payable in future years	0	0
<b>Minimum Lease Payments</b>	<b>165</b>	<b>40</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
No later than one year	165	40	165	40
No later than one year and not later than 5 years	0	0	0	0
<b>Total</b>	<b>165</b>	<b>40</b>	<b>165</b>	<b>40</b>

## Operating Lease

The operating lease payments outstanding as at 31 March 2014 are £85,254 (31 March 2013, £113,672), with payment of operating leasing charges during the year of £32,118 (2012/13, £73,028). All operating leases are for vehicles. The lease charges for 2013-14 are less than in the previous year as all leases have been re-negotiated so that by 2016/17 all leased assets will be owned by the Authority.

<b>LEASING OBLIGATIONS</b>	<b>£'000</b>
Expires within 12 months	28
Expires between 2 and 5 years	57
Expires after 5 years	0
<b>TOTAL for 2013/14</b>	<b>85</b>

### 32. TERMINATION BENEFITS

The Authority terminated no contracts in 2013-14. No termination costs were payable in 2013-14 or 2012-13 any costs would have been charged within the year with the only future liabilities being in respect of future pensions. These liabilities would have been contained within pension liabilities under IAS 19 and included within pension disclosure Note 33 below.

### 33. TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

#### Pensions

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

In 2013-2014 the Authority paid an Employer's Pension contribution of £870,554 (2012-2013, £865,268) representing 10.2% (2012-2013, 10.2%) of employees' pensionable pay and included a lump sum payment of £459,000 (2012-13, £459,000) 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 2013. Following the review the employer's contribution is set to rise incrementally from 10.2% to 12.8% by 2017-18. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

During 2013-2014 added years benefits and early retirement costs due to redundancies of £10,436 (2012-2013, £158,706) were paid to employees which represents 0.27% (2012-2013, 4.34%) of employees' pensionable pay. Pension contributions to be paid in to the scheme for the financial year 2014-15 are estimated to be £970,000 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 2013-2014 the Authority paid an Employer's Pension contribution of £1,813,679 (2012-13, £1,851,594). Pensions paid from revenue amounted to £469,060 (2012-2013, £432,739). In 2014-2015 the employer's contribution to the scheme is estimated to be £1,785,000 and the estimate for Pensions paid from revenue is £371,000. The majority of pension payments to retired firefighters is paid from a separate Pension Fund account administered by the Authority, details of the Fund and how it operates can be found on page 54.



**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 33 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.

To comply with IAS19 the Authority appoints actuaries on an annual basis to assess the assets and liabilities of both schemes. Mercer were appointed to assess the Local Government Pension scheme and the Government Actuary's Department the firefighters scheme as they relate to past and current employees of North Wales Fire Authority. For the Local Government Pension scheme the actuary assessed that the net liability to the Authority as at 31 March 2014 was £8.41m (31 March 2013, £9.74m) and for the Firefighters scheme the liability was £235.57m as at 31 March 2014 (31 March 2013 £242.16m). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found below.

The IASB issued an amended IAS19 – Accounting for Pension Costs, which will come in to force for financial periods beginning on or after 1 January 2013. The principal changes are:-

- The expected return on assets is calculated at the discount rate, instead of an expected return rate;
- The interest on the service cost is included in the service cost itself, and

For this Authority, as will be the case for most organisations, this will result in a higher Profit and Loss charge going forward.

This disclosure is fully incorporated into the 2013-14 Statement of Accounts.

**Transactions relating to Retirement benefits recognised in the accounts**

	<i>Funded</i>		<i>Unfunded</i>	
	<i>2012/13</i>	<i>2013/14</i>	<i>2012/13</i>	<i>2013/14</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Comprehensive Income & Expenditure Account				
<b>Net Cost of Service</b>				
Current Service Cost	(582)	(773)	(4,790)	(5,880)
Past Service Cost	0	0	0	0
Settlements	(30)	0	0	0
Financing & Investment Income & Expenditure				
Net Interest	(1,079)	(1,117)	(10,090)	(10,410)
Total Defined Benefit Charged to Provision of Service	(1,691)	(1,890)	(14,880)	(16,290)
<b>Other Pension Costs Charged to the Comprehensive Income and Expenditure Statement</b>				
Return on Assets (excluding Interest)	771	689	0	0
Remeasurements	(2,158)	1,638	(26,610)	16,810
Total Pension Costs Charged to the Comprehensive Income and Expenditure Statement	(3,078)	437	(41,490)	520
<b>Movement in Reserves Statement</b>				
Reversal of Charges in accordance with the code	12,045	13,685	-	-
<b>Actual Amounts charged to the General Fund in the year</b>				
Employer Contributions	3,106	3,156		
Adjustment for the Top Up Grant	3,755	3,806		

