

NORTH WALES FIRE AUTHORITY

STATEMENT OF ACCOUNTS 2007-2008

C O N T E N T S

	<u>PAGE NO.</u>
Explanatory Foreword by the Treasurer	1-4
Statement of Responsibilities for the Statement of Accounts	5
Statement on the System of Internal Control	6-9
Statement of Accounting Policies	10-13
Core Financial Statements	14 -17
Notes to the Core Financial Statements	18 - 32
Pension Fund Account with notes	33

EXPLANATORY FOREWORD

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

The North Wales Fire and Rescue Service produces annual action plans for managing down risks with increasing emphasis on prevention and education. The Service is also actively engaged in working with the communities it serves, an example of which is the ongoing capital scheme to convert Rhyl Fire Station into a Community Fire Station a project which has been part funded by WAG. The Fire Authority also is working 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 will be moving in to a shared facility with the Police at St Asaph.

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of the North Wales Fire Authority for the financial year 2007-08. In compliance with the Accounts and Audit (Amendment) (Wales) Regulations 2007 it is now a requirement that statements for the pension fund relating to firefighters' pensions should be included in the Statement of Accounts. In compliance with UK General Accepted Accounting Practice (GAAP) there have been some changes to the accounting policies for 2007-2008 with the introduction of Financial Reporting Standard (FRS) 25, FRS26 and FRS29, accounting for Financial Instruments. In line with the Statement of Recommended Practice (SORP) there have been some accounting changes to the treatment of the financing and revaluation of Fixed Assets, the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA) have been replaced with the Revaluation Reserve and the Capital Adjustment Account.

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

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

- (vi) **Cashflow Statement**
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third-parties for revenue and capital purposes.
- (vii) **The Pension Fund Account**
From 1 April 2007 arrangements covering the Firefighters Pension schemes in Wales changed. The Authority is required to keep a separate Income and Expenditure Account and Net Assets Statement for all these transactions.
- (viii) **Statement of Responsibilities for the Statement of Accounts**
This sets out the responsibilities of the Treasurer and the Chairman of the Fire Authority as regards the Statement of Accounts.

- 2(b). The Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, 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 Great Britain (2007) and the Best Value Accounting Code of Practice (2007), 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 2007-2008**

(i) **Revenue Expenditure 2007-2008**

The budget for the year was approved by Members of the Fire Authority at £29,456,445. The actual expenditure was slightly lower than budgeted and the Authority was underspent by £6,377. The last Provisional Outturn report presented to Members in March estimated the underspend to be £23,121 and recommended that consideration be given to using the underspend to fund Community Fire Safety work. However, since the last report the Control Project (the transfer of Control from Rhyl to St.Asaph) has encountered some additional costs for consultants fees over and above those set aside in the Control Provision and it is deemed prudent that the underspend be used to offset those costs. The table below outlines the main areas of overspend and the underspends that have been used to offset them.

<i>Overspends</i>	<i>£'000</i>	<i>Underspends</i>	<i>£'000</i>
Employee Costs	75	Insurance	44
Premises Costs	138	Interest Payable	123
Transport Costs	53	Repayment of Debt (MRP)	122
Community Fire Safety	30	New Control Operating costs	85
Other Supplies and Services	42	Emergency Planning Additional	
Third Party Payments	126	Income	72
Investment Income (shortfall)	27	Other Additional Income	33
		Hydrant Licences	18
Total	491		497
Net Underspend			6

(ii) **Capital Expenditure 2007-2008**

During the year the Authority spent £3,905,723 on capital projects as follows:-

	£
Buildings	
Remodel Harlech	237,271
Wrexham New Build	10,265
Remodel Llandudno	20,398
Remodel Beaumaris	73,310
Remodel Llanberis	168,403
Remodel Llanrwst	4,435
Remodel Flint	13,445
Remodel Rhyl	867,674
Remodel Nefyn	7,724
Remodel Chirk	9,757
Remodel Buckley	16,584
Minor Building Works	101,979
Hydrant Installations	172
Vehicles and Equipment	
Water Tenders	1,008,312
Light Vehicles	312,432
Aerial Appliance	273,865
Driver Training Vehicle	103,618
Upgrade Vehicles	22,480
Appliance Equipment	6,304
Other Equipment	233,223
Control Equipment & Firelink	414,072
TOTAL CAPITAL EXPENDITURE	3,905,723

Expenditure on the capital programme in 2007-2008 was less than forecasted due to slippage on a number of building projects and delays on the vehicle replacement programme, specifically on the Aerial Appliance and Vehicle Upgrades. These schemes, approximate value £1.7m, will be rolled over to 2008-2009.

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2007-2008 the capital programme was financed mainly by loans from the Public Works Loan Board, grants (£812,067) and Capital Receipts (£315,028).

(iii) **Balance Sheet 2007-2008**

All buildings, vehicles and equipment that are owned by the Fire Authority are allocated an asset life and are depreciated over that expected life; this is shown in Note 11 to the Core Financial Statements. The increase in borrowing is 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 2008 was £11.513m.

FRS17 was introduced to ensure that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement

benefit obligations and any related funding. A full charge is made to the revenue account for the current cost of service and an entry in the Balance Sheet to reflect the Authority's pension liability. The estimated pension liability for the North Wales Fire Authority at 31 March 2008 is £150.621m, a decrease of £21.007m. The decrease is due mainly to the changes in assumptions underlying the present value of the pension liabilities on the Firefighters' Pension Scheme, this is explained further under the Statement of Accounting Policies.

