

# **North Wales Fire Authority-Statement of Accounts 2011-12**

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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. As with all Public Services in Wales, the Fire Authority is faced with reduced funding in future years and the challenge for the Authority is to provide acceptable levels of service within those restraints without compromising the safety of the public.

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 Service is actively engaged in working with the communities it serves, an example of which is the number of Home Fire Safety checks carried out by the Service, 28,472 in 2011-12. 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 2011-12.

- 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.

(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 2011-12 (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 2011-2012****Revenue Expenditure 2011-2012**

The budget for the year was approved by Members of the Authority at £31,932,654. Further details on the operational spend, which is the actual expenditure for the Authority without the accounting adjustments, can be found in Note 22. The actual expenditure was lower than budgeted and was achieved by curtailing expenditure wherever possible to ease anticipated pressures in 2012-13. The Authority was able to set aside £503k in to a general reserve which will provide some assurance that there are funds available to assist in future years and will mean that the Authority can draw on these funds rather than having to request supplementary levies.

	Budget	Actual	Variance
	£000	£000	£000
<b>Revenue</b>			
Expenditure	32,256	31,147	(1,109)
Income	(323)	(318)	5
Net Expenditure	31,933	30,829	(1,104)
Earmarked Reserves & Provisions	0	601	601
Unitary Authority Contributions	(31,933)	(31,933)	0
(Surplus) /Deficit	0	(503)	(503)
<b>Capital</b>			
(inc b/f slippage)	7,320	4,491	(2,829)

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

	£'000
*Net Expenditure	30,829
**Accounting Adjustments	577
***Cost of Services	31,406

\*detailed in 'The Outturn for the Year 2011/12 (above)

\*\*detailed in Note 22

\*\*\*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 2011-12, the proportions were as follows:

Authority	2011/2012 Contribution £	Proportion %
Conwy County Borough Council	5,240,568	16.41
Anglesey County Council	3,236,545	10.14
Gwynedd Council	5,588,685	17.50
Denbighshire County Council	4,549,039	14.25
Flintshire County Council	7,051,716	22.08
Wrexham County Borough Council	6,266,101	19.62
<b>TOTAL</b>	<b>31,932,654</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 £2.69m (£1.78m 2010-11). Details of the grants received can be found in Note 27 to the accounts.

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

2010/11 £'000		2011/12 £'000
<b>32,093</b>	Unitary Authority Contributions	<b>31,933</b>
<b>0</b>	Revenue Grants	<b>35</b>
<b>35</b>	Interest	<b>27</b>
<b>217</b>	Fees and Charges	<b>256</b>

#### **Capital Expenditure 2011-2012**

Total capital expenditure in the year amounted to £4.491m. Further details can be found in Note 29 to the accounts.

2010/11 £'000		2011/12 £'000
2,283	Property – Refurbishments, adaptations, new buildings	1,349
3,113	Vehicles and Plant	2,920
1,329	Operational and I.C.T. Equipment	222
<b>6,725</b>	<b>Total Capital Expenditure</b>	<b>4,491</b>

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2011-2012 the capital programme was financed mainly by loans from the Public Works Loan Board and other Local Authorities (£4,376k), grants (£94k) and Capital Receipts (£21k).

A detailed report on the financial activity for the year was presented to the Fire Authority on 18 June 2012 and is available on the Fire service website ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)).

### **Pension Liability**

In 2011-12, 9 wholetime uniformed staff retired. The net cost of the Firefighters' Pension Scheme to the revenue budget continues to grow, as does the liability in terms of future pension commitments. The actuarially assessed liability as at 31 March 2012 was £206.63m for Firefighters' pension scheme and £7.563m for the Local Government pension scheme.

With effect from April 2011 increases in pension payments and deferred pensions has been linked to annual increases in the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). As the long term increases to CPI are expected to be less than RPI increases, the result is a reduction in the defined benefit obligation on the balance sheet, together with a reduction in current service costs and interest cost for 2010-11 and in future years. The indexation change also results in negative past service costs, reflecting the reduction in obligation, which are credited to the net cost of services as non distributed costs in 2010-11 in accordance with UITF (Urgent Issues Task Force) Abstract 48, a credit of £24m was made in respect of the above. There is no impact on the General Fund.

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 mainly to a re-structuring of the administrative staff that provide support to Retained Duty Stations (RDS) there has been some additional expenditure incurred on redundancy payments, £171k, which was not provided for in the budget. The costs will be offset against savings that will be realised in future years due to a reduction in support staff posts. More details on redundancy payments can be found in Note 25 and 31 to the accounts.

### **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 £2.381m. 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 £389k loan interest and £1,959k 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 2012 was £20.724m.

### **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 £0.65m and at the end of the year £0.82m. The movement in the year was due to additional monies being set aside to cover future pension liabilities and the tax and NIC liability on the RDS back pay settlement. Payment will be made in June 2012 for the RDS back pay and some of the Pension Provision will be utilised in 2011-12.

Legislation was passed to allow Fire Authorities in Wales to hold reserves and this is the third year this can be exercised. Money has been set aside in to a general reserve as it is prudent for the Authority to build up a General Reserve and it is anticipated that the areas where it will be used will be:-

- pay increases;
- to offset fuel increases not budgeted for;
- Revenue Support Grant Cuts;
- to cover the costs of any early retirements on the grounds of efficiency;
- decrease in grant funding; and
- increase in the employers Pension contributions

Further details of the provisions and reserves held are included in Notes 16 and 17 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. 2011-12 was the first year of the 3 year plan and the agreed savings target was £802k. The majority of the savings were on front line fire cover through the Officer Cover Review. Other savings were to be made by freezing some Support Service and Community Fire Safety posts; and not fund the YFA annual event. Within the year a clear message was given to budget holders 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.

The savings target agreed for 2012-13 is £815k and 2013-14 £835k and whilst the Authority has plans in place to achieve these savings it may be that the savings can not be delivered within the timescales set and there may be some slippage. To ensure the Authority has some financial safeguard against this it has been agreed that the general reserve can be used in the short term to cover any shortfall.

## **4. ADDITIONAL INFORMATION**

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

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

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

The Authority is required:

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

### **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 2012

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 2011/2012**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2012 and its income and expenditure for the year then ended.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_  
**K W FINCH** CPFA, IRRV (Hons)  
*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 2012 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 2011-12 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 pension fund accounts, 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. 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 2012 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 2011-12.

### **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 2012 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 2011-12.

