

# **North Wales Fire Authority-Statement of Accounts 2015-16**

## **TABLE OF CONTENTS**

	<u>PAGE NO.</u>
Narrative Report	1-6
Statement of Responsibilities / Certificate of the Treasurer	7
Audit Report	8-9
<b>Core Statements:</b>	
Movement in Reserves Statement	10
Comprehensive Income & Expenditure Statement	11
Balance Sheet	12
Cash Flow Statement	13
<b>Notes to the Financial Statements</b>	
Statement of Accounting Policies	14-21
Note 1 - Critical Judgements in Applying Accounting Policies	22
Note 2 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	22
Note 3 - Material Items of Income and Expense	23
Note 4 - Events after Balance Sheet Date	23
Note 5 - Prior Period Adjustments	23-24
Note 6 - Adjustments between Accounting & Funding Basis Under Regulation	25-27
Note 7 - Transfer to and from Earmarked Reserves	28
Note 8 - Other Operating Expenditure and Income	28
Note 9 - Financing and Investment Income & Expenditure	28
Note 10 - Taxation & Non-Specific Grant Income	28
Note 11 - Property Plant and Equipment and Intangible Assets	29-30
Note 12 - Financial Instruments	31-32
Note 13 - Fair Value of Assets and Liabilities Carried at Amortised cost	33
Note 14 - Inventories	33
Note 15 - Debtors	34
Note 16 - Cash and Cash Equivalent	34
Note 17 - Creditors	34
Note 18 - Provisions	34-35
Note 19 - Usable Reserves	35-36
Note 20 - Unusable Reserves	36-40
Notes 21 to 23- Cash Flow Statement–Operating, Investing and Financing Activity	40-41
Note 24 - Amounts Reported for Resource Allocation	41-43
Note 25 - Trading Operations	43
Note 26 - Members' Allowances	44
Note 27 - Officers' Remuneration	44-45
Note 28 - Audit Fees	45
Note 29 - Grants	46
Note 30 - Related Parties	46-47
Note 31 - Capital Expenditure & Financing	47-48
Note 32 - Leases	48
Note 33 - Termination Benefits	48
Note 34 - Transactions Relating to Post-employment Benefits	48-53
Note 35 - Nature and Extent of Risk Arising from Financial Instruments	54
Note 36 - Contingent Liabilities	55
Firefighters' Pension Fund Account	56-58
Annual Governance Statement (Appendix)	1-14

## **NARRATIVE REPORT**

1. Operational guidance for Fire and Rescue Services in Wales is detailed in the Fire and Rescue National Framework which has been produced by the Welsh Government. The National Framework seeks to expand the role of Fire and Rescue Services in Wales in relation to prevention, education and engaging with the communities they serve whilst ensuring that their reactive firefighting capability is not compromised. At a time of extraordinary financial challenge, the North Wales Fire and Rescue Authority is committed to continuing to provide excellent prevention services, fire safety enforcement services and emergency response to a range of incidents including fire, flooding and road traffic accidents.

The North Wales Fire and Rescue Service produces annual action plans for managing down risks and improving services with an increasing emphasis on prevention and education. The Authority remains committed to playing its part in building stronger and safer communities, but also acknowledges that for the future the financial situation means that being able to sustain service delivery will require a great deal of flexibility and innovation.

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

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of the North Wales Fire Authority for the financial year 2015-16.

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

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

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

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

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

(iii) **Statement of Financial Position (Balance Sheet)**

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

(iv) **Cash Flow Statement**

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

(v) **The Firefighters' Pension Fund Account**

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

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

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

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

(vii) **Notes to the Accounting Statements**

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

- 2(b). The Movement on Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the Pension Fund Account are supported by notes which provide additional information. The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (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 2015-2016**

#### **Revenue Expenditure 2015-2016**

The budget for the year was approved by Members of the Authority at £31,885,845. Further details on the operational spend, which is the actual expenditure for the Authority without the accounting adjustments, can be found in Note 23. The actual expenditure was lower than budgeted and was due mainly to savings on staff costs due to the establishment for Retained Duty Firefighters being less than the numbers accounted for in the budget. The Authority was able to use the underspend to offset future budgetary pressures by funding part of the capital programme from a contribution from the revenue budget, this amounted to £641k.

	Budget	Actual	Variance
	£000	£000	£000
<b>Revenue</b>			
Expenditure	32,843	32,055	(788)
Income	(734)	(810)	(76)
Net Expenditure	32,109	31,245	(864)
Earmarked Reserves & Provisions	(223)	641	864
Unitary Authority Contributions	(31,886)	(31,886)	0
(Surplus) /Deficit	0	0	0
<b>Capital</b>			
(inc b/f slippage)	12,184	9,968	(2,216)

A further £1,425k was received in the form of grant income which has been included in the management accounts on page 42 but was not reported as part of the revenue account but as a separate note to the Fire Authority in the Financial Performance Report in June 2016.

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 2015-16, the proportions were as follows:

Authority	2015/2016 Contribution £	Proportion %
Conwy County Borough Council	5,289,893	16.59
Anglesey County Council	3,200,523	10.04
Gwynedd Council	5,602,787	17.57
Denbighshire County Council	4,360,740	13.68
Flintshire County Council	7,033,548	22.06
Wrexham County Borough Council	6,398,354	20.06
<b>TOTAL</b>	<b>31,885,845</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 £1.84m (£1.78 2014-15). Details of the grants received can be found in Note 28 to the accounts.

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

2014/15 £'000		2015/16 £'000
31,772	Unitary Authority Contributions	31,886
1,789	Revenue Grants	1,841
22	Interest	8
348	Fees and Charges and Other Income	357

#### **Capital Expenditure 2015-2016**

Total capital expenditure in the year amounted to £9.968m. Further details can be found in Note 31 to the accounts.

2014/15 £'000		2015/16 £'000
3,179	Property – Refurbishments, adaptations, new buildings	8,346
2,568	Vehicles and Plant	1,344
907	Operational and I.C.T. Equipment	278
<b>6,654</b>	<b>Total Capital Expenditure</b>	<b>9,968</b>

#### **Capital Borrowing**

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2015-2016 the capital programme was financed mainly by external borrowing (£8,791k), other funding amounted to £1,177k.

A detailed report on the financial activity for the year was presented to the Fire Authority on 20 June 2016 and is available on the Fire service website ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)).

### **Pension Liability**

In 2015-16, 8 wholetime uniformed staff and 2 retained duty system staff retired. The net cost of the Firefighters' Pension Scheme to the revenue budget increased compared to last year £2.43m (£2.28m 14/15) this was due to new entrants to the scheme and some transitional costs as Firefighters are transferred to the new scheme. The liability in terms of future pension commitments decreased to £239.19m (£265.35m 14/15) due to a change in the actuarial assumptions. The actuaries have changed the assumptions for the re-measurement of the net defined liability and these include an increase in the discount rate used; a decrease in short term salary movement; and a re-assessment of the numbers of firefighters who took up the option to join the special section of the 2007 NFPS. The changes applied have resulted in an estimated reduced liability to the Authority for Firefighter pensions.

The actuarially assessed liability as at 31 March 2016 for the Local Government pension scheme was £11.42m (£12.79m 14/15), again the decrease was due to a change in actuarial assumptions used including an increase in the discount rate used and an adjustment for short term pay restraint.

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.

### **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 £3.028m. 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 £466k loan interest and £2,356k 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 2016 was £29.672m.

### **Provisions and Reserves**

The Authority held provisions to meet known future liabilities which have arisen due to past events. The balance at the beginning of the year was £0.794m. A review of the provisions held at year end resulted in the remaining balance of £0.783m being transferred to reserves as it is no longer a requirement to hold these provisions.

Money was set aside in to a capital reserve, £1.44m, in 2013-14 which was to be used to finance the capital programme in order to reduce the debt charges for future budgets. In 2014-15 £700k of the reserve was utilised and in 2015-16 £340k.

Earmarked reserves are held for a number of projects the main ones are to cover transitional costs for the radio project and to cover the reduction in funding for HFSC. These reserves were not utilised in 2015-16 but it is envisaged that they will be used in 2016-17.

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

**Impact of the Current Economic Climate**

Members agreed that the priority when setting the budget for 2015-16 was to maintain the current level of service provision and any increase to the budget should be no more than an additional £1 per year per head of population in North Wales – the equivalent of £699k based on the population estimates for 2015. However, given the impact of the local government settlement and the reduction in funding to the constituent authorities Members agreed to increase the budget slightly by just 0.36%, £114k. The remaining funding to cover the unavoidable budgetary pressures would be met from a change to service delivery and a contribution from reserves.

**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 the website for North Wales Fire & Rescue Authority ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.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 2016

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 2015/2016**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2016 and its income and expenditure for the year then ended.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_

**D DOCX** ACMA MBA BA 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 2016 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 and the Cash Flow Statement.