(iv) **Cash Flow**

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

(v) **Provisions and Liabilities**

The Authority holds a number of provisions to meet known future liabilities as they arise. The balance at the beginning of the year was £0.94m and at the end of the year £0.805m. The balance on the larger provision, the Pension Provision, at 31 March 2008 is £0.455m a reduction of £0.125m, the provision has been used to fund the Ill Health charge for previous years under the new financing arrangements for the Firefighters' Pension scheme. Other provisions have been utilised according to the purpose for which they were set up. Further details of the provisions held are included in a note to the core financial statements.

(vi) **Capital Financing Costs**

The charge made to the service revenue accounts to reflect the cost of fixed assets used in the provision of services was £967,850. 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 £453,895 for loan interest and £705,323 Minimum Revenue Provision and Voluntary Revenue Provision.

4. **ADDITIONAL INFORMATION**

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

K W FINCH CPFA IRRV
Treasurer to the Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

CHAIRMAN'S CERTIFICATE STATEMENT OF ACCOUNTS 2007/2008

Un-audited accounts provisionally approved at the meeting of the North Wales Fire Authority on 16 June 2008 presided over by the Chairman of the Fire Authority.

SIGNED: _____ DATED: _____

Chairman, North Wales Fire Authority

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing the Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

TREASURER'S CERTIFICATE STATEMENT OF ACCOUNTS 2007/2008

A Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations (Wales) 2005 and the 2007 Amendments to the Regulations.

SIGNED: _____ DATED: _____

K W FINCH CPFA IRRV

Treasurer to the Fire Authority

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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

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

In consultation with its external auditors North Wales Fire & Rescue Authority has decided to continue to publish a Statement of Internal Control this year.

The purpose of the System of Internal Control

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

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

A system of internal control has been in place within North Wales Fire and Rescue Authority for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with good practice. However, the system is not static and improvements are made during the year.

The internal control environment

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

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

Financial management

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

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

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

Performance management

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

- We outline our strategic objectives and proposals to achieve these in our Risk Reduction Plan annually. We track our progress in these areas throughout the year, with reports being submitted to the Executive Group and Executive Panel;
- We continue to collect and monitor our suite of Best Value Performance Indicators, setting stretched targets against these each year. We prepare six weekly reports reflecting progress against these for the Risk Reduction Forum, and quarterly reports for the Executive Panel;
- We benchmark our performance annually against our 'family group' of fire and rescue services, and publish this in our Improvement Plan;
- We have introduced arrangements to prepare departmental and county plans that allow our overall aims and objectives to be cascaded throughout the service. We monitor progress against these plans every six weeks through the Risk Reduction Forum;
- We have developed departmental objectives and targets that are monitored along with their financial implications on a quarterly basis;
- We have completed the second year of 'operational assurance' which was based around the theme of preparing for major emergencies. This has been peer reviewed by a team from the other two Welsh fire and rescue services. We will take actions arising from this review forward, both within the service, and also collaboratively with the other two fire and rescue services;
- We are now committed to introducing the All Wales performance management system Ffynnon, in order to make more effective and efficient use of our resources.

Corporate governance

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

- We have a scheme of delegation of decision making powers from the Authority to the Chief Fire Officer;
- Terms of reference have been introduced, are reviewed and approved for the Authority, Executive Panel and Standards Committee, which outline clearly their remit and decision making powers;
- We have reviewed and amended our corporate governance structure. The Authority is constituted from members from each of the six constituent authorities and is responsible for the strategic direction of the service. An Executive Panel has been established which

allows policies to be scrutinised at an earlier stage by a panel of fourteen members, drawn equably from each local authority.

- Specific policy can be considered through working groups which we constitute for a particular reason, for example, development of our Risk Reduction Plan;
- A Standards Committee, chaired by an independent member is responsible for investigating conduct issues concerning members of the Authority;
- A new senior management team is being developed. The Executive Group will consist of the Chief Fire Officer, the Deputy Chief Fire Officer, one Assistant Chief Fire Officer and two Assistant Chief Officers. The group meets every six weeks, and there are standing items on the agenda, including performance, risk and financial management;
- A review of the Scrutiny arrangements and Member engagement has been undertaken by the Wales Audit Office and is due to report on a regional and All Wales basis. We will take forward the recommendations contained within the report.

Risk management

In the past, we have recognised the need to develop a more integrated risk-based approach to strengthen our financial and service planning arrangements, which would consequently strengthen our overall internal control arrangements. We recognise we still have some way to go to strengthen the corporate risk management arrangements within the service, but have moved forward since 2007 by:

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

Annual review of effectiveness

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

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

- Our S151 officer and Clerk are external officials to the Authority. They both have statutory duties to ensure internal control procedures are efficient and effective and are being complied with to ensure a sound financial and legality standing for the Authority;
- Our internal auditors have undertaken a number of risk based reviews of our internal control procedures across a wide range of functions within the Authority. Each review contains an opinion on the effectiveness of those control procedures. The reports are reviewed by the Executive Group, and appropriate actions are taken to follow up recommendations raised. An annual report is also presented to the Authority.