**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 2012

## CORE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

<u>Movement in Reserves Statement for the years ended 31 March 2011 &amp; 2012</u>	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 2010</b>		418	288	0	706	(209,132)	(208,426)
<b>Movement in Reserves during 2010/11</b>							
Surplus or (Deficit) on the Provision of Services		11,272	0	0	11,272	0	11,272
Other Comprehensive Income & Expenditure		0	0	0	0	17,470	17,470
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>11,272</b>	<b>0</b>	<b>0</b>	<b>11,272</b>	<b>17,470</b>	<b>28,742</b>
Adjustments between accounting basis & funding basis under regulations	5	(10,820)	0	(39)	(10,859)	10,859	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		452	0	(39)	413	28,329	28,742
Adjustment		0	0	1	1	(1)	0
Transfers to/(from) Earmarked Reserves	6	(229)	191	38	0	0	0
<b>(Increase)/Decrease in 2010/11</b>		<b>223</b>	<b>191</b>	<b>0</b>	<b>414</b>	<b>28,328</b>	<b>28,742</b>
<b>Balance as at 31 March 2011</b>		<b>641</b>	<b>479</b>	<b>0</b>	<b>1,120</b>	<b>(180,804)</b>	<b>(179,684)</b>

<u>Movement in Reserves Statement</u>	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 2011</b>		641	479	0	1,120	(180,804)	(179,684)
<b>Movement in reserves during 2011/12</b>							
Surplus or (deficit) on the provision of services		(10,877)	0	0	(10,877)	0	(10,877)
Other Comprehensive Income & Expenditure		0	0	0	0	(6,763)	(6,763)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(10,877)</b>	<b>0</b>	<b>0</b>	<b>(10,877)</b>	<b>(6,763)</b>	<b>(17,640)</b>
Adjustments between accounting basis & funding basis under regulations	5	12,003	0	(21)	11,982	(11,982)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		1,126	0	(21)	1,105	(18,745)	(17,640)
Adjustment		1	0	0	1	(1)	0
Transfers to/(from) Earmarked Reserves	6	(624)	417	21	(186)	186	0
<b>(Increase)/Decrease in 2011/12</b>		<b>503</b>	<b>417</b>	<b>0</b>	<b>920</b>	<b>(18,560)</b>	<b>(17,640)</b>
<b>Balance as at 31 March 2012</b>		<b>1,144</b>	<b>896</b>	<b>0</b>	<b>2,040</b>	<b>(199,364)</b>	<b>(197,324)</b>

## THE COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

2010/11				2011/12			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
2,373	(42)	2,331	Community Fire Safety - Inspection & Certification		2,213	(50)	2,163
4,523	0	4,523	Community Fire Safety - Prevention & Education		4,237	0	4,237
23,274	(139)	23,135	Fire Fighting - Operational Responses		21,261	(201)	21,060
3,521	0	3,521	Fire Fighting - Communications & Mobilising		3,574	0	3,574
175	0	175	Fire Fighting - Securing Water Supplies		173	0	173
194	0	194	Corporate & Democratic Core Costs		186	0	186
(24,043)	0	(24,043)	Non Distributed Costs		13	0	13
<b>10,017</b>	<b>(181)</b>	<b>9,836</b>	<b>Cost of Services</b>		<b>31,657</b>	<b>(251)</b>	<b>31,406</b>
12,744	(2,113)	10,631	Other Operating Expenditure	7	11,912	(844)	11,068
389	(35)	354	Financing & Investment Income & Expenditure	8	363	(27)	336
0	(32,093)	(32,093)	Contributions from Constituent Authorities		0	(31,933)	(31,933)
		<b>(11,272)</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>10,877</b>
		(314)	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets				9
		(17,156)	Actuarial Gains/Losses on Pension Assets/Liabilities				6,754
		<b>(17,470)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>6,763</b>
		<b>(28,742)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>17,640</b>

## BALANCE SHEET

31 March 2011		Note	31 March 2012
£'000			£'000
36,384	Property, Plant & Equipment	9	37,506
9	Intangible Assets	9	0
<b>36,393</b>	<b>Long Term Assets</b>		<b>37,506</b>
275	Inventories	12	313
1,157	Short Term Debtors	13	1,624
3,303	Cash & Cash Equivalents	14	1,201
<b>4,735</b>	<b>Current Assets</b>		<b>3,138</b>
9,126	Short Term Borrowing	10	11,031
3,765	Short Term Creditors	15	2,393
482	Provisions	16	646
<b>13,373</b>	<b>Current Liabilities</b>		<b>14,070</b>
196,832	Pension Liability	18	214,193
0	Provisions	16	0
10,391	Long Term Borrowing	10	9,705
216	Other Long Term Liabilities	30	0
<b>207,439</b>	<b>Long Term Liabilities</b>		<b>223,898</b>
<b>(179,684)</b>	<b>Net Assets</b>		<b>(197,324)</b>
1,120	Usable Reserves	17	2,040
(180,804)	Unusable Reserves	18	(199,364)
<b>(179,684)</b>	<b>Total Reserves</b>		<b>(197,324)</b>

## CASH FLOW STATEMENT

2010/11		Note	2011/12
£'000			£'000
(11,272)	Net (Surplus)/Deficit on the Provision of Services		10,877
8,595	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements		(10,526)
(260)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(337)
(2,937)	Net Cash Flows From Operating Activities	19	14
5,766	Investing Activities	20	4,249
(4,100)	Financing Activities	21	(2,161)
(1,271)	Net (Increase) or Decrease in Cash and Cash Equivalents		2,102
(2,032)	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>(3,303)</b>
<b>(3,303)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	14	<b>(1,201)</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **1. GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2011-12 financial year and its position at the year-end of 31 March 2012. 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 2011-12 (the Code) and the Service Reporting Code of Practice 2011-12 (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	15-80 years
Infrastructure	5-20 years
Vehicles, Plant and Equipment	3-20 years
Intangible Assets	5-15 years

#### 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 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 18, 32 and the Firefighters' Pension Fund Account on page 51 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 & 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 32 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. **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.

## 13. **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.

## 14. **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.

## 15. **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.

## 16. **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	15-80 years
Infrastructure	5-20 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 2011 due to works undertaken on these properties. From 2010-11 the Authority has introduced a policy of valuing their property on a rolling basis rather than carry out a full valuation every 5 years. 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.

### **17. CAPITAL RECEIPTS**

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

### **18. RESERVES & PROVISIONS**

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

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When

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

**19. CONTINGENT LIABILITIES**

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

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

**20. VALUE ADDED TAX**

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

**21. INTANGIBLE ASSETS**

Internally generated intangible assets are capitalised where the recognition criteria are met. The criteria are as follows: it must be possible to separate the asset from the entity, the entity must control the asset, there must be future economic benefit from the asset, it must be probable that the economic benefits will flow to the entity, and the cost of the asset can be measured reliably. The intangible asset will be initially measured at cost, all revaluations are charged initially to the revaluation reserve, and there is no maximum useful life for the asset.