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 2015-16 based on International Financial Reporting Standards (IFRSs).

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

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

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council'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 Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of North Wales Fire Authority as at 31 March 2016 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 2015-16.

**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 2016 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 2015-16.

**Opinion on other matters**

In my opinion, the information contained in the Narrative Report 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 following matters, which I report to you, if, in my opinion:

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

**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 Auditor General for Wales' Code of Audit Practice.

**For and on behalf of**

**Huw Vaughan Thomas**

**Auditor General for Wales**

**Wales Audit Office,  
24 Cathedral Road,  
Cardiff,  
CF11 9LJ**

**CORE FINANCIAL STATEMENTS**  
**MOVEMENT IN RESERVES STATEMENT**

<b>Movement in Reserves Statement for the years ended 31 March 2015 &amp; 2016</b>	<b>Note</b>	<b>General Fund Balance</b>	<b>Earmarked and Grant Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2014</b>		1,725	1,746	0	3,471	(230,794)	(227,323)
<b>Movement in Reserves during 2014/15</b>							
Surplus or (Deficit) on the Provision of Services		(9,642)	0	0	(9,642)	0	(9,642)
Other Comprehensive Income & Expenditure		0	0	0	0	(24,246)	(24,246)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(9,642)</b>	<b>0</b>	<b>0</b>	<b>(9,642)</b>	<b>(24,246)</b>	<b>(33,888)</b>
Adjustments between accounting basis & funding basis under regulations	6	10,158	(704)	(22)	9,432	(9,432)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>516</b>	<b>(704)</b>	<b>(22)</b>	<b>(210)</b>	<b>(33,678)</b>	<b>(33,888)</b>
Adjustment		0	0	0	0	0	0
Other Transfers to/(from) Earmarked Reserves		(424)	525	22	123	(123)	0
<b>Increase/(Decrease) in 2014/15</b>	<b>7</b>	<b>92</b>	<b>(179)</b>	<b>0</b>	<b>(87)</b>	<b>(33,801)</b>	<b>(33,888)</b>
<b>Balance as at 31 March 2015</b>		<b>1,817</b>	<b>1,567</b>	<b>0</b>	<b>3,384</b>	<b>(264,595)</b>	<b>(261,211)</b>

<b>Movement in Reserves Statement</b>	<b>Note</b>	<b>General Fund Balance</b>	<b>Earmarked and Grant Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2015</b>		1,817	1,567	0	3,384	(264,595)	(261,211)
<b>Movement in reserves during 2015/16</b>							
Surplus or (deficit) on the provision of services		(11,427)	0	0	(11,427)	0	(11,427)
Other Comprehensive Income & Expenditure		0	0	0	0	45,239	45,239
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(11,427)</b>	<b>0</b>	<b>0</b>	<b>(11,427)</b>	<b>45,239</b>	<b>33,812</b>
Adjustments between accounting basis & funding basis under regulations	6	12,210	(338)	(25)	11,847	(11,847)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>783</b>	<b>(338)</b>	<b>(25)</b>	<b>420</b>	<b>33,392</b>	<b>33,812</b>
Adjustment		0	0	0	0	0	0
Other Transfers to/(from) Earmarked Reserves		69	(3)	25	91	(91)	0
<b>Increase/(Decrease) in 2015/16</b>	<b>7</b>	<b>852</b>	<b>(341)</b>	<b>0</b>	<b>511</b>	<b>33,301</b>	<b>33,812</b>
<b>Balance as at 31 March 2016</b>		<b>2,669</b>	<b>1,226</b>	<b>0</b>	<b>3,895</b>	<b>(231,294)</b>	<b>(227,399)</b>

**THE COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT**

2014/15				2015/16			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
2,079	(66)	2,013	Community Fire Safety - Inspection & Certification		2,507	(56)	2,451
5,065	(1,184)	3,881	Community Fire Safety - Prevention & Education		5,561	(963)	4,598
20,266	(903)	19,363	Fire Fighting - Operational Responses		23,377	(1,108)	22,269
4,173	(57)	4,116	Fire Fighting - Communications & Mobilising		4,453	(50)	4,403
231	(3)	228	Fire Fighting - Securing Water Supplies		212	(2)	210
199	0	199	Corporate & Democratic Core Costs		214	0	214
7	0	7	Non Distributed Costs		13	0	13
<b>32,020</b>	<b>(2,213)</b>	<b>29,807</b>	<b>Cost of Services</b>		<b>36,337</b>	<b>(2,179)</b>	<b>34,158</b>
541	(22)	519	Other Operating Expenditure	8	643	(25)	618
11,110	(22)	11,088	Financing & Investment Income & Expenditure	9	8,544	(7)	8,537
0	(31,772)	(31,772)	Contributions from Constituent Authorities	10	0	(31,886)	(31,886)
		<b>9,642</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>11,427</b>
		(113)	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets	20			(8,879)
		24,359	Remeasurement of the net defined Benefit Liability	20			(36,360)
		<b>24,246</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>(45,239)</b>
		<b>33,888</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>(33,812)</b>

## BALANCE SHEET

31 March 2015		Note	31 March 2016
£'000			£'000
41,214	Property, Plant & Equipment	11	53,461
0	Intangible Assets	11	0
<b>41,214</b>	<b>Long Term Assets</b>		<b>53,461</b>
471	Inventories	14	518
1,021	Debtors	15	1,179
2,910	Cash & Cash Equivalents	16	495
<b>4,402</b>	<b>Current Assets</b>		<b>2,192</b>
9,021	Short Term Borrowing	12	13,456
2,943	Creditors	17	2,736
127	Provisions	18	0
<b>12,091</b>	<b>Current Liabilities</b>		<b>16,192</b>
278,140	Pension Liability	34	250,612
667	Provisions	18	0
15,929	Long Term Borrowing	12	16,216
<b>294,736</b>	<b>Long Term Liabilities</b>		<b>266,828</b>
<b>(261,211)</b>	<b>Net Assets</b>		<b>(227,367)</b>
3,384	Usable Reserves	19	3,830
(264,595)	Unusable Reserves	20	(231,197)
<b>(261,211)</b>	<b>Total Reserves</b>		<b>(227,367)</b>

## CASH FLOW STATEMENT

2014/15		Note	2015/16
£'000			£'000
9,642	Net (Surplus)/Deficit on the Provision of Services		11,395
(13,633)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	21	(10,176)
(384)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	21	(458)
(4,375)	Net Cash Flows From Operating Activities	21	761
5,266	Investing Activities	22	8,791
(2,270)	Financing Activities	23	(7,137)
(1,379)	Net (Increase) or Decrease in Cash and Cash Equivalents		2,415
(1,531)	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>(2,910)</b>
<b>(2,910)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	16	<b>(495)</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **1. GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2015-16 financial year and its position at the year-end of 31 March 2016. 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 2015-16 (the Code) and the Service Reporting Code of Practice 2015-16 (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, mostly in the year in which they arise, not simply when cash payments are made or received. In particular:

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

### 3. **CASH AND CASH EQUIVALENTS**

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

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

### 4. **CHARGES TO REVENUE FOR NON CURRENT ASSETS**

Depreciation is provided for vehicles on a straight-line basis, with acquisitions being depreciated in the following year following purchase. Buildings have been depreciated on a straight-line basis over the estimated useful life of the assets, as supplied by Wilks Head and Eve, Chartered Surveyors.

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

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

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

The Authority is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution from General Fund Balances (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 5. **EMPLOYEE BENEFITS**

#### **Benefits payable during employment**

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

#### **Termination Benefits**

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



## 6. **POST EMPLOYMENT BENEFITS**

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

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

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

The pension fund is treated as a separate income and expenditure statement in the Statement of Accounts and is ring fenced to ensure accounting clarity, please see Notes 19, 33 and the Firefighters' Pension Fund Account on page 52 for more detail. It is through the pension fund that the Authority discharges its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the scheme.

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

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

This is a funded scheme with pensions paid from the underlying investment funds managed by Flintshire County Council pension fund (the 'fund') which is part of the Local Government Pension Scheme (LGPS). Actuaries determine the employer's contribution rate. Further costs, which arise in respect of certain pensions paid to retired employees, are paid on an unfunded basis. Please see Note 33 for more detail.

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

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

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

## 8. **EXCEPTIONAL ITEMS**

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

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

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

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

#### **10. FINANCIAL INSTRUMENTS**

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

#### **11. INVESTMENTS**

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

#### **12. FOREIGN CURRENCY TRANSACTIONS**

The majority of transactions of the Authority are in sterling. Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where equipment has been purchased from abroad it has been necessary to pay for the goods in the currency of the country the transaction took place.