- Our external auditors provide assurance annually on our financial statements. Their statutory remit has widened to cover our corporate governance and performance management arrangements also. We have received unqualified opinions from our auditors on all of these issues.
- Throughout 2007/08, the Authority has received and/or adopted:
 - 2007/08 Statement of Accounts;
 - Quarterly budget management reports;
 - Treasury Management policy;
 - Budget for 2008/09, supported by a three year budgetary forecast;
 - External audit plans and reports, including the Annual Audit Letter; and
 - 2008/09 Risk Reduction Plan.

Significant internal control issues

We fully recognise that there are always improvements that can be made in any control environment, and we are committed to developing and strengthening our arrangements. In particular, we have identified the following as being priorities in 2008/09:

- Further develop and enhance the corporate risk register and exercise some aspects of business continuity;
- Reviewing the arrangements that support how we undertake our partnership working;
- Further develop our performance management framework, and document those arrangements;
- We will address any issues that arise from the joint risk assessment.

Chair of the North Wales Fire and Rescue Authority
Dated:

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

Colin Everett
Clerk to the North Wales Fire and Rescue Authority
Dated:

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

STATEMENT OF ACCOUNTING POLICIES

1. **GENERAL**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2007 (SORP), issued in July 2007 by CIPFA/LASAAC Joint Committee and also with guidance notes issued by CIPFA on the application of Accounting Standards (SSAPs) and Financial Reporting Standards (FRS).

2. **FIXED ASSETS**

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

In accordance with the requirements of FRS 11, the Authority reviews the value at which each category of asset is included in the balance sheet at the end of each reporting period. Where there is reason to believe that the value has changed materially in the period, the valuation is adjusted accordingly. Impairment is charged to the Service Income and Expenditure Account where it arises from the consumption of economic benefits and in line with Statute is reversed out in the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

3. **INTANGIBLE ASSETS**

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

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

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

The Income and Expenditure account is charged with a capital charge for depreciation for all fixed assets used in service provision.

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

5. **DEPRECIATION**

Assets, other than land and non-operational assets, are being depreciated over their useful lives.

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

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

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

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

7. **RESERVES & PROVISIONS**

The financial regime under which the Authority operates does not permit it to hold Reserves. The Authority is however permitted to hold Provisions. Provisions relate to liabilities which have been incurred, but the amount or timing of the payment cannot be accurately determined. Expenditure is charged to the service expenditure account in the year the provision is created; expenditure to discharge the liability is charged directly to the provision. Details of Provisions held by the Authority at 31 March 2008 are provided in a note to the Core Financial Statements.

8. **STOCKS AND STORES**

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

9. **PENSION COSTS**

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

(i) **Uniformed Fire-fighters**

This is an unfunded scheme meaning that there are no investment assets built up to meet pension liabilities. Cash has to be generated to meet actual pension payments as they fall due. The Welsh Assembly Government has changed the funding mechanism for this scheme for 2007-2008 and this has alleviated concerns about the possibility of large year on year fluctuations on local tax payers by creating a pension fund account.

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

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

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

(iii) **FRS 17**

FRS 17 prescribes the disclosure of the long-term commitments entered into relating to pension costs. The accounts of the Fire Authority have been adjusted

in line with the SORP and that provides that the adjustments made to implement FRS 17 do not have any effect on the Contributions made by the Local Authorities.

In assessing liabilities for retirement benefits at 31 March 2007 for the 2006-2007 Statement of Accounts the actuary was required by the SORP to use a discount rate of 2.3% real (5.4% actual), a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities was used. For the 2007-2008 Statement of Accounts the actuary has advised that a rate of 2.5% real (6.1% actual) is appropriate.

10. **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 Best Value Accounting Code of Practice.

11. **DEBTORS AND CREDITORS**

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

12. **INVESTMENTS**

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

13. **LEASES**

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

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

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

14. **CAPITAL RECEIPTS**

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

15. **VALUE ADDED TAX**

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

16. **GRANTS**

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

17. **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'. FRS25, FRS26 and FRS29 cover the accounting treatment of Financial Instruments and the new standards have been incorporated into the preparation of the 2007-2008 Statement of Accounts. For North Wales Fire Authority the changes to the accounts are minimal due to the uncomplicated nature of their financial instruments, PWLB loans and short term investments.

CORE FINANCIAL STATEMENTS

THE INCOME & EXPENDITURE ACCOUNT

<i>OBJECTIVE ANALYSIS</i>	<i>NOTES</i>	<i>2007/08</i> <i>£'000</i>	<i>2006/07</i> <i>£'000</i>
Community Fire Safety - Inspection & Certification		2,361	2,240
Community Fire Safety - Prevention & Education		4,445	4,334
Fire Fighting - Operational Responses		21,376	21,037
Fire Fighting - Communications & Mobilising		3,617	3,506
Fire Fighting - Securing Water Supplies		182	187
Corporate & Democratic Core Costs		143	259
Non Distributed Cost		0	133
GROSS EXPENDITURE		32,124	31,696
Income – Community Fire Safety		-110	-175
Income - Fire Fighting		-262	-283
Income – Non Distributed Cost		-2,533	0
TOTAL INCOME		-2,905	-458
NET COST OF SERVICE		29,219	31,238
Transfer to/(from) the Budget Provision		0	-250
Transfer to/(from) the Pension Provision	Note 17	0	-374
Transfer to/(from) the Control Project Provision	Note 17	6	127
Transfer to/(from) Audit Provision		0	-36
Increase/(Decrease) in Bad Debt Provision	Note 17	0	8
NET COST OF SERVICE		29,225	30,713
Interest Received		-187	-211
External Interest Charges		454	379
Pension Interest Cost	Note 24	9,716	8,791
Expected Return on Pension Assets	Note 24	-550	-439
Impairment	Note 9	383	0
NET OPERATING EXPENDITURE		39,041	39,233
INCOME FROM CONTRIBUTIONS	Note 8	-29,456	-29,350
DEFICIT/(SURPLUS) FOR YEAR		9,585	9,883