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

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

**23. ERRORS**

All material errors have been retrospectively corrected. Material omissions or misstatements are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. The nature and amount of a change that has an effect in the current period or is expected to have an effect in future periods (except where impracticable) have been disclosed.

## **NOTES TO THE ACCOUNTS**

### **1. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out on pages 14-20, 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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:-

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
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 expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The emergency budget changed the pension increase to be in line with CPI rather than RPI which resulted in a past service credit reducing the net liability in the balance sheet for 2010-11 (-£28.6m) as it was expected that future pension payments would reduce. However estimates of the pension liability for 2011-12 shows an increase of £17.36m which is based on current economic conditions, given the volatility and uncertainty in the markets it is likely that this estimate may prove to be incorrect.

### **3. MATERIAL ITEMS OF INCOME & EXPENSE**

Due mainly to a re-structuring of the administrative staff that provide support to Retained Duty Stations (RDS) there has been some additional expenditure incurred on redundancy payments, £171k, which was not provided for in the budget.

### **4. EVENTS AFTER BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Treasurer to the Fire Authority by 30 June 2012. 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 2012, 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 & 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.

2011/12	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	(3,434)	0	0	(3,434)	3,434
Revaluation losses on Property, Plant and Equipment					
Amortisation of Intangible assets	(9)			(9)	9
Capital grants and contributions applied	94	0	0	94	(94)
Movement in the Donated Assets Account	0	0	0	0	0
Adjustment	(3)	0	0	(3)	3
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	1,959	0	0	1,959	(1,959)
<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
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	21	21	(21)
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 18)	(13,809)	0	0	(13,809)	13,809
Employer's pensions contributions and direct payments to pensioners payable in the year	3,192	0	0	3,192	(3,192)
<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	7	0	0	7	(7)
<b>Total Adjustments</b>	<b>(12,003)</b>	<b>0</b>	<b>21</b>	<b>(11,982)</b>	<b>11,982</b>

2010/11 Comparative Figures	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>Adjustment primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(3,598)	0	0	(3,598)	3,598
Revaluation losses on Property Plant and Equipment					
Amortisation of intangible assets	(9)			(9)	9
Capital grants and contributions applied	251	0	0	251	(251)
Movement in the Donated Assets Account	1,135	0	0	1,135	(1,135)
Adjustment	1	0	0	1	(1)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	1,544	0	0	1,544	(1,544)
<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)
<b>Adjustments 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 18)	8,139	0	0	8,139	(8,139)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,340	0	0	3,340	(3,340)
<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	17	0	0	17	(17)
<b>Total Adjustments</b>	<b>10,820</b>	<b>0</b>	<b>39</b>	<b>10,859</b>	<b>(10,859)</b>

## 6. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves from 1 April 2010.

	<b>Balance 1 April 2010</b>	Transfers out 2010/11	Transfers In 2010/11	<b>Balance 31 March 2011</b>	Transfers out 2011/12	Transfers In 2011/12	<b>Balance 31 March 2012</b>
	£000	£000	£000	£000	£000	£000	£000
General Fund	(418)	229	(452)	(641)	624	(1,127)	(1,144)
Earmarked & Grant Reserves	(288)	0	(191)	(479)	0	(417)	(896)
<b>Total</b>	<b>(706)</b>	229	(643)	<b>(1,120)</b>	624	(1,544)	<b>(2,040)</b>

## 7. OTHER OPERATING EXPENDITURE AND INCOME

<b>2010/11 £000</b>		<b>2011/12 £000</b>
(165)	Transfer to/(from) Provisions	0
37	Deficit on Trading Operations	18
12,707	Pension Interest Costs	11,894
(39)	Gains/losses on the disposal of non-current assets	(21)
(749)	Return on Pension Assets	(823)
(1,135)	Donated Assets	0
(26)	Transfers (in)/out of Earmarked Grant Reserve	0
1	Adjustment	0
<b>10,631</b>	<b>Total</b>	<b>11,068</b>

## 8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2010/11 £000</b>		<b>2011/12 £000</b>
389	Interest payable & similar charges	363
(35)	Interest	(27)
<b>354</b>	<b>Total</b>	<b>336</b>

## 9. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets are valued as outlined in Notes 4 and 16 of Accounting Policies. Details of the value of assets held at 31 March 2012 and comparative figures for 31 March 2011 are shown below, together with details of movement in the year:-

2011-2012	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Non-Operational Assets</i>	<i>Property Plant &amp; 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 2011	24,193	19,765	260	2,175	46,393	65
<b>VALUE AT 1 APRIL 2011</b>	<b>24,193</b>	<b>19,765</b>	<b>260</b>	<b>2,175</b>	<b>46,393</b>	<b>65</b>
Additions	1,323	3,142	0	25	4,490	0
Revaluations	11	0	0	0	11	0
Commissioned Expenditure	0	2,139	0	(2,139)	0	0
Disposals	0	(377)	0	0	(377)	0
Impairment/Capitalised Under Statute	(1,062)	0	0	0	(1,062)	0
<b>GROSS BOOK VALUE AT 31 MARCH 2012</b>	<b>24,465</b>	<b>24,669</b>	<b>260</b>	<b>61</b>	<b>49,455</b>	<b>65</b>
Accumulated Depreciation at 1 April 2011	(1,164)	(8,607)	(238)	0	(10,009)	(56)
Revaluation	55	0	0	0	55	0
Depreciation for Year	(701)	(1,669)	(2)	0	(2,372)	(9)
Adjustment	0	0	0	0	0	0
Disposals	0	377	0	0	377	0
<b>Accumulated Depreciation at 31 March 2011</b>	<b>(1,810)</b>	<b>(9,899)</b>	<b>(240)</b>	<b>0</b>	<b>(11,949)</b>	<b>(65)</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>
<b>NET BOOK VALUE AT 31 MARCH 2011</b>	<b>23,029</b>	<b>11,158</b>	<b>22</b>	<b>2,175</b>	<b>36,384</b>	<b>9</b>