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

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

#### **14. INVENTORIES**

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

#### **15. LEASES**

##### **Finance leases**

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

## Operating Leases

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

## 16. ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES

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

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

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

## 17. PROPERTY PLANT AND EQUIPMENT

### Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- the items form part initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

The de Minimus level for capitalising assets is £1,000.

### Useful Economic Life of Assets

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

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

### Non-Specialised Operational and Non-Operational Assets

Non-specialised operational and non-operational land and buildings are carried at Fair Value normally determined from market based evidence, which is generally taken to mean open market value, but the Code allows these assets to be carried forward at the existing use value.

### Assets of a Specialised Nature

For assets of a specialised nature where there is no market evidence, an estimate of fair value has been based on Depreciated Replacement Cost (DRC), the valuation being that of a Modern Equivalent Asset (MEA) using the “instant build” approach. Fire stations are included under this category.

### Land and Buildings

Land and buildings have been accounted for separately, and land is assumed to have an infinite life. Property is revalued every 5 years, the latest valuation was 1 April 2015.

### 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 are depreciated individually over their useful lives and all buildings are depreciated on a component basis. Component accounting will only be applied when a component is replaced or part enhanced, and the old component has been derecognised.

### Revaluation

When an asset is re-valued, an entry has been made between the Revaluation Reserve and the Capital Adjustment Account which represents the difference between depreciation based on historic cost and the re-valued amount.

### Revaluation Losses

A revaluation loss that is due to a clear consumption of economic benefit, if there is a previous revaluation surplus on that asset, is first charged against the surplus to the extent of the surplus, with the balance of the loss being charged to the Comprehensive Income and Expenditure Account.

The latest full property valuation was carried out by Wilks Head and Eve, a firm of valuers based in London, on 1 April 2015. Office accommodation has been valued at existing use value and fire stations at depreciated replacement cost. To comply with the Code of Practice the valuer estimated residual lives for all the Authority's buildings so that a charge for depreciation could be calculated. Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

Impairment

Assets are carried at no more than their recoverable amount, and impairment is measured by comparing the carrying value with the higher of fair value less costs to sell (equivalent to net selling price) and value in use. Impairment is assessed annually, and the indicators to reverse an impairment are the same for tangible and intangible assets. All impairment losses on re-valued assets are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each individual asset.

**18. CAPITAL RECEIPTS**

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

**19. 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.

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

**20. CONTINGENT LIABILITIES**

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

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

**21. VALUE ADDED TAX**

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

**22. INTANGIBLE ASSETS**

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

*IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.*

*Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.*

## NOTES TO THE ACCOUNTS

### 1. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 14-21, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement in the statement of accounts is due to the high degree of uncertainty about future levels of funding for local Government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of the need to reduce levels of service provision.

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

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

The main item in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
RETAINED FIREFIGHTERS' PENSIONS	The Authority made a provision of £667k in 2013-14 for retrospective access to the Firefighter's pension scheme for Retained Duty System (RDS). Agreement has been reached between the FBU and DCLG and it is now a case of calculating monies due for those that take up the offer. This provision is no longer required as an adjustment will be made to the employer's contribution to the pension scheme to cover additional costs.	At this time it is uncertain as to what the increase in contribution will be. The increase will come in to effect from 2019 following the actuarial valuation. The additional costs will have to be built in to the base budget and could be significant.
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and, for the Local Government pension Scheme, the expected return on pension fund assets. Actuaries are engaged to provide an assessment of the liabilities.	Relatively small changes in the assumptions made can have a significant impact on the pension net liability. The pension net liability shown in the balance sheet will only become payable over the retirement period of current and retired employees, so adjustments to the liability can be spread over a number of years through changes in employee and employer contributions. Increases in employer contributions have a direct impact on the budget.
EU REFERENDUM	Following the UK's vote to leave the EU some consideration should be given to the impact of the decision on North Wales Fire and Rescue Service. At this point in time the impact is uncertain as it is for most organisations in the UK. However, there is an assumption that interest rates may fall in order to stimulate the economy and promote growth.	If interest rates do fall this will have a positive impact on the service as short term loans are replaced at lower rates resulting in cost savings. However, the impact on the economy as a whole and on Local Authority funding is still an unknown.

### 3. MATERIAL ITEMS OF INCOME & EXPENSE

Following the successful conclusion of a court case in relation to the actuarial calculation used for the commutation payments due to retiring Firefighters dating back a number of years, £804k was paid to those pensioners that were affected. The payments were made through the Firefighters' Pension Fund and the additional costs were reimbursed by the Welsh Government.

### 4. EVENTS AFTER BALANCE SHEET

The Statement of Accounts have been authorised for issue by the Treasurer to the Fire Authority as at 19 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 5. PRIOR PERIOD ADJUSTMENTS

In order to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code) it has been necessary to include all revenue grant income and expenditure in the Comprehensive Income and Expenditure Account and in the Management Accounts note. In order to provide a fair comparison between years a prior period adjustment has been made to the following statements.

#### THE COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT REVISED 2014/15

2014/15				2014/15 Adjusted			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
2,079	(66)	2,013	Community Fire Safety - Inspection & Certification		2,079	(66)	2,013
4,003	(122)	3,881	Community Fire Safety - Prevention & Education		5,065	(1,184)	3,881
19,955	(592)	19,363	Fire Fighting - Operational Responses		20,266	(903)	19,363
4,173	(57)	4,116	Fire Fighting - Communications & Mobilising		4,173	(57)	4,116
231	(3)	228	Fire Fighting - Securing Water Supplies		231	(3)	228
199	0	199	Corporate & Democratic Core Costs		199	0	199
7	0	7	Non Distributed Costs		7	0	7
<b>30,647</b>	<b>(840)</b>	<b>29,807</b>	<b>Cost of Services</b>		<b>32,020</b>	<b>(2,213)</b>	<b>29,807</b>
541	(22)	519	Other Operating Expenditure	8	541	(22)	519
11,110	(22)	11,088	Financing & Investment Income & Expenditure	9	11,110	(22)	11,088
0	(31,772)	(31,772)	Contributions from Constituent Authorities	10	0	(31,772)	(31,772)
		<b>9,642</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>9,642</b>
		(113)	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets				(113)
		24,359	Remeasurement of the net defined Benefit Liability				24,359
		<b>24,246</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>24,246</b>
		<b>33,888</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>33,888</b>



**North Wales Fire & Rescue Service**  
**Management Accounts Summary 2014/15 Adjusted**

2014/15		2014/15 Adjusted
	<b>EXPENDITURE</b>	
	<b>EMPLOYEE COSTS</b>	
13,132,815	Uniformed Staff - Wholetime	13,132,815
3,526,282	Uniformed Staff - Part time	3,526,282
4,187,208	Support Services Staff	4,187,208
591,366	Training Costs	591,366
7,412	Supplementary Payments to Pension Funds	7,412
473,687	Pension payments	473,687
92,487	Other Staff Costs	92,487
<b>22,011,257</b>	<b>TOTAL EMPLOYEE COSTS</b>	<b>22,011,257</b>
	<b>PREMISES COSTS</b>	
811,996	Utilities & Taxation	811,996
495,867	Maintenance	495,867
169,989	Rents	169,989
90,927	Other	90,927
<b>1,568,779</b>	<b>TOTAL PREMISES COSTS</b>	<b>1,568,779</b>
	<b>TRANSPORT</b>	
949,219	Maintenance & Running Expenses	949,219
264,478	Travelling Expenses & Lease Car Scheme	264,478
28,418	Operating Lease Payments	28,418
<b>1,242,115</b>	<b>TOTAL TRANSPORT COSTS</b>	<b>1,242,115</b>
	<b>SUPPLIES &amp; SERVICES</b>	
426,266	Equipment	426,266
1,813,156	IT & Communications	1,813,156
1,093,657	Other Supplies & Services	1,093,657
0	Grant Expenditure	1,373,118
<b>3,333,079</b>	<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>4,706,197</b>
	<b>SUPPORT SERVICES</b>	
325,706	Agency Payments	325,706
403,641	Support Service Agreements	403,641
<b>729,347</b>	<b>TOTAL SUPPORT SERVICES</b>	<b>729,347</b>
2,547,941	<b>CAPITAL FINANCING COSTS</b>	2,547,941
<b>31,432,518</b>	<b>TOTAL EXPENDITURE</b>	<b>32,805,636</b>
	<b>INCOME</b>	
(281,672)	Sales, Fees & Charges	(281,672)
(529,163)	Other Income	(1,902,281)
<b>(810,835)</b>	<b>TOTAL INCOME</b>	<b>(2,183,953)</b>
<b>30,621,683</b>	<b>NET OPERATING COSTS</b>	<b>30,621,683</b>
534,048	Contribution to Capital for Equipment & Vehicles	534,048
616,281	Contribution to Provisions and Reserves	616,281
(31,772,011)	Income From Contributions	(31,772,011)
<b>0</b>	<b>SURPLUS/DEFICIT FOR YEAR</b>	<b>0</b>

Note 27 to the accounts provides a ratio between the payment made to the Chief Fire Officer and Fire staff based on the median point of the payments made. In previous years this has been based on scale point rather than remuneration. To provide a fair comparison the figures for 2014/15 have been amended as below.