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

		<i>2007/08 £'000</i>	<i>2006/07 £'000</i>
DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT		9,585	9,883
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	Notes 9 and 10	-9,585	-9,883
SURPLUS FOR THE YEAR		0	0
GENERAL FUND BALANCE BROUGHT FORWARD		0	0
GENERAL FUND BALANCE CARRIED FORWARD		0	0

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		<i>2007/08 £'000</i>	<i>2006/07 £'000</i>
DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT		9,585	9,883
Actuarial Gains and Losses on Pension Fund Assets and Liabilities	Note 18	-29,636	-11,482
Revaluations of Fixed Assets & No Added Value Assets	Note 18	0	462
TOTAL RECOGNISED GAINS & LOSSES FOR THE YEAR		-20,051	-1,137

BALANCE SHEET

	NOTES	31 March 2008		31 March
		£'000	£'000	2007
				£'000
FIXED ASSETS				
Intangible Fixed Assets			37	46
Tangible Fixed Assets				
Operational Assets:	Note 11			
Land and Buildings		19,652		19,725
Vehicles, Plant and Equipment		5,599		4,324
Infrastructure		40	25,291	47
Non-Operational Assets				
Assets under Construction			1,666	297
Investments			3	3
TOTAL LONG TERM ASSETS			26,997	24,442
CURRENT ASSETS				
Stock	Note 20	340		354
Debtors	Note 21	945		671
Investments	Note 23	3,130		2,510
Payments in Advance		47		118
Cash in Hand		0	4,462	0
LESS CURRENT LIABILITIES				
Creditors	Note 22	2,152		1,328
Borrowing Repaid within one year	Note 16	0		0
Cash Overdrawn	Note 19	206		810
Receipts in Advance		297	2,655	330
NET CURRENT ASSETS			1,807	1,185
TOTAL ASSETS LESS CURRENT LIABILITIES			28,804	25,627
Pension Liability	Note 24		150,621	171,268
Provision for Pension Liabilities	Note 17		455	580
Retained Provision	Note 17		90	90
Rank to Role Provision	Note 17		30	44
Capital Provision	Note 17		82	83
Control Provision	Note 17		148	141
Long Term Borrowing	Note 16		11,654	8,513
Government Grants Deferred	Note 18		1,078	313
TOTAL ASSETS LESS LIABILITIES			(135,354)	(155,405)
FINANCED BY:				
Revaluation Reserve	Note 18		0	0
Capital Financing Account	Note 18		0	875
Fixed Asset Restatement Account	Note 18		0	14,509
Capital Adjustment Account	Note 18		15,100	0
Usable Capital Receipts	Note 18		167	479
Pension Reserve			(150,621)	(171,268)
TOTAL FINANCING			(135,354)	(155,405)

CASH FLOW STATEMENT

	<i>2007/08</i> <i>£'000</i>	<i>2006/07</i> <i>£'000</i>
<u>REVENUE ACTIVITIES</u>		
EXPENDITURE		
Cash Paid to and on Behalf of Employees	22,738	19,882
Pensions Paid	257	5,011
Other Operating Costs	4,794	4,069
INCOME		
Contributions	-29,456	-29,350
Other Income	-13	351
REVENUE ACTIVITIES NET CASH (INFLOW)/OUTFLOW	-1,680	-37
<u>SERVICING OF FINANCE</u>		
EXPENDITURE		
Interest Paid	419	339
INCOME		
Interest Received	-180	-187
<u>CAPITAL & PROVISION ACTIVITIES</u>		
EXPENDITURE		
Purchase of Fixed Assets	3,906	1,786
Other Payments from Provisions	139	1,275
INCOME		
Capital Receipts	-3	0
Capital Grants	-765	-211
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING	1,836	2,964
MANAGEMENT OF LIQUID RESOURCES		
Increase/(decrease) in short –term deposits	560	-2,180
<u>FINANCING</u>		
EXPENDITURE		
Repayments of Amounts Borrowed	0	5,274
INCOME		
New Loans Raised	-3,000	-5,274
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS	-604	784

NOTES TO THE CORE FINANCIAL STATEMENTS

1. **FIREFIGHTERS' PENSION SCHEME FUNDING**

From the 1 April 2007 arrangements covering the Firefighters' Pension schemes changed. Previously the cost of pension payments was funded from the Authority's revenue account which was offset by contributions from Firefighters, under the new arrangements the Authority is required to keep a separate Pension Fund Account. Pension payments are paid from the new Pension Fund account and contributions from Firefighters and the employer are paid into the account, any deficit on the account is funded by a Top Up Grant from the Welsh Assembly Government (WAG). To offset the change in funding WAG reduced the Revenue Support Grant (RSG) to the Constituent Authorities and the Fire Authority in turn reduced its funding requirement accordingly.