Comparative Data 2010-2011	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Non- Operational Assets</i>	<i>Property Plant &amp; 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 2010	23,170	16,339	260	591	40,360	65
<b>VALUE AT 1 APRIL 2010</b>	<b>23,170</b>	<b>16,339</b>	<b>260</b>	<b>591</b>	<b>40,360</b>	<b>65</b>
Donated Assets	0	1,135	0	0	1,135	0
Additions	1,882	2,303	0	2,137	6,322	0
Revaluations	158	0	0	0	158	0
Commissioned	553	0	0	(553)	0	0
Expenditure						
Disposals	0	(12)	0	0	(12)	0
Impairment/Capitalised Under Statute	(1,570)	0	0	0	(1,570)	0
<b>GROSS BOOK VALUE AT 31 MARCH 2011</b>	<b>24,193</b>	<b>19,765</b>	<b>260</b>	<b>2,175</b>	<b>46,393</b>	<b>65</b>
Accumulated Depreciation at 1 April 2010	(586)	(7,330)	(233)	0	(8,149)	(46)
Revaluation	156	0	0	0	156	0
Depreciation for Year	(734)	(1,289)	(5)	0	(2,028)	(9)
Adjustment	0	0	0	0	0	(1)
Disposals	0	12	0	0	12	0
<b>Accumulated Depreciation at 31 March 2011</b>	<b>(1,164)</b>	<b>(8,607)</b>	<b>(238)</b>	<b>0</b>	<b>(10,009)</b>	<b>(56)</b>
<b>NET BOOK VALUE AT 31 MARCH 2011</b>	<b>23,029</b>	<b>11,158</b>	<b>22</b>	<b>2,175</b>	<b>36,384</b>	<b>9</b>
<b>NET BOOK VALUE AT 31 MARCH 2010</b>	<b>22,584</b>	<b>9,009</b>	<b>27</b>	<b>591</b>	<b>32,211</b>	<b>19</b>

## 10. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	-	-	2,240	3,350
Available-for-sale financial assets	-	-	-	-
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>2,240</b>	<b>3,350</b>
<b>Debtors</b>				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	164	164
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>164</b>	<b>164</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	9,705	10,391	11,031	9,001
<b>Total Borrowings</b>	<b>9,705</b>	<b>10,391</b>	<b>11,031</b>	<b>9,001</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	1,084	1,486
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>1,084</b>	<b>1,486</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>				
	2010/11		2011/12	
	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	389		363	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>389</b>		<b>363</b>	
Interest income		(35)		(27)
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(35)</b>		<b>(27)</b>
<b>Net gain/(loss) for the year</b>	<b>(389)</b>	<b>35</b>	<b>(363)</b>	<b>27</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 2011/12 %</b>	<b>Total Outstanding at 31 March 2011</b>		<b>Total Outstanding at 31 March 2012</b>	
		£'000		£'000	
Public Works Loans Board	0.62 – 4.9		12,892		13,724
Market Loans	0.30 – 0.65		6,500		7,000
<b><u>ANALYSIS OF LOANS BY MATURITY</u></b>					
Within 1 Year			9,001		11,020
Between 1 and 2 years		4,187		3,000	
Between 2 and 5 years		4,000		2,000	
Between 5 and 10 years		0		2,500	
Over 10 years		2,204		2,204	
<b>TOTAL</b>			<b>19,392</b>		<b>20,724</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.

## 11. 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 2011		31 March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	12,892	13,394	13,724	15,009
Non-PWLB debt	6,500	6,500	7,000	7,000
<b>Total debt</b>	<b>19,392</b>	<b>19,894</b>	<b>20,724</b>	<b>22,009</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.

## 12. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2011 and 31 March 2012 is shown below.

	<i>Main Stores</i>		<i>Transport Van Stock</i>		<i>Totals</i>	
	<i>2010/11 £'000</i>	<i>2011/12 £'000</i>	<i>2010/11 £'000</i>	<i>2011/12 £'000</i>	<i>2010/11 £'000</i>	<i>2011/12 £'000</i>
Balance at start of year	335	263	19	12	354	275
Purchases	287	289	29	29	316	318
Recognised as an Expense in year	(345)	(203)	(36)	(27)	(381)	(230)
Write Offs in year	(14)	(50)	0	0	(14)	(50)
<b>Balance outstanding at year end</b>	<b>263</b>	<b>299</b>	<b>12</b>	<b>14</b>	<b>275</b>	<b>313</b>

### 13. SHORT TERM DEBTORS

	<b>31 March 2011</b> <b>£'000</b>	<b>31 March 2012</b> <b>£'000</b>
Central Government Bodies	955	1,421
Other Local Authorities	18	24
NHS Bodies	25	21
Public Corporations and Trading Funds	115	94
Other Entities and Individuals	44	64
<b>TOTAL DEBTORS</b>	<b>1,157</b>	<b>1,624</b>

### 14. 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 2012. The following table summarises the position:-

	<b>31 March 2011</b> <b>£'000</b>	<b>31 March 2012</b> <b>£'000</b>
Bank Call Accounts	1,350	2,240
Short Term Investments	2,004	0
Bank Current Accounts	(57)	(1,044)
Petty Cash Imprests	6	5
<b>Total Cash and Cash Equivalents</b>	<b>3,303</b>	<b>1,201</b>

### 15. CREDITORS

	<b>31 March 2011</b> <b>£'000</b>	<b>31 March 2012</b> <b>£'000</b>
Central Government Bodies	1,347	274
Other Local Authorities	71	277
Public Corporations and Trading Funds	31	143
Other Entities and Individuals	2,316	1,699
<b>TOTAL CREDITORS</b>	<b>3,765</b>	<b>2,393</b>

### 16. PROVISIONS

At 31 March 2012 the Authority held two 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.

#### 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 provision was increased to cover the cost of the employees Tax and NIC contributions. The majority of the payments have been paid in June 2012.

	<i>Pension Provision</i>	<i>Equal Pay Provision</i>	<i>Less than 1 Year Totals</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Closing Bal 31 March 2010	(50)	0	(50)
Transfers (in)/out,	(25)	(407)	(432)
Closing Bal 31 March 2011	(75)	(407)	(482)
Transfer in 2011-12	(25)	(139)	(164)
<b>Closing Bal 31 March 2012</b>	<b>(100)</b>	<b>(546)</b>	<b>(646)</b>

## 17. USABLE RESERVES

### General Reserves

Money has been set aside in to general reserve as it is prudent for the Authority to build up a General Reserve and it is anticipated that the areas where it will be used will be:-

- pay increases;
- to offset fuel increases not budgeted for;
- Revenue Support Grant Cuts;
- transitional costs of the new rostering system;
- decrease in grant funding; and
- increase in the Employer's Pension contributions.

The balance on the reserve at 31 March 2012 is £1,143,269 (31 March 2011, £641,541).