	<i>Original 2014/15 Scale Point £</i>	<i>Amended 2014/15</i>
Chief Fire Officer	119,835	125,532
Median	29,054	29,054
Ratio	4.12	4.32

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

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

2014/15	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	(3,274)	0	0	(3,274)	3,274
Revaluation (losses)/Gains on Property, Plant and Equipment	113	0	0	113	(113)
Amortisation of Intangible assets	0	0	0	0	0
Capital grants and contributions applied	661	704	0	1,365	(1,365)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	2,142	0	0	2,142	(2,142)
<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	22	22	(22)
<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 20)	(13,050)	0	0	(13,050)	13,050
Employer's pensions contributions and direct payments to pensioners payable in the year	3,260	0	0	3,260	(3,260)
<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	(10)	0	0	(10)	10
<b>Total Adjustments</b>	<b>(10,158)</b>	<b>704</b>	<b>22</b>	<b>(9,432)</b>	<b>9,432</b>

2015/16	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	(3,028)	0	0	(3,028)	3,028
Revaluation (losses)/Gains on Property, Plant and Equipment	(3,604)	0	0	(3,604)	3,604
Amortisation of Intangible assets	0	0	0	0	0
Capital grants and contributions applied	841	337	0	1,178	(1,178)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	2,356	0	0	2,356	(2,356)
<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	25	25	(25)
<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 20)	(12,409)	0	0	(12,409)	12,409
Employer's pensions contributions and direct payments to pensioners payable in the year	3,577	0	0	3,577	(3,577)
<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	57	0	0	57	(57)
<b>Total Adjustments</b>	<b>(12,210)</b>	<b>337</b>	<b>25</b>	<b>(11,848)</b>	<b>11,848</b>

## 7. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves from 1 April 2014.

	<b>Balance 1 April 2014</b>	Transfers out 2014/15	Transfers In 2014/15	<b>Balance 31 March 2015</b>	Transfers out 2015/16	Transfers In 2015/16	<b>Balance 31 March 2016</b>
	£000	£000	£000	£000	£000	£000	£000
General Fund	(1,725)	0	(92)	(1,817)	0	(852)	(2,669)
Earmarked & Grant Reserves	(1,746)	704	(525)	(1,567)	409	(3)	(1,161)
<b>Total</b>	<b>(3,471)</b>	<b>704</b>	<b>(617)</b>	<b>(3,384)</b>	<b>409</b>	<b>(855)</b>	<b>(3,830)</b>

## 8. OTHER OPERATING EXPENDITURE AND INCOME

<b>2014/15 £000</b>		<b>2015/16 £000</b>
7	Deficit on Trading Operations	2
(22)	Gains/losses on the disposal of non-current assets	(25)
534	Revenue Contribution to Capital	641
<b>519</b>	<b>Total</b>	<b>618</b>

## 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2014/15 £000</b>		<b>2015/16 £000</b>
406	Interest payable & similar charges	466
(22)	Interest	(7)
10,704	Net Interest on the net defined benefit liability	8,078
<b>11,088</b>	<b>Total</b>	<b>8,537</b>

## 10. TAXATION AND NON SPECIFIC GRANT INCOMES

<b>2014/15 Contribution £</b>	<b>Authority</b>	<b>2015/2016 Contribution £</b>
5,283,704	Conwy County Borough Council	5,289,893
3,198,669	Anglesey County Council	3,200,523
5,588,255	Gwynedd Council	5,602,787
4,342,155	Denbighshire County Council	4,360,740
7,018,721	Flintshire County Council	7,033,548
6,340,507	Wrexham County Borough Council	6,398,354
<b>31,772,011</b>	<b>TOTAL</b>	<b>31,885,845</b>

## 11. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets are valued as outlined in Notes 4 and 17 of Accounting Policies. Details of the value of assets held at 31 March 2016 and comparative figures for 31 March 2015 are shown below, together with details of movement in the year:-

2015-2016	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Assets Under Construction</i>	<i>Property Plant &amp; Equipment Total</i>	<i>In-Tangible Assets Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2015	26,884	27,210	260	4,322	58,676	65
<b>VALUE AT 1 APRIL 2015</b>	<b>26,884</b>	<b>27,210</b>	<b>260</b>	<b>4,322</b>	<b>58,676</b>	<b>65</b>
Additions	3,589	1,623	0	4,756	9,968	0
Reclassification Assets under Construction	2,156	823		(2,979)	0	0
Revaluation Decreases	(3,152)	0	0	0	(3,152)	0
Revaluation Increases	4,583	0	0	0	4,583	0
Disposals	0	(244)	0	0	(244)	0
Impairment/Capitalised Under Statute	(420)	0	0	0	(420)	0
<b>GROSS BOOK VALUE AT 31 MARCH 2016</b>	<b>33,640</b>	<b>29,412</b>	<b>260</b>	<b>6,099</b>	<b>69,411</b>	<b>65</b>
Accumulated Depreciation at 1 April 2015	(4,299)	(12,918)	(245)	0	(17,462)	(65)
Revaluation	4,296	0	0	0	4,296	0
Depreciation for Year	(711)	(2,316)	(2)	0	(3,029)	0
Impairment CIES	0	0	0	0	0	0
Impairment Rev Res	0	0	0	0	0	0
Disposals	0	244	0	0	244	0
<b>Accumulated Depreciation at 31 March 2016</b>	<b>(714)</b>	<b>(14,990)</b>	<b>(247)</b>	<b>0</b>	<b>(15,951)</b>	<b>(65)</b>
<b>NET BOOK VALUE AT 31 MARCH 2016</b>	<b>32,926</b>	<b>14,422</b>	<b>13</b>	<b>6,099</b>	<b>53,460</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2015</b>	<b>22,585</b>	<b>14,292</b>	<b>15</b>	<b>4,322</b>	<b>41,214</b>	<b>0</b>

2014-2015 COMPARATIVE DATA	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Assets Under Construction</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 2014	26,419	23,327	260	2,610	52,616	65
<b>VALUE AT 1 APRIL 2014</b>	<b>26,419</b>	<b>23,327</b>	<b>260</b>	<b>2,610</b>	<b>52,616</b>	<b>65</b>
Additions	893	2,651	0	3,110	6,654	0
Reclassification Assets Under Construction	0	1,398	0	(1,398)	0	0
Revaluations	113	0	0	0	113	0
Write out Lease	0	(40)	0	0	(40)	0
Disposals	0	(126)	0	0	(126)	0
Impairment/Capitalised Under Statute	(541)	0	0	0	(541)	0
<b>GROSS BOOK VALUE AT 31 MARCH 2015</b>	<b>26,884</b>	<b>27,210</b>	<b>260</b>	<b>4,322</b>	<b>58,676</b>	<b>65</b>
Accumulated Depreciation at 1 April 2014	(3,507)	(11,104)	(244)	0	(14,855)	(65)
Revaluation	0	0	0	0	0	0
Depreciation for Year	(792)	(1,940)	(1)	0	(2,733)	0
Impairment CIES	0	0	0	0	0	0
Impairment Rev Res	0	0	0	0	0	0
Disposals	0	126	0	0	126	0
<b>Accumulated Depreciation at 31 March 2015</b>	<b>(4,299)</b>	<b>(12,918)</b>	<b>(245)</b>	<b>0</b>	<b>(17,462)</b>	<b>(65)</b>
<b>NET BOOK VALUE AT 31 MARCH 2015</b>	<b>22,585</b>	<b>14,292</b>	<b>15</b>	<b>4,322</b>	<b>41,214</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2014</b>	<b>22,912</b>	<b>12,223</b>	<b>16</b>	<b>2,610</b>	<b>37,761</b>	<b>0</b>

## 12. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	0	0	480	2,880
Available-for-sale financial assets	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>480</b>	<b>2,880</b>
<b>Debtors</b>				
Loans and receivables	0	0	0	0
Financial assets carried at contract amounts	0	0	0	0
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	16,216	15,929	13,456	9,021
<b>Total Borrowings</b>	<b>16,216</b>	<b>15,929</b>	<b>13,456</b>	<b>9,021</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	1,446	1,582
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>1,446</b>	<b>1,582</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:

Financial Instruments Gains and Losses				
	2014/15		2015/16	
	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	406		466	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>406</b>		<b>466</b>	
Interest income		(22)		(7)
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(22)</b>		<b>(7)</b>
<b>Net gain/(loss) for the year</b>	<b>(406)</b>	<b>22</b>	<b>(466)</b>	<b>7</b>

### External Borrowing

The loans outstanding have been raised through the Public Works Loan Board (PWLB) and on the financial markets. The Balance Sheet and the Financial Instruments table above for loans includes £15k (31 March 2016) for accrued interest, the table below excludes the interest to show the actual amount of loans outstanding. The following table gives an analysis of the loans by maturity.