2. **LEASE RENTALS**

The operating lease payments outstanding as at 31 March 2008 are £1,274,448 (31 March 2007, £1,900,866), with payment of operating leasing charges during the year of £607,720 (2006/07, £805,313). All operating leases are for vehicles and equipment. Finance lease payments during the year amounted to £3,746; the original purchase price of the vehicles was £359,048. The finance lease is in the secondary rental period, which lasts for the useful life of the vehicles.

<i>LEASING OBLIGATIONS</i>	<i>£'000</i>
2008/2009	413
2009/2010	258
2010/2011	214
2011/2012	214
2012/2013	85
2013/2014	75
2014/2015	14
2015/2016	1
TOTAL	1,274

3. **PUBLICITY EXPENDITURE**

Under Section 5 of the Local Government Act 1986, the Authority is required to disclose the expenditure on publicity and advertising directed at the public at large or particular sections of the public. In 2007-2008 this expenditure amounted to £59,128.

<i>PUBLICITY EXPENDITURE</i>	<i>2007/08 £'000</i>	<i>2006/07 £'000</i>
Recruitment	23	23
Fire Safety Advertising	36	63
TOTAL	59	86

4. **MEMBERS ALLOWANCES AND EXPENSES**

During 2007-2008 the sum of £61,011 (£57,757 in 2006-2007) was paid to Members in the form of Members Allowances and travel expenses.

5. **OFFICERS' EMOLUMENTS**

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

REMUNERATION BAND	2007/08 NUMBER OF EMPLOYEES	2006/07 NUMBER OF EMPLOYEES
£100,000 – £109,999	1	1
£90,000 - £99,999	0	0
£80,000 - £89,999	1	1
£70,000 - £79,999	2	2
£60,000 - £69,999	4	1

6. **TRANSACTIONS WITH RELATED PARTIES**

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

- Each Member of the Fire Authority is also a Member of one of the constituent authorities
- The Treasurer to the Fire Authority is the Corporate Director of Resources of Conwy County Borough Council
- The Monitoring Officer for 2007-2008 was the Chief Executive of Denbighshire County Council

North Wales Police have some joint arrangements with the Fire Authority which include a joint Estates Management Department and partnership working on a number of projects. During the year transactions with related parties arose as shown below.

	£'000
Conwy CBC – Financial Services	72
Denbighshire CC – Monitoring Officer and Legal Services	37
Flintshire CC – Superannuation Service	15
Welsh Local Government Association	22
Police and Other Fire Authorities	179

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

7. **AUDIT FEES 2007/08**

The total fee paid to the Wales Audit Office for external audit services was £33,334 (2006/07, £51,192). Fees payable with regard to external audit services carried out in accordance with section 16 of the Public Audit Wales Act 2004 were £20,046. Fees payable in respect of statutory inspection under section 10 of the Local Government Act 1999 were £13,288. The reduction in fees for 2007-2008 was due to the change in responsibility for the accounts audit from WAO to the private sector firm KPMG.

8. **CONTRIBUTIONS**

In 2007-2008 contributions totalling £29,456,445 were applied to fund revenue expenditure from the following Local Authorities:-

AUTHORITY	2007/08 £'000	2006/07 £'000
Anglesey County Council	3,006	2,989
Gwynedd Council	5,149	5,139
Conwy County Borough Council	4,865	4,865
Denbighshire County Council	4,189	4,160
Flintshire County Council	6,553	6,531
Wrexham County Borough Council	5,694	5,666
TOTAL LEVIES	29,456	29,350

9. **MOVEMENT ON THE GENERAL FUND BALANCE**

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

The table below details the reconciling Items to the movement on the General Fund balance.

	2007/08 £'000	2006/07 £'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance		
Provision for Depreciation Adjustment	-968	-834
Government Grants Deferred Adjustment	47	30
Deferred Charges Adjustment	0	0
Pension Adjustment due to FRS17	-12,071	-13,876
Impairment	-383	0
	-13,375	-14,680
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance		
Employer's contributions payable to Clwyd Pension Fund and Firefighters Pensions Fund and Pension Payments attributable to the Fire Authority (2007-08 only)	3,085	4,268
Statutory Provision for Repayment of Debt	199	175
Voluntary Provision for Repayment of Debt	506	354
	3,790	4,797
TOTAL	-9,585	-9,883

MINIMUM REVENUE PROVISION (MRP) AND DEPRECIATION

The Authority is required by statute to set aside MRP for the redemption of debt, the Authority can also set aside voluntary provision (VRP) for the early repayment of debt. For 2007-2008, the amount for MRP and VRP is £705,323 and this has been shown as an adjustment on the Movement in the General Fund Balance as it is an actual charge to the Authority. In accordance with the Best Value Accounting Code of Practice a depreciation charge has been made to the Service Expenditure headings for the use of

the Authority's fixed assets. The depreciation charge is shown as an adjustment to the General Fund Balance as the actual charge to the Authority for the repayment of debt is the MRP. The entries forming the calculation of the transfer from the Capital Adjustment Account are shown below:-

	2007/08 £'000	2006/07 £'000
Amount Charged as Depreciation	968	834
Transfer from Capital Financing Account to Movement on the General Fund Balance	-263	-305
MINIMUM REVENUE PROVISION & VOLUNTARY REVENUE PROVISION	705	529

GOVERNMENT GRANTS DEFERRED ADJUSTMENT

Grants received towards the purchase of fixed assets are credited to the Service Income headings in line with the depreciation charge for the asset. An adjustment for the £46,677 (2006-07 £30,000) deferred grant is made on the Movement on the General Fund Balance and the credit is applied to the Capital Adjustment Account.