### Earmarked Reserves

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

	<i>Balance 1 April 10 £'000</i>	<i>Transfers in/(out) 10/11 £'000</i>	<i>Balance 31 March 11 £'000</i>	<i>Transfers in/(out) 11/12 £'000</i>	<i>Balance 31 March 12 £'000</i>
Pension Lump sum Liabilities	0	165	165	4	169
Early Termination Scheme	0	0	0	300	300
Purchase Headquarters - Fees	0	0	0	68	68
Software Purchase	0	0	0	65	65
<b>Totals</b>	<b>0</b>	<b>165</b>	<b>165</b>	<b>437</b>	<b>602</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 now shown under Usable Reserves. The previous treatment would have been as Receipts in Advance under Current Liabilities. Grants that have been carried forward relate to various schemes and include New Dimensions grants, Phoenix, and Resilience grants. The balance on the reserve as at 31 March 2012 is £294,445 (31 March 2011 - £314,294).

## 18. UNUSABLE RESERVES

<i>31 March 2011</i> <i>£'000</i>		<i>31 March 2012</i> <i>£'000</i>
3,121	Revaluation Reserve	3,081
13,239	Capital Adjustment Account	12,087
(196,832)	Pensions Reserve	(214,193)
(332)	Accumulated Absences Account	(339)
<b>(180,804)</b>	<b>Total Unusable Reserves</b>	<b>(199,364)</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>2010/11</i> <i>£'000</i>	<i>Revaluation Reserve</i>	<i>2011/12</i> <i>£'000</i>
<b>2,914</b>	<b>Balance at 1 April</b>	<b>3,121</b>
314	Upward revaluation of assets	66
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
(107)	Difference between fair value depreciation and historical cost depreciation	(106)
<b>3,121</b>	<b>Balance at 31 March</b>	<b>3,081</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.

2010/11		2011/12
£'000		£'000
13,770	Balance at 1 April	13,239
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,065)	▪ Charges for depreciation & impairment of non-current assets	(3,254)
(426)	▪ Revaluation losses on Property, Plant & Equipment	(74)
(9)	▪ Amortisation of Intangible Assets	(9)
(3,500)		(3,337)
(3,500)	Net written out amount of the cost of non-current assets consumed in the year	(3,337)
	<b>Capital financing applied in the year:</b>	
39	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	21
251	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	94
1,544	▪ Statutory provision for the financing of capital investment charged against the General Fund	1,959
0	• Prior year lease adjustment	111
(1,666)		(1,152)
1,135	Movements in the Donated Assets Account credited to the Comprehensive Income & Expenditure Statement	0
<b>13,239</b>	<b>Balance at 31 March</b>	<b>12,087</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.

<b>2011-12</b>	<b>Fixed Asset Statement (Note 9)</b>	<b>Revaluation Reserve</b>	<b>Capital Adjustment Acct</b>	<b>Totals</b>
Depreciation	(2,372)	(106)	(2,266)	(2,372)
Impairment	(1,062)	0	(1,062)	(1,062)
Revaluations Depreciation	66	66	0	66
<b>Total</b>	<b>(3,368)</b>	<b>(40)</b>	<b>(3,328)</b>	<b>(3,368)</b>
<b>2010-11</b>	<b>Fixed Asset Statement (Note 9)</b>	<b>Revaluation Reserve</b>	<b>Capital Adjustment Acct</b>	<b>Totals</b>
Depreciation & Impairment	(2,028)	(107)	(3,065)	(3,172)
Impairment	(1,570)	0	(426)	(426)
Revaluations	158	314	0	314
Revaluations Depreciation	156	0	0	0
<b>Total</b>	<b>(3,284)</b>	<b>207</b>	<b>(3,491)</b>	<b>(3,284)</b>

### Pensions Reserve

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

<b>2010/11</b>	<b>MOVEMENTS on PENSION RESERVE</b>	<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
<b>(225,467)</b>	Opening Balance 1 April	<b>(196,832)</b>
8,139	Reversal of Items debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	(13,809)
3,320	Employer's pensions contributions and direct payments to pensioners payable in the year	3,192
20	Adjustment Previous Year	10
17,156	Actuarial Gains or Losses on pensions assets and liabilities	(6,754)
<b>28,635</b>	<b>MOVEMENT ON PENSION RESERVE</b>	<b>(17,361)</b>
<b>(196,832)</b>	<b>CLOSING BALANCE</b>	<b>(214,193)</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.

2010/11 £'000	<i>Accumulated Absences Account</i>	2011/12 £'000
(349)	<b>Balance at 1 April</b>	(332)
349	Settlement or cancellation of accrual made at the end of the preceding year	332
(332)	Amounts accrued at the end of the current year	(339)
(332)	<b>Balance at 31 March</b>	(339)

#### 19. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2010/11 £'000		2011/12 £'000
(11,272)	<b>Net (Surplus)/Deficit on the Provision of Services</b>	10,877
	<b>Adjustments to Net (Surplus)/Deficit for Non Cash Movements</b>	
(79)	Increase/(Decrease) in Stock	38
(658)	Increase/(Decrease) in Debtors	468
(445)	(Increase)/Decrease in Creditors	1,651
(2,037)	Depreciation Charge	(2,381)
251	Government Grants Received	94
11,479	IAS 19 Pension Adjustments	(10,617)
20	IAS 19 Previous Year Adjustment	0
(1,570)	Impairment Charge	(1,062)
0	Revaluation	65
1,135	Donated Assets	0
38	Gain on Asset Disposal	21
50	Adjustment for Finance Leases	145
165	Contribution (to)/from Various Provisions	165
0	Transfer from Reserves to Revenue	(26)
229	Transfers to/(from) Reserves	920
17	Accumulated Absences Reserve	(7)
8,595	<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>	(10,526)
(292)	Interest paid	(367)
32	Interest Received	30
(260)	<b>Less Total</b>	(337)
(2,937)	<b>Net Cash Flow From Operating Activity</b>	14

## 20. CASH FLOW STATEMENT – INVESTING ACTIVITIES

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
6,056	Purchase of property, plant and equipment, investment property and intangible assets	4,364
(39)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21)
(251)	Other receipts from investing activities	(94)
<b>5,766</b>	<b>Net cash flows from investing activities</b>	<b>4,249</b>

## 21. CASH FLOW STATEMENT – FINANCING ACTIVITIES

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
(11,500)	Cash receipts of short-term and long-term borrowing	(22,371)
8,081	Repayments of short –term and long-term borrowing	21,052
(1,000)	Decrease in call accounts and short –term investments (Note 14) less interest due	(1,110)
319	Other payments for investing activities	268
<b>(4,100)</b>	<b>Net cash flow from financing activities</b>	<b>(2,161)</b>

## 22. 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 & 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 2010/11 and 2011/12**