Source of Loan	Interest Rate Payable 2015/16 %	Minimum to Maximum approved limits %	Actual % March 2015	Actual % March 2016	Total Outstanding at 31 March 2015		Total Outstanding at 31 March 2016	
					£'000		£'000	
Public Works Loans Board	1.32 – 4.9					17,940		19,657
Market Loans	0.49 – 0.59					7,000		10,000
<b><u>ANALYSIS OF LOANS BY MATURITY</u></b>								
Within 1 Year		0% - 55%	36.13	45.32		9,010		13,441
Between 1 and 2 years		0% - 50%	12.97	19.46	3,234		5,770	
Between 2 and 5 years		0% - 50%	1.89	21.14	471		6,271	
Between 5 and 10 years		0% - 75%	28.28	4.17	7,052		1,236	
Over 10 years		0% - 100%	20.74	9.91	5,173		2,939	
<b>TOTAL</b>						<b>24,940</b>		<b>29,657</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.

### 13. 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 2015		31 March 2016	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	17,940	20,148	19,657	21,082
Non-PWLB debt	7,000	7,000	10,000	10,000
<b>Total debt</b>	<b>24,940</b>	<b>27,148</b>	<b>29,657</b>	<b>31,082</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. The carrying amount excludes the accrued interest as per note 12.

### 14. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2015 and 31 March 2016 is shown below.

	<i>Main Stores</i>		<i>Transport Van Stock</i>		<i>Totals</i>	
	<i>2014/15 £'000</i>	<i>2015/16 £'000</i>	<i>2014/15 £'000</i>	<i>2015/16 £'000</i>	<i>2014/15 £'000</i>	<i>2015/16 £'000</i>
Balance at start of year	435	457	14	14	449	471
Purchases	265	276	21	37	286	313
Recognised as an Expense in year	(243)	(229)	(21)	(37)	(264)	(266)
<b>Balance outstanding at year end</b>	<b>457</b>	<b>504</b>	<b>14</b>	<b>14</b>	<b>471</b>	<b>518</b>

## 15. DEBTORS

	<b>31 March 2015</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
Central Government Bodies	725	847
Other Local Authorities	147	188
NHS Bodies	1	35
Public Corporations and Trading Funds	44	56
Other Entities and Individuals	104	53
<b>TOTAL DEBTORS</b>	<b>1,021</b>	<b>1,179</b>

## 16. 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 2016. The following table summarises the position:-

	<b>31 March 2015</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
Bank Call Accounts	2,880	480
Short Term Investments	0	0
Bank Current Accounts	28	13
Petty Cash Imprests	2	2
<b>Total Cash and Cash Equivalents</b>	<b>2,910</b>	<b>495</b>

## 17. CREDITORS

	<b>31 March 2015</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
Central Government Bodies	183	224
Other Local Authorities	71	184
Public Corporations and Trading Funds	59	61
NHS Bodies	179	1
Other Entities and Individuals	2,451	2,266
<b>TOTAL CREDITORS</b>	<b>2,943</b>	<b>2,736</b>

## 18. PROVISIONS

At 31 March 2015 the Authority held three provisions. The provisions held and the movement on the provisions is as follows.

**Pension Provision**

A provision had 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 was based on the known liability of the future payments in to the pension fund assessed at the end of the financial year. Since the inception of the Pension Fund the number of firefighters retiring on ill-health grounds has reduced significantly and since 2010/11 these charges have been funded from revenue as part of the revenue budget. The annual payment is in the region of £50k and is charged to the revenue budget. However, if any one year the costs are excessive there has been money set aside in to an earmarked reserve to fund any additional costs if required.

### Equal Pay Provision

A provision has been recognised to offset the financial consequences of retained firefighters becoming entitled to the same conditions of service as whole-time firefighters. The majority of the payments were paid between 2012-13 and 2013-14. There were a few payments in 2015-16 and the majority have now been paid. It is therefore no longer a requirement to hold this provision.

### Retrospective Pension provision

Following negotiations between the Fire Brigade Union and DCLG an agreement has been reached which allows RDS staff retrospective access to the pension scheme. The provision was to cover the backdating of the employer's contribution in to the pension fund for RDS staff. However, DCLG have taken the decision that the additional funding required for the pension scheme will now come from an increase in the employers contribution following an actuarial review in 2019. It is therefore no longer a requirement to hold this provision.

	<i>Pension Provision</i>	<i>Equal Pay Provision</i>	<i>Retrospective Pension provision</i>	<i>Less than 1 Year Totals</i>	<i>Greater than 1 year Totals</i>
	£'000	£'000	£'000	£'000	£'000
Closing Bal 31 March 2015	(100)	(27)	(667)	(127)	(667)
Utilised in year	0	11	0	11	0
Transfer (in)/out 2015-16	100	16	667	116	667
<b>Closing Bal 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 19. USABLE RESERVES

### General Reserves

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

- pay increases;
- underpin the budget for 2016-17; and
- decrease in grant funding.

The balance on the reserve at 31 March 2016 is £2.669m (31 March 2015, £1.817m). The increase in the reserve is due to the transfer between the provisions held and the general reserve.

### Earmarked Reserves

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

	<i>Balance 1 April 14</i>	<i>Transfers in/(out) 14/15</i>	<i>Balance 31 March 15</i>	<i>Transfers in/(out) 15/16</i>	<i>Balance 31 March 16</i>
	£'000	£'000	£'000	£'000	£'000
Pension Reserve	169	0	169	(69)	100
Radio Scheme	0	300	300	0	300
HFSC Grant Reduction	0	225	225	0	225
Interest Reserve	100	0	100	0	100
Capital Reserve	1,440	(700)	740	(340)	400
<b>Totals</b>	<b>1,709</b>	<b>(175)</b>	<b>1,534</b>	<b>(409)</b>	<b>1,125</b>

### Grant Reserves

Under IFRS any grants that have been received by the Authority for specific schemes but have not yet been utilised in year are shown under Usable Reserves. The amount carried forward for 2015-16 relates to Resilience grants. The balance on the reserve as at 31 March 2016 is £36,459 (31 March 2015 - £33,172).

<i>31 March 2015</i> <i>£'000</i>		<i>31 March 2016</i> <i>£'000</i>
1,817	General Reserve	2,669
1,534	Earmarked Reserves	1,125
33	Grant Reserves	36
<b>3,384</b>	<b>Total Usable Reserves</b>	<b>3,830</b>

### 20. UNUSABLE RESERVES

<i>31 March 2015</i> <i>£'000</i>		<i>31 March 2016</i> <i>£'000</i>
3,018	Revaluation Reserve	12,102
10,784	Capital Adjustment Account	7,513
(278,140)	Pensions Reserve	(250,612)
(257)	Accumulated Absences Account	(200)
<b>(264,595)</b>	<b>Total Unusable Reserves</b>	<b>(231,197)</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. The movement on the reserve is due to the revaluation of all the properties in the North Wales Fire & Rescue Service portfolio.

<b>2014/15 £'000</b>	<b><i>Revaluation Reserve</i></b>	<b>2015/16 £'000</b>
<b>3,028</b>	<b>Balance at 1 April</b>	<b>3,018</b>
113	Upward revaluation of assets	8,879
0	Adjustment from Capital Adjustment Account	458
(123)	Difference between fair value depreciation and historical cost depreciation	(253)
<b>3,018</b>	<b>Balance at 31 March</b>	<b>12,102</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.