DEFERRED CHARGES ADJUSTMENT

Deferred charges represent expenditure which has been properly capitalised, but does not result in tangible fixed assets. The write off is charged to revenue with a compensating credit to revenue from the Capital Adjustment Account. There were no deferred charges in 2007-08.

IMPAIRMENT

The impairment charge is in line with the changes in capital accounting for 2007-2008. The charge has arisen from expenditure incurred on Fixed Assets that has not lead to a commensurate increase in value. Previously the 'No Added Value' amount would have been charged to the Fixed Asset Restatement Account on the Balance Sheet but under the new guidance were there is no revaluation credit against the asset in the Revaluation Reserve the charge must be reflected in the Income & Expenditure Account.

10. **PENSIONS**

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

In 2007-2008 the Authority paid an employer's Superannuation contribution of £639,422 (2006-2007, £580,630) representing 19.5% (2006-2007, 21.3%) of employees' pensionable pay into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2007. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. During 2007-2008 added years benefits and early retirement costs due to redundancies of £37,489 (2006-2007, £50,847) were paid to employees which represents 1.24%(2006-2007, 1.87%) of employees' pensionable pay. Further information on the Clwyd Pension Fund can be found in the Pension Funds Annual Report and Accounts which is available on request from the County Treasurer at Flintshire County Council, County Hall, Mold, CH7 6NA or on the website www.flintshire.gov.uk.

(ii) **Firefighters**

The Firefighters' pension scheme is an unfunded scheme with defined benefits. In 2007-2008 the Authority paid an employer's Superannuation contribution of £2,128,804 and an Ill Health charge for previous years of £155,126 to the Pension Fund (£125,126 funded from the Pension provision). Pensions paid from revenue amounted to £249,105. (2006-2007, £3.72m - net cost of pensions charged to the General Fund).

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

In accordance with FRS17 the current cost of pensionable service is allocated to gross expenditure in the Income & Expenditure Account (I & E). Actual superannuation payments on behalf of employees in current service are removed from the I & E, an adjustment is then applied below the line so there is no effect on the overall expenditure of the Authority. Actuarial valuations have been carried out on the Firefighters' scheme by the Government Actuary's Department, and the Local Government Pension scheme by Mercers. The table below analyses the appropriation from the Pension reserve to the Movement on the Year End Balance for 2007-2008 for both schemes.

MOVEMENTS	2007/08 £'000	2006/07 £'000
Employers contributions		
– Local Government Pension Scheme	677	618
– Pensions Paid Firefighters	249	4,927
– Ill Health Charge (revenue)	30	0
– Less Contributions Firefighters	0	-1,277
– Firefighters Pension Fund	2,129	0
Current Service Cost		
– Firefighters	-4,980	-4,920
– Local Government Pension Scheme	-498	-522
Past Service Cost		
– Firefighters	2,710	0
– Local Government Pension Scheme	-137	-82
Interest Cost		
– Firefighters	-9,020	-8,180
– Local Government Pension Scheme	-696	-611
Expected Return on Pension Assets		
– Local Government Pension Scheme	550	439
APPROPRIATION FROM PENSION RESERVE TO YEAR END BALANCE	-8,986	-9,608

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

11. **FIXED ASSETS**

Assets are valued as outlined in Note 2 and Note 3 of Accounting Policies. Details of the value of assets held at 31 March 2008 are shown below, together with details of movement in the year:-

	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Non-Operational Assets</i>	<i>In-Tangible Assets</i>	<i>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 2007	20,649	8,639	260	297	65	29,910
Revaluations and Restatements	0	0	0	0	0	0
VALUE AT 1 APRIL 2007	20,649	8,639	260	297	65	29,910
Additions	421	1,818	0	1,666	0	3,905
Commissioned Expenditure	204	93	0	-297	0	0
Disposals	0	-322	0	0	0	-322
Written-Off to Capital Adjustment Account	-383	0	0	0	0	-383
GROSS BOOK VALUE AT 31 MARCH 2008	20,891	10,228	260	1,666	65	33,110
Accumulated Depreciation at 1 April 2007	-924	-4,315	-213	0	-19	-5,471
Depreciation for Year	-315	-636	-7	0	-9	-967
Disposals	0	322	0	0	0	322
Accumulated Depreciation at 31 March 2008	-1,239	-4,629	-220	0	-28	-6,116
NET BOOK VALUE AT 31 MARCH 2008	19,652	5,599	40	1,666	37	26,994
NET BOOK VALUE AT 31 MARCH 2007	19,725	4,324	47	297	46	24,439

13. **CAPITAL EXPENDITURE AND FINANCING**

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

	2007/2008 £'000	2006/2007 £'000
Opening Capital Financing Requirement	8,740	7,694
Capital Investment in Year		
• Intangible Assets	0	0
• Fixed Assets	3,905	1,786
Sources of Finance		
• Grants & Contributions	-812	-211
• Revenue and Other Provisions	-1,020	-529
Closing Capital Financing Requirement	10,813	8,740
Change in Capital Financing Requirement	2,073	1,046
Explanation of change:		
Increase in underlying need to borrow	2,073	1,046

14. **CAPITAL COMMITMENTS 2008-2009 Onwards**

Major capital commitments entered into at 31 March 2008 were £3.571m and are detailed in the table below.