**IAS 19 Pension Adjustment to the Net cost of Service - Income and Expenditure Account**

<b>Adjustment to Net Cost of Service</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Costs	5,372	6,653
Past Service Costs	0	0
Employer's Contributions	(3,106)	(3,156)
Top Up Grant	(3,825)	(3,806)
Actuarial Adjustment/Curtailment	30	0
Transfer Values In	70	0
<b>Adjustment to Net cost of Service</b>	<b>(1,459)</b>	<b>(309)</b>

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

	<b>31 March</b>	
	<b>2013 £'000</b>	<b>2014 £'000</b>
Estimated Present value of the defined benefit obligation in the Firefighters' Pension Scheme	242,160	235,570
Estimated Present value of the defined benefit obligation in the Clwyd Pension Fund	25,037	24,650
<b>Total Estimated share of liabilities</b>	<b>267,197</b>	<b>260,220</b>
Estimated Share of assets in Clwyd Pension Fund	15,297	16,239
<b>Net Pensions Deficit</b>	<b>251,900</b>	<b>243,981</b>

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

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

<b>Liabilities</b>	<b>2012/13</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Clwyd</b>	<b>Firefighters</b>	<b>Clwyd</b>	<b>Firefighters</b>
Balance as at 1 April	(21,037)	(206,630)	(25,037)	(242,160)
Current Service Cost	(582)	(4,790)	(773)	(5,880)
Transfer Values In	0	(70)	0	0
Interest	(1,079)	(10,090)	(1,098)	(10,410)
Curtailments	(30)	0	0	0
Actuarial Loss/Gain	(2,675)	(26,610)	2,091	16,810
Benefits paid	623	7,120	427	7,280
Member contribution	(257)	(1,090)	(260)	(1,210)
<b>Net Pension Liabilities at Year End</b>	<b>(25,037)</b>	<b>(242,160)</b>	<b>(24,650)</b>	<b>(235,570)</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, this only relates to the Clwyd Pension Fund:

<b>Assets</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Balance 1 April	13,474	15,297
Interest on Plan Assets	771	689
Remeasurements/Admin	517	(472)
Employer Contributions	901	892
Member Contributions	257	260
Benefits Paid	(623)	(427)
<b>Net Pension Assets at Year End</b>	<b>15,297</b>	<b>16,239</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:

<b>Asset Category</b>	<b>Quoted Prices in Active Markets</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	
		<b>2013</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	
		<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	
<b>Equity Securities</b>						
UK Quoted	Y	1,527	10.0	1,625	10.0	
Global Quoted	Y	765	5.0	974	6.0	
Global Unquoted	N	612	4.0	650	4.0	
US	Y	459	3.0	487	3.0	
Japan	Y	459	3.0	487	3.0	
Europe	Y	306	2.0	487	3.0	
Emerging Markets	Y	1,071	7.0	974	6.0	
Frontier	Y	153	1.0	162	1.0	
Far East	Y	1,071	7.0	974	6.0	
<b>Bonds</b>						
Overseas Other	N	2,295	15.0	2,273	14.0	
<b>Property</b>						
UK	Y	459	3.0	487	3.0	
Overseas	N	765	5.0	812	5.0	
<b>Alternatives</b>						
Hedge Funds/Private Equity/ Commodities/GTAA	Y	5,049	33.0	5,360	33.0	
<b>Cash &amp; Cash Equivalents</b>						
All	Y	306	2.0	487	3.0	
<b>Totals</b>		<b>0</b>	<b>15,297</b>	<b>100</b>	<b>16,239</b>	<b>100</b>

Details regarding the changes in the Local Government Pension Scheme rules, including the change from final salary benefits to career average re-valued benefits for service from 1<sup>st</sup> April 2014 onwards, can be found on the following link:

<http://www.lgps.org.uk/lge/core/page.do?pageld=97977>

### Sensitivity Analysis

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

	LGPS % Change	LGPS Impact £ Million	Firefighters % Change	Firefighters Impact £Million
Rate of Discounting	+0.1	(0.55)	-0.5	22.00
Rate of Increase in Salaries	+0.1	0.56	+0.5	3.00
Rate of Increase in Pension	+0.1	0.20	+0.5	18.00
Life Expctancy + 1 Year	1	0.45	1	4.00

### **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:

	<b>Firefighters' Scheme</b>		<b>Clwyd Pension Fund</b>	
	<b>2013</b> %	<b>2014</b> %	<b>2013</b> %	<b>2014</b> %
Rate of Inflation	2.5	2.5	2.4	2.4
Rate of Increase in Salaries	4.75	4.5	3.9	3.9
Rate of Increase in Pensions	2.5	2.5	2.4	2.4
Rate of Discounting Scheme Liabilities	4.3	4.4	4.4	4.6
	Life Expectancies Estimated as at 31 March 2014			
	Males	Females	Males	Females
Life Expectancy at 65				
Current Pensioners	23.5	25.5	23.3	25.8
Future Pensioners	26.6	28.6	26.2	29.2

The Firefighters' Pension scheme is an unfunded scheme and as such holds no assets to generate income to meet the schemes 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 Assembly Government.