2014/15	Capital Adjustment Account	2015/16
£'000		£'000
10,406	Balance at 1 April	10,784
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,151)	▪ Charges for depreciation & impairment of non-current assets	(6,346)
	- Adjustment to the Revaluation Reserve	(458)
(3,151)		(6,804)
(3,151)	Net written out amount of the cost of non-current assets consumed in the year	(6,804)
	<b>Capital financing applied in the year:</b>	
22	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	25
1,365	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,152
2,142	▪ Statutory provision for the financing of capital investment charged against the General Fund	2,356
0	▪ Prior year lease adjustment	0
378		(3,271)
<b>10,784</b>	<b>Balance at 31 March</b>	<b>7,513</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>2014-15</b>	<b>Fixed Asset Statement (Note 10)</b>	<b>Revaluation Reserve</b>	<b>Capital Adjustment Acct</b>	<b>Totals</b>
Depreciation	(2,733)	(123)	(2,610)	(2,733)
Impairment	(541)	0	(541)	(541)
Revaluations	0	0	0	0
Revaluations Depreciation	0	0	0	0
<b>Total</b>	<b>(3,274)</b>	<b>(123)</b>	<b>(3,151)</b>	<b>(3,274)</b>
<b>2015-16</b>	<b>Fixed Asset Statement (Note 11)</b>	<b>Revaluation Reserve</b>	<b>Capital Adjustment Acct</b>	<b>Totals</b>
Depreciation	(3,028)	(254)	(2,774)	(3,028)
Impairment	(420)	0	(420)	(420)
Revaluations	5,727	8,879	(3,152)	5,727
Revaluations Depreciation	(4,296)	(639)	(3,657)	(4,296)
Removal of Depreciation	4,296	639	3,657	4,296
Transfer between accounts	0	458	(458)	0
<b>Total</b>	<b>2,279</b>	<b>9,083</b>	<b>(6,804)</b>	<b>2,279</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>2014/15 £'000</b>	<b>MOVEMENTS on PENSION RESERVE</b>	<b>2015/16 £'000</b>
<b>(243,981)</b>	Opening Balance 1 April	<b>(278,140)</b>
(13,050)	Reversal of Items related to retirement benefits debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	(12,409)
3,260	Employer's pensions contributions and direct payments to pensioners payable in the year	3,577
(10)	Adjustment	0
(24,359)	Re-measurement of the net defined benefit liability	36,360
<b>(34,159)</b>	<b>MOVEMENT ON PENSION RESERVE</b>	<b>27,528</b>
<b>(278,140)</b>	<b>CLOSING BALANCE</b>	<b>(250,612)</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.

2014/15 £'000	<i>Accumulated Absences Account</i>	2015/16 £'000
(247)	<b>Balance at 1 April</b>	(257)
247	Settlement or cancellation of accrual made at the end of the preceding year	257
(257)	Amounts accrued at the end of the current year	(200)
(257)	<b>Balance at 31 March</b>	(200)

### 21. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2014/15 £'000		2015/16 £'000
9,642	<b>Net (Surplus)/Deficit on the Provision of Services</b>	11,395
	<b>Adjustments to Net (Surplus)/Deficit for Non Cash Movements</b>	
(113)	Revaluation Reserve	0
22	Increase in Stock	47
(1,398)	Increase/(Decrease) in Debtors	158
464	(Increase)/Decrease in Creditors	207
(2,733)	Depreciation Charge	(3,028)
(153)	Contributions Received/Capital Receipts	(195)
(9,790)	IAS 19 Pension Adjustments	(7,862)
(541)	Impairment Charge	(420)
(1)	Contribution (to)/from Various Provisions	11
4	Decrease in Grant Reserve	(3)
616	Transfers to Reserves	852
(10)	Accumulated Absences Reserve	57
(13,633)	<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>	(10,176)
(406)	Interest paid	(466)
22	Interest Received	8
(384)	<b>Less Total</b>	(458)
(4,375)	<b>Net Cash Flow From Operating Activity</b>	762

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

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
6,654	Purchase of property, plant and equipment, investment property and intangible assets	9,968
(22)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(25)
(1,366)	Other receipts from investing activities	(1,152)
<b>5,266</b>	<b>Net cash flows from investing activities</b>	<b>8,791</b>

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

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
(19,000)	Cash receipts of short-term and long-term borrowing	(30,314)
15,351	Repayments of short –term and long-term borrowing	25,592
1,379	(Decrease)/Increase in call accounts and short –term investments (Note 15) less interest due	(2,415)
0	Other payments for investing activities	0
<b>(2,270)</b>	<b>Net cash flow from financing activities</b>	<b>(7,137)</b>

**24. 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 2014/15 and 2015/16**

2014/15		2015/16
	<b>EXPENDITURE</b>	
	<b>EMPLOYEE COSTS</b>	
13,132,815	Uniformed Staff - Wholetime	13,508,238
3,526,282	Uniformed Staff - Part time	3,374,670
4,187,208	Support Services Staff	4,406,518
591,366	Training Costs	481,571
7,412	Supplementary Payments to Pension Funds	13,042
473,687	Pension payments	458,621
92,487	Other Staff Costs	98,832
<b>22,011,257</b>	<b>TOTAL EMPLOYEE COSTS</b>	<b>22,341,491</b>
	<b>PREMISES COSTS</b>	
811,996	Utilities & Taxation	904,046
495,867	Maintenance	405,502
169,989	Rents	175,306
90,927	Other	59,873
<b>1,568,779</b>	<b>TOTAL PREMISES COSTS</b>	<b>1,544,727</b>
	<b>TRANSPORT</b>	
949,219	Maintenance & Running Expenses	870,994
264,478	Travelling Expenses & Lease Car Scheme	218,758
28,418	Operating Lease Payments	0
<b>1,242,115</b>	<b>TOTAL TRANSPORT COSTS</b>	<b>1,089,752</b>
	<b>SUPPLIES &amp; SERVICES</b>	
426,266	Equipment	381,477
1,813,156	IT & Communications	1,955,661
1,093,657	Other Supplies & Services	1,070,252
1,373,118	Grant Expenditure	1,424,553
<b>4,706,197</b>	<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>4,831,943</b>
	<b>SUPPORT SERVICES</b>	
325,706	Agency Payments	434,971
403,641	Support Service Agreements	414,644
<b>729,347</b>	<b>TOTAL SUPPORT SERVICES</b>	<b>849,615</b>
2,547,941	<b>CAPITAL FINANCING COSTS</b>	2,822,045
<b>32,805,636</b>	<b>TOTAL EXPENDITURE</b>	<b>33,479,574</b>
	<b>INCOME</b>	
(281,672)	Sales, Fees & Charges	(323,296)
(1,902,281)	Other Income	(1,911,591)
<b>(2,183,953)</b>	<b>TOTAL INCOME</b>	<b>(2,234,887)</b>
<b>30,621,683</b>	<b>NET OPERATING COSTS</b>	<b>31,244,687</b>
534,048	Contribution to Capital for Equipment & Vehicles	641,158
616,280	Contribution to Provisions and Reserves	0
(31,772,011)	Income From Contributions	(31,885,845)
<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.

2014/15 £'000			2015/16 £'000	
	30,622	Net Expenditure in the Service Analysis		31,245
		<b>Amounts in the Comprehensive Income &amp; Expenditure Statement not reported to management in the Analysis</b>		
2,733		Depreciation	3,028	
(4)		Government Grant Released	(3)	
(914)		IAS 19 – Pensions Adjustment (Note 33)	(217)	
541		Impairment	3,604	
(10)		Accumulated Absences	57	
	2,346	<b>Amounts included in the Analysis not included in the Comprehensive Income &amp; Expenditure Statement</b>		6,469
(2,142)		Debt Repayment (MRP and VRP)	(2,356)	
(406)		Interest Paid	(466)	
22		Interest Received	8	
(628)		Provisions and Reserves	(740)	
(7)		Trading Account Deficit	(2)	
	(3,161)			(3,556)
	<b>29,807</b>	<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>		<b>34,158</b>

**25. 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.

2014/15 £'000		2015/16 £'000
(32)	Turnover	(33)
39	Expenditure	35
7	<b>Deficit</b>	2

## 26. MEMBERS' ALLOWANCES

During 2015-2016 the sum of £69,971 (£70,851 in 2014-2015) was paid to Members in the form of Members Allowances and travel expenses. The Authority has 28 Members.

2014/15 £		2015/16 £
	<u>Full Year Allowances</u>	
10,400	Chair	10,400
5,400	Vice Chair	5,400
5,400	Chair Audit Committee	5,400
1,700	Member	1,700
<b>63,939</b>	Total of Members' Allowances paid	<b>63,694</b>
<b>6,912</b>	Total of Members' Expenses paid	<b>6,277</b>

## 27. OFFICERS' REMUNERATION

### SENIOR OFFICERS' EMOLUMENTS 2015-2016 – SALARY BETWEEN £60,000 AND £150,000

<b>POST TITLE</b>	<b>Year</b>	<b>SALARY (inc fees and allowances)</b>	<b>EXPENSES RE-IMBURSED</b>	<b>BENEFIT IN KIND (Provided vehicle)</b>	<b>TOTAL (excl pension contributions)</b>	<b>PENSION CONTRIBUTIONS</b>	<b>TOTAL REMUNERATION</b>
		£	£	£	£	£	£
Chief Fire Officer	2014/15	119,835	152	5,545	125,532	0	125,532
	2015/16	121,081	126	6,652	127,859	0	127,859
Deputy Chief Officer	2014/15	93,107	140	4,340	97,587	22,044	119,631
	2015/16	95,232	150	4,446	99,828	25,066	124,894
Assistant Chief Fire Officer	2014/15	86,611	126	4,350	91,087	20,507	111,594
	2015/16	87,477	148	4,602	92,227	23,027	115,254
Assistant Chief Fire Officer	2014/15	83,592	126	2,324	86,042	17,782	103,824
	2015/16	84,366	169	3,093	87,628	21,505	109,133

The Authority does not have any employees with a salary in excess of £150k. The Treasurer to the Authority for the first 10 months of 2015-16 is not included in the above table as he was not an employee of North Wales Fire Authority.