Scheme	Contracted Future Cost £'000
Various Properties	2,145
Water Tenders, Vehicles and Equipment	1,426
TOTAL	3,571

15. **INFORMATION ON ASSETS HELD**

Fixed assets owned by the Authority include the following:-

	Number at 31 March 2008	Number at 31 March 2007
<u>LAND AND BUILDINGS</u>		
Fire Stations	44	44
Brigade Headquarters	0	0
Divisional Headquarters	2	2
Control Rooms	1	1
Training Establishments	4	4
Vehicle Workshops	1	1
Stores	1	1
<u>VEHICLES AND EQUIPMENT</u>		
Operational Vehicles	60	40
Ancillary Vehicles	80	50

16. **EXTERNAL BORROWING**

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

Source of Loan	Interest Rate Payable 2007/08 %	Total Outstanding at 31 March 2008		Total Outstanding at 31 March 2007	
		£'000		£'000	
Public Works Loans Board	3.85 – 5.0		11,513		8,513
ANALYSIS OF LOANS BY MATURITY					
Within 1 Year			0		0
Between 1 and 2 years		0		0	
Between 2 and 5 years		1,414		414	
Between 5 and 10 years		500		500	
Over 10 years		9,599		7,599	
			11,513		8,513
Interest Owed for 2007/08			141		0
BALANCE SHEET TOTAL			11,654		8,513

FRS25, FRS26 and FRS29 accounting for Financial Instruments require that any interest outstanding on loans should be recognised on the Balance Sheet as part of the loan. It is also a requirement that the fair value of the loan portfolio is disclosed in a note to the accounts, at 31 March 2008 the fair value of PWLB loans was £12,255,093 (31 March 2007, £8,261,614).

17. **MOVEMENT ON PROVISIONS**

At 31 March 2008 the Authority held a number of provisions. The provisions held and the movement on the provisions is as follows.

Pension Provision

The Provision for Pension Liabilities was established to smooth the impact of the liabilities, arising from past service, to make future pension payments. Changes to the funding arrangements for the Firefighters' pension scheme has made it unnecessary for the Authority to hold such a large provision in future years. The balance on the provision is to be used to offset any liabilities for Ill Health charges over and above the amount in the revenue budget. For 2007-2008 the Authority was liable for the Ill Health charges for the years 2005 to 2007 as part of the new pension scheme, £125,126 of the payment was funded from the provision. The balance on the provision at 31 March 2008 is £454,919.

Capital Provision

The balance on the Capital Provision of £82,490 has been set aside to offset the costs of the proposed replacement of the PPE (Personal Protective Equipment) uniform. There has been no movement on the provision in 2007/08 as the replacement programme is not due to start until 2008/09.

Control Provision

The Control Provision was set up to cover the costs of the project to co-locate the three emergency services controls and assist with the re-location costs. The transfer is due to take place in 2008/2009 when it is envisaged that the balance on the provision, £147,670, will be utilised.

Bad Debt Provision

The Authority maintains a Bad Debt Provision which adequately covers debts which may be required to be written off. An analysis of the year end debtors has resulted in the provision remaining the same.

Rank to Role Provision

In 2005-06 £100,000 was set aside to cover the back pay of the Rank to Role costs. In 2007-08 £14,279 of the provision was utilised, the remaining balance will be used in 2008-09.

Equal Pay Provision

In 2005-06 £90,000 was set aside to offset the financial consequences of retained firefighters being entitled to the same conditions of service as whole-time firefighters. In 2007-08 none of the provision was utilised but it is envisaged that there will be some expenditure in 2008-09.

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

18. DETAILS OF MOVEMENTS ON RESERVES

	<i>Revenue Reserves</i>	<i>CAPITAL RESERVES</i>							
	<i>Pension Reserve</i>	<i>Government Grants Deferred</i>	<i>Capital Financing Account</i>	<i>Fixed Asset Restatement Account</i>	<i>Usable Capital Receipts</i>	<i>Capital Adjustment Account</i>	<i>Financial Instruments Adjustment Account</i>	<i>Revaluation Reserve</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at 1 April 2007	-171,268	313	875	14,509	479	0	0	0	16,176
Net (Deficit)/Surplus for Year – Appropriations to Revenue/Balance Sheet	-11,394	-47	-875	-14,509	3	15,384			-44
Pension Fund Adjustment	3,640								
Financing of Fixed Assets	0	812	0	0	-315	1,067			1,564
Revaluation of Assets	0	0	0	0	0	0			0
Disposals	0	0	0	0	0	0			0
Capital Spend 2007-2008 - No Added Value - Impairment	0	0	0	0	0	-383			-383
Depreciation	0	0	0	0	0	-968			-968
Actuarial Gain	28,401	0	0	0	0	0			0
BALANCE AT 31 MARCH 2008	-150,621	1,078	0	0	167	15,100	0	0	16,345

Pension Reserve

The actuarial gains and losses identified as movements on the Pensions Reserve in 2007-08 can be analysed into the following categories.