2010/11		2011/12
	<b>EXPENDITURE</b>	
	<b>EMPLOYEE COSTS</b>	
14,494,794	Uniformed Staff - Wholetime	13,804,968
4,502,835	Uniformed Staff - Part time	4,260,324
3,672,489	Support Services Staff	3,811,308
621,748	Training Costs	405,230
12,667	Supplementary Payments to Pension Funds	12,982
471,573	Pension payments	394,539
66,587	Other Staff Costs	230,095
<b>23,842,693</b>	<b>TOTAL EMPLOYEE COSTS</b>	<b>22,919,446</b>
	<b>PREMISES COSTS</b>	
798,570	Utilities & Taxation	854,307
243,056	Maintenance	351,668
193,575	Rents	207,315
37,483	Other	18,398
<b>1,272,684</b>	<b>TOTAL PREMISES COSTS</b>	<b>1,431,688</b>
	<b>TRANSPORT</b>	
856,694	Maintenance & Running Expenses	859,897
251,559	Travelling Expenses & Lease Car Scheme	211,992
354,996	Operating Lease Payments	276,569
<b>1,463,249</b>	<b>TOTAL TRANSPORT COSTS</b>	<b>1,348,458</b>
	<b>SUPPLIES &amp; SERVICES</b>	
471,883	Equipment	314,744
1,258,103	IT & Communications	1,611,675
1,426,749	Other Supplies & Services	700,590
<b>3,156,735</b>	<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>2,627,009</b>
	<b>SUPPORT SERVICES</b>	
314,113	Agency Payments	328,309
308,044	Support Service Agreements	337,552
<b>622,157</b>	<b>TOTAL SUPPORT SERVICES</b>	<b>665,861</b>
1,765,963	<b>CAPITAL FINANCING COSTS</b>	2,154,074
<b>32,123,480</b>	<b>TOTAL EXPENDITURE</b>	<b>31,146,536</b>
	<b>INCOME</b>	
(218,440)	Sales, Fees & Charges	(290,986)
(34,581)	Other Income	(26,880)
<b>(253,021)</b>	<b>TOTAL INCOME</b>	<b>(317,866)</b>
<b>31,870,461</b>	<b>NET OPERATING COSTS</b>	<b>30,828,670</b>
222,939	Contribution to Provisions and Reserves	1,103,984
(32,093,400)	Income From Contributions	(31,932,654)
<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.

2010/11 £'000			2011/12 £'000	
	31,870	Net Expenditure in the Service Analysis		30,829
		<b>Amounts in the Comprehensive Income &amp; Expenditure Statement not reported to management in the Analysis</b>		
2,037		Depreciation	2,381	
(168)		Lease Adjustment	(12)	
(251)		Government Grant Released	(94)	
(23,437)		IAS 19 – Pensions Adjustment (Note 38)	(454)	
1,570		Impairment	1,062	
17		Accumulated Absences	7	
	(20,232)	<b>Amounts included in the Analysis not included in the Comprehensive Income &amp; Expenditure Statement</b>		2,890
(1,401)		Debt Repayment (MRP and VRP)	(1,959)	
(400)		Interest Paid	(363)	
35		Interest Received	27	
(36)		Discount Applied	0	
0		Trading Account Deficit	(18)	
	(1,802)			(2,313)
	<b>9,836</b>	<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>		<b>31,406</b>

**23. 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.

2010/11 £'000		2011/12 £'000
(45)	Turnover	(24)
82	Expenditure	42
37	<b>Deficit</b>	18

## 24. MEMBERS' ALLOWANCES

During 2011-2012 the sum of £55,387 (£55,295 in 2010-2011) was paid to Members in the form of Members Allowances and travel expenses.

2010/11		2011/12
9,744	Chair	9,744
7,489	Vice Chair	7,489
1,143	Member	1,143
<b>46,663</b>	Total of Members' Allowances	<b>48,952</b>
<b>8,632</b>	Total of Members' Expenses	<b>6,435</b>

## 25. OFFICERS' REMUNERATION

### SENIOR OFFICERS' EMOLUMENTS 2011-2012 – SALARY BETWEEN £60,000 AND £150,000

POST TITLE	SALARY ( <i>inc fees and allowances</i> )	EXPENSES REIMBURSED	TOTAL ( <i>excl pension contributions</i> )	PENSION CONTRIBUTIONS	TOTAL REMUNERATION 2011/12	2010/11
	£	£	£	£	£	£
Chief Fire Officer	116,387	52	116,439	0	116,439	114,410
Deputy Chief Officer	90,280	19	90,299	19,230	109,529	104,463
Assistant Chief Fire Officer	83,990	21	84,011	17,863	101,874	100,114
Assistant Chief Fire Officer	83,990	334	84,324	17,863	102,187	100,026
Assistant Chief Officer	73,407	64	73,471	15,609	89,080	102,319

The Authority does not have any employees with a salary in excess of £150k. The Assistant Chief Officer costs for 2010-2011 include some back pay costs relating to the previous year following appointment to the post. 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:-

REMUNERATION BAND	2010/11 NUMBER OF EMPLOYEES	2011/12 NUMBER OF EMPLOYEES
£70,000 - £74,999	2	3
£65,000 - £69,999	1	0
£60,000 - £64,999	0	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.

The number of exit packages with total cost per band are set out in the table below. There were no compulsory redundancies in 2010-11 or 2011-12.

Exit package cost band(including special payments)	Number of departures agreed		Total Cost of Exit packages in each band	
	2010/11	2011/12	2010/11 £	2011/12 £
£0 - £20,000	2	5	1,786	47,643
£20,001 - £40,000	0	3	0	83,319
£40,001 - £60,000	0	1	0	40,167
Total	2	9	1,786	171,129

## 26. AUDIT FEES

Fees payable to the statutory auditors equate to £58,286 (2010/11 £53,534) with regard to external audit services received.

	2010/2011 £000	2011/2012 £000
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	43	47
Fees payable to the Auditor General for Wales in respect of Statutory inspection	11	11
Fees payable in respect of other services provided by the appointed auditor	0	0

**27. GRANTS**

The following grants were received by the Authority:-

	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
Airwave	34	485
All Wales Resilience	72	138
Arson Reduction Team	276	270
Community Safety Partnership	47	52
Empowering Pedals	8	12
Firelink	56	0
HFSC High Risk	0	30
HFSC Partnership Development	30	18
ICS Training	73	0
Incident Recording System	30	0
Interventions	487	458
Lone Workers	0	16
MRG Training	0	16
NDG Equipment Maintenance	0	100
New Dimensions	293	625
Operation mail Guard/Assurance	14	24
Phoenix	172	180
Resilience Officer	62	78
RMS Improvements	0	14
RTC and Fire Behaviour Training	14	45
RTC Initiatives	46	46
Safer Communities	11	0
Third Sector Co-ordinator	44	80
YFA Equipment	0	5
Youth Engagement Vehicle	7	0
<b>TOTAL</b>	<b>1,776</b>	<b>2,692</b>

## 28. 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.

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

	<b>£'000</b>
Conwy CBC – Treasurer and Financial Services	100
Conwy CBC – Legal Services	9
Flintshire CC – Monitoring Officer	17
Carmarthenshire CC – Superannuation Service	25
Welsh Local Government Association	23
North Wales Police – Facilities Management	151
North Wales Police - Procurement	12
Firebrake	46

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.