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

<b>REMUNERATION BAND</b>	<b>2014/15 NUMBER OF EMPLOYEES</b>	<b>2015/16 NUMBER OF EMPLOYEES</b>
£80,000 - £84,999	1	0
£75,000 - £79,999	0	0
£70,000 - £74,999	3	4
£65,000 - £69,999	0	0
£60,000 - £64,999	0	0

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

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

	<b>2014/15 £</b>	<b>2015/16 £</b>
Chief Fire Officer	125,532	127,859
Median	29,054	29,345
Ratio	4.32	4.36

The staff that are employed under Retained Duty System Contracts have been included in the calculation on their Full Time Equivalent scale point rather than actual earnings.

There were no exit packages in 2014-15 and in 2015-16 there was one exit package valued at £1,767. There were no compulsory redundancies in 2014-15 or 2015-16.

## 28. EXTERNAL AUDIT COSTS

Fees payable to the statutory auditors equate to £49,800 (2014/15 £49,636) with regard to external audit services received.

	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	50	50

**29. GRANTS**

The following revenue grants were received by the Authority:-

	2014/15 £'000	2015/16 £'000
Airwave	416	416
All Wales Resilience	25	0
Arson Reduction Team	255	192
Defibrillators -Co-responding Equipment	0	148
HFSC Partnership Development	28	25
Interventions	461	127
NDG Equipment Maintenance	97	102
New Dimensions	130	264
Phoenix	165	396
Resilience Officer	60	53
RTC Initiatives	96	107
Third Sector Co-ordinator	56	11
<b>TOTAL</b>	<b>1,789</b>	<b>1,841</b>

**30. 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 former Treasurer to the Authority was the Strategic Director -Democracy, Regulation and Support, Conwy County Borough Council
- The Monitoring Officer is the Chief Executive of Flintshire County Council

Conwy County Borough Council manages the Treasury function on behalf of the Fire Authority and brokers Market loans and Investments under the name of Conwy County Borough Council to take advantage of the lower rates available to a Local Authority. The position as at 31 March 2016 was that £10m in Market Loans were brokered by Conwy on behalf of the Fire Service. Conwy also provides Legal Services to the Authority.

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

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.

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

	<b>£'000</b>
Flintshire CC – Monitoring Officer	14
Conwy CBC – Treasurer and Financial Services	113
Conwy CBC – Legal Services	10
Carmarthenshire CC – Superannuation Service	37
Welsh Local Government Association	22
North Wales Police – Facilities Management	193
North Wales Police - Procurement	8

There were no balances outstanding at the year end.

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

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

### 31. CAPITAL EXPENDITURE AND FINANCING

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

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
24,320	Opening Capital Financing Requirement	27,444
6,654	Capital Investment in Year	
	• Fixed Assets	9,968
	Sources of Finance	
(131)	• Grants & Contributions	(170)
(3,399)	• Revenue and Other Provisions	(3,363)
27,444	Closing Capital Financing Requirement	33,879
<b>3,124</b>	Change in Capital Financing Requirement	<b>6,435</b>
3,124	Explanation of change: Increase in underlying need to borrow	6,435

Capital Expenditure during the year was as follows:

Scheme	£000
Station Refurbishments	8,346
Vehicles and Plant	1,344
Operational and ICT Equipment	278
Total	9,968



## CAPITAL COMMITMENTS 2015-2016 Onwards

The capital commitments entered into as at 31 March 2016 were for minor station refurbishments. The combined value of the contracts let is £80k.

## FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

	2014/15 £000	2015/16 £000
External Loans	3,649	4,708
Grant Funding	131	170
Capital Receipts	22	25
Internal Borrowing	1,618	4,083
Revenue Contribution	1,234	982
External Creditor	0	0
Total	6,654	9,968

## 32. LEASES

### Finance Leases

The Authority held no finance leases in 2014-15 or 2015-16.

### Operating Lease

The Authority had no obligation for operating lease payments as at 31 March 2016 or 31 March 2015. Previous to the introduction of the Prudential Code in 2003 the Authority financed the majority of their short life assets through leasing. Following the introduction of the code the Authority was free to choose the most cost effective way of financing their assets. This has resulted in a move away from leasing as a method of financing to direct purchase. The final lease obligations ended in 2013-14.

## 33. TERMINATION BENEFITS

The Authority terminated one contract in 2015-16 and none in 2014-15. The termination costs were payable in 2015-16 and amounted to £1,767 any costs would have been charged within the year with the only future liabilities being in respect of future pensions. These liabilities would have been contained within pension liabilities under IAS 19 and included within pension disclosure Note 34 below.

## 34. TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

### Pensions

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

In 2015-2016 the Authority paid an Employer's Pension contribution of £1,134,204 (2014-2015, £1,024,147) representing 11.9% (2014-2015, 11%) of employees' pensionable pay and included a lump sum payment of £613,900 (2014-15, £545,200) into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2013. Following the review the employer's contribution is set to rise incrementally from 10.2% to 12.8% by 2017-18. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

During 2015-2016 added years benefits and early retirement costs due to redundancies of £10,248 (2014-2015, £10,707 ) were paid to employees which represents 0.24% (2014-2015, 0.17%) of employees' pensionable pay. Pension contributions to be paid in to the scheme for the financial year 2016-17 are estimated to be £1,248,000 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 2015-2016 the Authority paid an Employer's Pension contribution of £1,978,280 (2014-15, £1,811,674). Pensions paid from revenue amounted to £454,955 (2014-2015 £473,687). In 2016-2017 the employer's contribution to the scheme is estimated to be £2,000,000 and the estimate for Pensions paid from revenue is £415,000. 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 52.

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

In accordance with the requirements of International Accounting Standard No 19 - Retirement Benefits (IAS19) the Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 33 the Authority participates in two schemes, the Firefighters' Pension Scheme for full time Firefighters which is unfunded, and the Local Government Pension Scheme (Clwyd Pension Fund) for other employees which is administered by Flintshire County Council. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

To comply with IAS19 the Authority appoints actuaries on an annual basis to assess the assets and liabilities of both schemes. Mercer were appointed to assess the Local Government Pension scheme and the Government Actuary's Department the firefighters scheme as they relate to past and current employees of North Wales Fire Authority. For the Local Government Pension scheme the actuary assessed that the net liability to the Authority as at 31 March 2016 was £11.422m (31 March 2015, £12.79m) and for the Firefighters scheme the liability was £239.19m as at 31 March 2016 (31 March 2015 £265.35m). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found below.

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

	<i>Funded</i>		<i>Unfunded</i>	
	<i>2014/15</i>	<i>2015/16</i>	<i>2014/15</i>	<i>2015/16</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Comprehensive Income & Expenditure Account				
<b>Net Cost of Service</b>				
Current Service Cost	(760)	(1,060)	(5,230)	(5,220)
Financing & Investment Income & Expenditure	(385)	(436)	(10,280)	(8,750)
Net Interest				
Transfers in to scheme	0	0	(60)	(550)
Total Defined Benefit Charged to Provision of Service	(1,145)	(1,496)	(15,570)	(14,520)
<b>Other Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
Return on Assets (excluding Interest)	1,130	1,086	0	0
Remeasurements	(4,269)	1,720	(20,100)	34,640
Total Pension Costs Charged to the Comprehensive Income & Expenditure Statement	(4,284)	1,310	(35,670)	20,120
<b>Movement in Reserves Statement</b>				
Reversal of Charges in accordance with the code	13,050	12,409	-	-
<b>Actual Amounts charged to the General Fund in the year</b>				
Employer Contributions	3,260	3,577		
Adjustment for the Top Up Grant	3,595	3,002		

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

<b>Adjustment to Net Cost of Service</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Costs	5,930	6,280
Past Service Costs	0	0
Employer's Contributions	(3,260)	(3,577)
Top Up Grant	(3,595)	(3,002)
Actuarial Adjustment/Curtailment	11	15
Transfer Values In	0	0
<b>Adjustment to Net cost of Service</b>	<b>(914)</b>	<b>(284)</b>