## **34. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – 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.

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).

The highest credit risk is for investments and these are managed through the Treasury Management Strategy as detailed above. 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 down graded 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 £1m. However, due to careful management of the portfolio no institutions have failed to repay monies due.

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

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 £70k; and interest from investments would have increased by £15k.

## **35. CONTINGENT LIABILITIES**

### **Retained Firefighter Pensions**

Retained Firefighters have been able to join the New Firefighter Pension Scheme since 1 April 2006. However, as a consequence of a court case in relation to the Part-Time Workers (Prevention of less favourable treatment) Regulations, which came into force on 1 July 2000, under certain circumstances Retained Firefighters are permitted to buy into the Firefighters' Pension Scheme from an earlier date. The current estimate is that the maximum cost to the Authority could be up to £960k and a provision of £667k has been set aside to offset these costs (see note 2). Agreement has been reached between the FBU and DCLG and it is now a case of calculating monies due for those that take up the offer and the risk is that more staff take up the offer than has been estimated.

### **THE FIREFIGHTERS' PENSION FUND ACCOUNT**

<i>Fund Account</i>	<i>2012/13 £000</i>	<i>2013/14 £000</i>
<b>INCOME</b>		
<b>Contributions Receivable:</b>		
Employer normal contributions	(1,852)	(1,814)
Employer Ill Health Charge	(75)	(57)
Members	(1,089)	(1,211)
Transfers In	(65)	(4)
<b>TOTAL</b>	<b>(3,081)</b>	<b>(3,086)</b>
<b>EXPENDITURE</b>		
<b>Benefits Payable:</b>		
Pension Payments	5,336	5,680
Commutation of Pensions and Lump Sum benefits	1,590	1,212
<b>Payments to and on Behalf of Leavers:</b>		
Transfers out	0	0
<b>TOTAL</b>	<b>6,926</b>	<b>6,892</b>
<b>NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT</b>	<b>3,845</b>	<b>3,806</b>
Top Up grant receivable from WG	(3,845)	(3,806)
<b>NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR</b>	<b>0</b>	<b>0</b>

<i>Net Assets Statement</i>	<i>2012/13 £000</i>	<i>2013/14 £000</i>
<b>Net Current Assets and Liabilities:</b>		
Top Up payable (from)/to WG	(1,117)	(694)
Amount owed from/to the General Fund	1,117	694
<b>Net Assets at year end</b>	<b>0</b>	<b>0</b>

#### **Notes to the Firefighters' Pension Fund Account**

The Fund was established 1 April 2007 and covers both the 1992 and 2007 Firefighters' Pension Schemes and is administered by the Authority. Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by WG 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 WG.

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.

At the beginning of the financial year an assessment is made of the amount of Top Up grant required from WG and 80% of the estimate is paid in July. The 2013-14 estimate included an assessment of the number of firefighters due to retire within the year based on age and years service from this an estimate can then be made of the commutation payments that would fall due and the additional pension payments. In 2013-14 the estimate for the Top Up Grant due was £3.786m and the actual was £3.806m. At the year end the Authority was owed £0.694m from WG which equates roughly to the 20% of the grant that is paid in arrears.

The accounting policies for the Pension Fund Account are consistent with the accounting policies on pages 14 – 21.

### Contribution Rates

Under the Firefighters' Pension Regulations the employers contribution rates for the 2007 scheme were 11% of pensionable pay with employees rates as per the pensionable pay banding detailed below:

Pensionable Pay Band	2013-14 Contribution Rate %
Up to and including £15,000	8.5
More than £15,000 and up to and including £21,000	9.1
More than £21,000 and up to and including £30,000	9.6
More than £30,000 and up to and including £40,000	9.9
More than £40,000 and up to and including £50,000	10.1
More than £50,000 and up to and including £60,000	10.2
More than £60,000 and up to and including £100,000	10.5
More than £100,000 and up to and including £120,000	10.8
More than £120,000	11.1

For the 1992 scheme the employers contribution rates were 21.3% of pensionable pay with employees rates as per the pensionable pay bandings detailed below:

Pensionable Pay Band	2013-14 Contribution Rate %
Up to and including £15,000	11.0
More than £15,000 and up to and including £21,000	11.9
More than £21,000 and up to and including £30,000	12.9
More than £30,000 and up to and including £40,000	13.2
More than £40,000 and up to and including £50,000	13.5
More than £50,000 and up to and including £60,000	13.7
More than £60,000 and up to and including £100,000	14.1
More than £100,000 and up to and including £120,000	14.5
More than £120,000	15.0

**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 33 to the core financial statements (2014 - £235.57m, 2013 - £242.16m).**