## 29. CAPITAL EXPENDITURE AND FINANCING

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

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
15,122	Opening Capital Financing Requirement	19,754
0	Capital Investment in Year	0
6,322	• Intangible Assets	0
	• Fixed Assets	4,491
	Sources of Finance	
(251)	• Grants & Contributions	(94)
(1,439)	• Revenue and Other Provisions	(1,824)
19,754	Closing Capital Financing Requirement	22,327
<b>4,632</b>	<b>Change in Capital Financing Requirement</b>	<b>2,573</b>
4,632	Explanation of change: Increase in underlying need to borrow	2,573

Capital Expenditure during the year was as follows:

Scheme	£000
Station Refurbishments	1,349
Vehicles	2,920
ICT	148
Operational Equipment	74
<b>Total</b>	<b>4,491</b>

### CAPITAL COMMITMENTS 2011-2012 Onwards

Major capital commitments entered into at 31 March 2012 were £276,138 and are detailed in the table below.

<i>Scheme</i>	<i>Contracted Future Cost £'000</i>
Various Properties	231
Water Tenders, Vehicles and Equipment	45
<b>TOTAL</b>	<b>276</b>

### FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

	2010/11 £000	2011/12 £000
External Loans	3,420	1,344
Grant Funding	251	94
Capital Receipts	39	21
Internal Borrowing	922	3,032
<b>Total</b>	<b>4,632</b>	<b>4,491</b>

## 30. 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 2011 £'000	31 March 2012 £'000
Vehicles, Plant, furniture & Equipment	377	254
<b>Total</b>	<b>377</b>	<b>254</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	208	45
▪ Non-Current	105	0
Finance costs payable in future years	29	3
<b>Minimum Lease Payments</b>	<b>342</b>	<b>48</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>
No later than one year	168	48	98	45
No later than one year and not later than 5 years	174	0	216	0
<b>Total</b>	<b>342</b>	<b>48</b>	<b>314</b>	<b>45</b>

### Operating Lease

The operating lease payments outstanding as at 31 March 2012 are £171,320 (31 March 2011, £289,004), with payment of operating leasing charges during the year of £110,366 (2010/11, £162,272). All operating leases are for vehicles and equipment. Annual commitments arising on operating leases can be analysed as follows.

<b>LEASING OBLIGATIONS</b>	<b>£'000</b>
Expires within 12 months	32
Expires between 2 and 5 years	139
Expires after 5 years	0
<b>TOTAL for 2011/12</b>	<b>171</b>

### 31. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2011-12. The total costs of termination were £171,129 and these were charged within the year with the only future liabilities being in respect of future pensions. These liabilities are contained within pension liabilities under IAS 19 and included within pension disclosure Note 32 below.

All terminated contracts were on a voluntary basis and were due mainly to a re-structure of the administrative staff that provide support to the Retained Duty System stations.

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

#### Pensions

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

In 2011-2012 the Authority paid an Employer's Pension contribution of £883,400 (2010-2011, £899,492) representing 12% (2010-2011, 21%) of employees' pensionable pay and included a lump sum payment of £459,000 (2010-11, £0) into the Clwyd Pension Fund, which provides

members with defined benefits related to pay and service. In 2011-12 the percentage used to calculate the contribution was reduced substantially with the reduction being replaced by an annual lump sum payment, the change in funding calculation is to assist in better managing the fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2010. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

During 2011-2012 added years benefits and early retirement costs due to redundancies of £35,978 (2010-2011, £10,020) were paid to employees which represents 0.86% (2010-2011, 0.23%) of employees' pensionable pay. Pension contributions to be paid in to the scheme for the financial year 2012-13 are estimated to be £896,000 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 2011-2012 the Authority paid an Employer's Pension contribution of £1,907,685 (2010-11, £2,006,508). Pensions paid from revenue amounted to £389,976 (2010-2011, £466,970). In 2012-2013 the employer's contribution to the scheme is estimated to be £1,891,000 and the estimate for Pensions paid from revenue is £283,000. 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 51.

**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 31 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 2012 was £7.563m (31 March 2011, £6.942m) and for the Firefighters scheme the liability was £206.63m as at 31 March 2012 (31 March 2011 £189.89m). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found below.

**Movements on the Pension Fund**

<b>MOVEMENTS ON PENSION RESERVE</b>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
Opening Balance 1 April	(225,467)	(196,832)
Income & Expenditure Account		
<b>Net Cost of Service</b>		
Current Service Cost		
– Firefighters	(5,140)	(5,000)
– Local Government Pension Scheme	(739)	(660)
Past Service Cost		
– Firefighters	22,850	0
– Local Government Pension Scheme	1,206	0
<b>Net Operating Expenditure</b>		
Interest Cost		
– Firefighters	(11,580)	(10,810)
– Local Government Pension Scheme	(1,127)	(1,084)
Expected Return on Pension Assets		
– Local Government Pension Scheme	749	823
Difference between Actuarial Estimate and Actual Contributions		
– Firefighters	1,920	2,922
<b>Net Charge to I&amp;E Account</b>	<b>8,139</b>	<b>(13,809)</b>
Reversal of net Charges for IAS19	<b>(8,139)</b>	<b>13,809</b>
Actual Amount Charged		
Employers contributions		
– Local Government Pension Scheme	910	894
– Pensions Paid Firefighters	410	335
– Firefighters Pension Fund	2,000	1,963
Adjustment	20	10
Actuarial Adjustments to Balance Sheet	17,156	(6,754)
<b>MOVEMENT ON PENSION RESERVE</b>	<b>28,635</b>	<b>(17,361)</b>
<b>CLOSING BALANCE</b>	<b>(196,832)</b>	<b>(214,193)</b>

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

<b>Adjustment to Net Cost of Service</b>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
Current Service Costs	5,879	5,660
Past Service Costs	(24,056)	0
Employer's Contributions	(3,320)	(3,192)
Top Up Grant	(1,881)	(2,936)
Actuarial Adjustment	(59)	14
<b>Adjustment to Net cost of Service</b>	<b>(23,437)</b>	<b>(454)</b>

### Scheme History

The actuarial gains and losses identified as movements on the Pensions Reserve in 2011-12 can be analysed into the following categories.