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

	<b>31 March</b>	
	<b>2015 £'000</b>	<b>2016 £'000</b>
Estimated Present value of the defined benefit obligation in the Firefighters' Pension Scheme	265,350	239,190
Estimated Present value of the defined benefit obligation in the Clwyd Pension Fund	32,249	31,660
<b>Total Estimated share of liabilities</b>	<b>297,599</b>	<b>270,850</b>
Estimated Share of assets in Clwyd Pension Fund	19,459	20,238
<b>Net Pensions Deficit</b>	<b>278,140</b>	<b>250,612</b>

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

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

<b>Liabilities</b>	<b>2014/15</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£'000 Clwyd</b>	<b>£'000 Firefighters</b>	<b>£'000 Clwyd</b>	<b>£'000 Firefighters</b>
Balance as at 1 April	(24,650)	(235,570)	(32,249)	(265,350)
Current Service Cost	(760)	(5,170)	(1,060)	(5,220)
Transfer Values In	0	(60)	0	(550)
Interest	(1,130)	(10,340)	(1,086)	(8,750)
Curtailments	0	0	0	0
Actuarial Loss/Gain	(5,918)	(20,100)	2,193	34,640
Benefits paid	493	7,250	810	7,410
Member contribution	(284)	(1,360)	(268)	(1,370)
<b>Net Pension Liabilities at Year End</b>	<b>(32,249)</b>	<b>(265,350)</b>	<b>(31,660)</b>	<b>(239,190)</b>

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

<b>Assets</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Balance 1 April	16,239	19,459
Interest on Plan Assets	766	672
Remeasurements/Admin	1,628	(495)
Employer Contributions	1,035	1,144
Member Contributions	284	268
Benefits Paid	(493)	(810)
<b>Net Pension Assets at Year End</b>	<b>19,459</b>	<b>20,238</b>

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

<b>Asset Category</b>	<b>Quoted Prices in Active Markets</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
		<b>2015</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
		<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Equity Securities</b>					
Global Quoted	Y	1,459	7.5	1,437	7.1
Global Unquoted	N	681	3.5	-	0.0
Emerging Markets	Y	1,168	6.0	1,154	5.7
Frontier	Y	195	1.0	385	1.9
<b>Bonds</b>					
Overseas Other	N	2,530	13.0	2,489	12.3
LDI	Y	4,476	23.0	4,614	22.8
<b>Property</b>					
UK	Y	584	3.0	607	3.0
Overseas	N	778	4.0	992	4.9
<b>Alternatives</b>					
Hedge Funds/Private Equity/ Commodities/GTAA	Y	7,004	36.0	8,358	41.3
<b>Cash &amp; Cash Equivalents</b>					
All	Y	584	3.0	202	1.0
<b>Totals</b>		<b>0</b>	<b>100</b>	<b>20,238</b>	<b>100</b>

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

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

### Sensitivity Analysis

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

	LGPS % Change	LGPS Impact £ Million	Firefighters % Change	Firefighters Impact £Million
Rate of Discounting	+0.1	(0.7)	-0.5	23.7
Rate of Increase in Salaries	+0.1	0.25	+0.5	2.2
Rate of Increase in Pension	+0.1	0.72	+0.5	18.8
Life Expctancy + 1 Year	1	0.58	1	5.7

### **Basis for Estimating Assets and Liabilities**

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

	<b>Firefighters' Scheme</b>		<b>Clwyd Pension Fund</b>	
	<b>2015</b> %	<b>2016</b> %	<b>2015</b> %	<b>2016</b> %
Rate of Inflation	2.2	2.2	2.1	2.0
Rate of Increase in Salaries	4.2	4.2	3.6	3.5
Rate of Increase in Pensions	2.2	2.2	2.1	2.0
Rate of Discounting Scheme Liabilities	3.3	3.6	3.4	3.6
Life Expectancies Estimated as at 31 March 2016				
Life Expectancy at 65	Males	Females	Males	Females
Current Pensioners	22.3	22.3	23.5	26.0
Future Pensioners	24.6	24.6	26.4	29.4

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.

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

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

#### **Credit Risk**

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

The highest credit risk is for investments and these are managed through the Treasury Management Strategy 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 downgraded and fail to meet the criteria set out in the Treasury management Strategy then they are removed from the list. If an institute failed to repay an investment then the financial loss to the Authority could be in excess of £1m. However, due to careful management of the portfolio no institutions have failed to repay monies due.

#### **Liquidity Risk**

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

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.

#### **Market Risk**

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

An assessment of the financial effect of a 1% increase in interest rates has been undertaken; interest on variable rate and temporary borrowing would have increased by £100k; and interest from investments would have increased by £10k.

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

## 36. 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. Previously an estimate was made of the maximum cost to the Authority should an employers' contribution in to the pension fund have to be made to match the backdated pension contributions for the employee. It was estimated at £960k and a provision of £667k was set aside to offset these costs (see note 2). However, DCLG have now taken the decision to cover the additional costs through an increase in the employers' contribution in to the pension fund following an actuarial valuation in 2019. At this time it is uncertain as to what the increase in contribution will be. The additional costs will be an unavoidable budgetary pressure for the financial year 2019-20. As the liability is unknown and it will in the future have to be factored in to the base budget it is now not a requirement to hold the provision.



**THE FIREFIGHTERS' PENSION FUND ACCOUNT**

<i>Fund Account</i>	<i>2014/15 £000</i>	<i>2015/16 £000</i>
<b>INCOME</b>		
<b>Contributions Receivable:</b>		
Employer normal contributions	(1,812)	(1,978)
Employer Ill Health Charge	(57)	(67)
Members normal contributions	(1,362)	(1,370)
Members backdated contributions	0	(209)
Transfers In	(61)	(546)
<b>TOTAL</b>	<b>(3,292)</b>	<b>(4,170)</b>
<b>EXPENDITURE</b>		
<b>Benefits Payable:</b>		
Pension Payments	5,969	6,190
Commutation of Pensions and Lump Sum benefits	918	982
Backdated Commutation Payments	0	1,340
<b>Payments to and on Behalf of Leavers:</b>		
Transfers out	0	0
<b>TOTAL</b>	<b>6,887</b>	<b>8,512</b>
<b>NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT</b>	<b>3,595</b>	<b>4,342</b>
Top Up grant receivable from WG	(3,595)	(3,806)
Top Up grant paid by HM Treasury on behalf of the Pension Fund	0	(536)
<b>NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR</b>	<b>0</b>	<b>0</b>

<i>Net Assets Statement</i>	<i>2014/15 £000</i>	<i>2015/16 £000</i>
<b>Net Current Assets and Liabilities:</b>		
Top Up payable (from)/to WG	(275)	40
Amount owed (from)/to the General Fund	275	(40)
<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 the 1992, 2007 and 2015 Firefighters' Pension Schemes and is administered by the Authority. Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by 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.

Carmarthenshire County Council acting on behalf of the Dyfed Pension Fund provide a service to the Authority by managing the payments made to Firefighter pensioners on behalf of the Authority. They are also responsible for managing the records of current pensioners and active members of the scheme.

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 2015-16 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 2015-16 the estimate for the Top Up Grant due was £4.18m and the actual was £3.8m. At the year end the Authority owed £0.04m to WG.

Following the successful conclusion of the court case (GAD v Milne) in relation to the actuarial calculation used for the commutation payments due to retiring Firefighters dating back a number of years, £804k was paid to those pensioners that were affected and the payments were made through the Firefighters' Pension Fund and the additional costs were reimbursed by the Welsh Government through the Top Up Grant. HM Treasury settled the tax liability due on the payments of £536k on behalf of the fund.

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

### **Contribution Rates**

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

Pensionable Pay Band	2015-16 Contribution Rate %
Up to and including £27,000	10.0
More than £27,000 and up to and including £50,000	12.2
More than £50,000 and up to and including £142,500	13.5
More than £142,500	14.5

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

Pensionable Pay Band	2015-16 Contribution Rate %
Up to and including £15,150	8.5
More than £15,150 and up to and including £21,210	9.4
More than £21,210 and up to and including £30,300	10.4
More than £30,300 and up to and including £40,400	10.9
More than £40,400 and up to and including £50,500	11.2
More than £50,500 and up to and including £60,600	11.3
More than £60,600 and up to and including £101,000	11.7
More than £101,000 and up to and including £121,200	12.1
More than £121,200	12.5

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

Pensionable Pay Band	2015-16 Contribution Rate %
Up to and including £15,150	11.0
More than £15,150 and up to and including £21,210	12.2
More than £21,210 and up to and including £30,300	14.2
More than £30,300 and up to and including £40,400	14.7
More than £40,400 and up to and including £50,500	15.2
More than £50,500 and up to and including £60,600	15.5
More than £60,600 and up to and including £101,000	16.0
More than £101,000 and up to and including £121,200	16.5
More than £121,200	17.0

**The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period end as this is the responsibility of the Authority. Details of the long term pension obligations can be found in Note 33 to the core financial statements (2016 - £239.19m, 2015 - £265.35m).**