CATEGORY	2011/12		2010/11		2009/10		2008/09		2007/08	
	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %
Difference between expected and actual return on Assets	(594)	4.4	(35)	0.3	0	0	0	0	(627)	7.4
Difference between actuarial assumptions about liabilities and actual experience	3,460	1.51	16,309	7.8	25,330	10.73	30	0.6	5,589	3.7
Changes in the demographic and financial assumptions used to estimate liabilities	(9,620)	4.22	902	0.43	(72,227)	30.59	17,072	10.59	26,012	17.26
<b>Totals</b>	<b>(6,754)</b>		<b>17,176</b>		<b>(46,897)</b>		<b>17,102</b>		<b>30,974</b>	

The Authority's estimated share of assets and liabilities from 31 March 2008 to 31 March 2012 were as follows:

	31 March				
	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Estimated share of liabilities in the Firefighters' Pension Scheme	206,630	189,890	216,810	135,040	144,340
Estimated share of liabilities in Clwyd Pension Fund	21,037	19,447	19,250	12,515	14,797
<b>Total Estimated share of liabilities</b>	<b>227,667</b>	<b>209,337</b>	<b>236,060</b>	<b>147,555</b>	<b>159,137</b>
Estimated Share of assets in Clwyd Pension Fund	13,474	12,505	10,593	7,255	8,516
<b>Net Pensions Deficit</b>	<b>214,193</b>	<b>196,832</b>	<b>225,467</b>	<b>140,300</b>	<b>150,621</b>

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

	<b>Firefighters' Scheme</b>		<b>Clwyd Pension Fund</b>	
	<b>2011 %</b>	<b>2012 %</b>	<b>2011 %</b>	<b>2012 %</b>
Rate of Inflation	3.0	2.6	3.0	2.6
Rate of Increase in Salaries	5.3	4.7	4.5	4.5
Rate of Increase in Pensions	2.6	2.5	3.0	3.0
Rate of Discounting Scheme Liabilities	5.7	4.9	5.5	5.5
Life Expectancies Estimated as at 31 March 2012				
Life Expectancy at 65	Males	Females	Males	Females
Current Pensioners	23.4	25.3	21.8	21.8
Future Pensioners	26.5	28.3	23.2	23.2

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.

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 are valued at fair value, principally bid value for investments, and consist of:

	<b>31 March</b>	<b>31 March</b>	<b>Expected Return On Asset</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>2012</b>			
Equity Investments	41.0	5,525	7.0
Bonds	16.0	2,156	5.1
Other Assets	43.0	5,793	7.0
<b>Total</b>		<b>13,474</b>	
<b>2011</b>			
Equity Investments	58.5	7,315	7.5
Bonds	11.8	1,476	5.1
Other Assets	29.7	3,714	7.5
<b>Total</b>		<b>12,505</b>	

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

<b>Liabilities</b>	<b>2010/11 £'000 Clwyd</b>	<b>2010/11 £'000 Firefighters</b>	<b>2011/12 £'000 Clwyd</b>	<b>2011/12 £'000 Firefighters</b>
Balance as at 1 April	(19,250)	(216,810)	(19,447)	(189,890)
Current Service Cost	(739)	(5,140)	(660)	(5,000)
Transfer Values In	0	0	0	(350)
Past Service Cost	1,206	22,850	0	0
Interest	(1,127)	(11,580)	(1,084)	(10,810)
Curtailments	0	0	0	0
Actuarial Loss/Gain	751	16,460	2	(6,160)
Employer's Contributions	0	5,450	0	5,570
Actuarial Assessment of Liabilities	(288)	(1,120)	152	10
<b>Net Pension Liabilities at Year End</b>	<b>(19,447)</b>	<b>(189,890)</b>	<b>(21,037)</b>	<b>(206,630)</b>

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

<b>Assets</b>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
Balance 1 April	10,593	12,505
Return on Pension Assets	749	823
Actuarial Gain/Loss on Assets	(35)	(596)
Contributions	1,198	742
<b>Net Pension Assets at Year End</b>	<b>12,505</b>	<b>13,474</b>

### 33. 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 are 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 £126k; and interest from investments would have increased by £22k.

### 34. 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. Where this option is chosen there will be a considerable liability for the

Authority to bear the cost of such pensions. The detailed calculation of liability has not yet been fully agreed and an element may be funded by the Welsh Assembly Government. At present the costs and timing of any such liability, if any, are unquantifiable.

**Accounting for the change from Retail Prices Index to Consumer Prices Index for Pension Benefit Uprating**

The decision to uprate public service pensions using Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision has been subject to a judicial review the outcome of which was in favour of the Government with Pension benefit uprating remaining linked to CPI. However, there is a risk that there will be an appeal against the decision and uprating revert back to RPI. The financial implications consequent of an appeal against the decision have not been assessed.

### THE FIREFIGHTERS' PENSION FUND ACCOUNT

<i>Fund Account</i>	<i>2010/11 £000</i>	<i>2011/12 £000</i>
<b>INCOME</b>		
<b>Contributions Receivable:</b>		
Employer normal contributions	(2,006)	(1,908)
Employer Ill Health Charge	(38)	(56)
Members	(1,115)	(1,064)
Transfers In	(260)	(354)
<b>TOTAL</b>	<b>(3,419)</b>	<b>(3,382)</b>
<b>EXPENDITURE</b>		
<b>Benefits Payable:</b>		
Pension Payments	4,640	4,934
Commutation of Pensions and Lump Sum benefits	659	1,384
<b>Payments to and on Behalf of Leavers:</b>		
Transfers out	1	0
<b>TOTAL</b>	<b>5,300</b>	<b>6,318</b>
<b>NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT</b>	<b>1,881</b>	<b>2,936</b>
Top Up grant receivable from WG	(1,881)	(2,936)
<b>NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR</b>	<b>0</b>	<b>0</b>

<i>Net Assets Statement</i>	<i>2010/11 £000</i>	<i>2011/12 £000</i>
<b>Net Current Assets and Liabilities:</b>		
Top Up payable (from)/to WG	1,336	(1,064)
Amount owed from/to the General Fund	(1,336)	1,064
<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 2011-12 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 2011-12 the number of firefighters retiring was higher than the original

estimate due to partly to the Officer Cover review carried out by the Service this meant that the Top Up Grant received was lower than that needed to cover the deficit on the fund. At the year end the Authority was owed £1.064m from WG due to underpayment of Top Up Grant.

The accounting policies for the Pension Fund Account are consistent with the accounting policies on pages 14 – 20.

### **Contribution Rates**

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

**The 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 32 to the core financial statements (2012 - £206.63m, 2011 - £189.89m).**