CATEGORY	2007/08		2006/07		2005/06		2004/05		2003/04	
	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %
Difference between expected and actual return on Assets	(627)	7.4	(4)	0.1	1,026	14.70	156	3.02	540	13.03
Difference between actuarial assumptions about liabilities and actual experience	3,016	2.0	570	0.8	3,950	(2.19)	709	(0.47)	1,860	(1.68)
Changes in the demographic and financial assumptions used to estimate liabilities	26,012	17.26	10,916	6.4	(24,528)	13.62	(34,468)	22.86	(13,850)	12.54
Totals	28,401		11,482		(19,552)		(33,603)		(11,450)	

Revaluation Reserve

The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The balance on FARA has been transferred to the Capital Adjustment Account and the new Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007. In 2007-2008 there were no revaluation gains for the Authority.

Financial Instruments Adjustment Account (FIAA)

Financial Assets are required to be carried at Fair Value and the FIAA provides a balancing mechanism for possible gains and losses. The Authority had no Financial Assets that required adjusting to Fair Value.

Capital Adjustment Account

The Capital Adjustment Account (CAA) replaces the Capital Financing Account (CFA) and contains a number of entries concerning capital accounting. The balance on FARA and the CFA have been transferred to the CAA on 1 April 2007 and other entries for the year include the excess of depreciation over revenue provisions for potential debt redemption, part of the financing of the 2007-2008 capital programme and impairment charges.

Government Grants Deferred

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

	£'000
Balance at 31 March 2007	313
Grants and Contributions Applied during 2007/08	812
Written to Movement on General Fund Balance	-47
Balance at 31 March 2008	1,078

19. **CASH OVERDRAWN**

The actual cash in hand represented the cash shown in the Balance Sheet, together with transactions not effected within the cleared bank balance at 31 March 2008. The following table summarises the position:-

	31 March 2008 £'000	31 March 2007 £'000
Cash Per Balance Sheet	-206	-810
Uncleared Bank Transactions	278	948
Cash in Transit	0	0
BANK TOTAL	72	138

20. **STOCKS**

An analysis of the stocks held at 31 March 2007 and 31 March 2008 is shown below:-

STOCKS	31 March 2008 £'000	31 March 2007 £'000
Main Stores (HQ)	328	342
Transport Stock	12	12
TOTAL	340	354

21. **DEBTORS**

	31 March 2008 £'000	31 March 2007 £'000
Government Departments and Other Agencies	740	428
Other Local Authorities	100	42
Sundry Debtors	119	215
GROSS DEBTORS	685	685
Bad Debt Provision	-14	-14
NET DEBTORS	945	671

22. **CREDITORS**

	31 March 2008 £'000	31 March 2007 £'000
Government Departments and Agencies	611	143
Other Local Authorities	317	120
Sundry Creditors	1,224	1,065
TOTAL	2,152	1,328

23. **INVESTMENTS**

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

Institutions	31 March 2008 £'000	31 March 2007 £'000
Short Term		
Bank of Scotland	910	250
Anglo Irish	2,160	2,260
Total	3,070	2,510
Interest Due	60	0
BALANCE SHEET TOTAL	3,130	2,510

FRS25, FRS26 and FRS29 accounting for Financial Instruments require that any interest outstanding at 31 March should be recognised on the Balance Sheet as part of the investment.

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

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

The Authority's assets and liabilities as at 31 March 2008 and 31 March 2007 were as follows:

	31 March	
	2008 £'000	2007 £'000
Estimated liabilities in the Firefighters' Pension Scheme	144,340	166,510
Share of liabilities in Clwyd Pension Fund	14,797	12,614
Total liabilities	159,137	179,124
Share of assets in Clwyd Pension Fund	8,516	7,856
Net Pensions Deficit	150,621	171,268

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

	Firefighters Scheme		Clwyd Pension Fund	
	2008 %	2007 %	2008 %	2007 %
Rate of Inflation	3.7	3.4	3.6	3.1
Rate of Increase in Salaries	5.2	4.9	4.9	4.4
Rate of Increase in Pensions	3.7	3.4	3.6	3.1
Rate of Discounting Scheme Liabilities	6.9	5.4	6.1	5.4

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

	31 March %	31 March £'000	Expected Return On Asset %
2008			
Equity Investments	56.5	4,812	7.5
Bonds	11.6	988	5.4
Other Assets	31.9	2,716	6.4
Total		8,516	
2007			
Equity Investments	63.4	4,980	7.5
Bonds	12.4	974	5.4
Other Assets	24.2	1,902	6.4
Total		7,856	

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

	£'000	£'000
Net Deficit at the Beginning of Year		-171,268
Current Service Cost	-5,478	
Past Service Cost	2,573	
Contributions	2,806	
Pensions Paid	279	
Adjustments for Pension Fund Account	1,232	1,412
Finance Income		
Return on Assets	550	
Interest on Pension Liabilities	-9,716	-9,166
Actuarial Gain/ (Loss)		28,401
Net Pension Deficit at Year End		-150,621

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

	£'000
Actual gain expected on Pension Fund Assets	(627)
Loss Arising on Pension Assets	3,016
Changes in Assumptions	26,012

	28,401

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

	2007/08 £'000	2006/07 £'000
Revenue Activities Net Cash Inflow	-1,680	-38
<u>NON-CASH MOVEMENTS ON I & E ACCOUNT</u>		
Decrease/(Increase) in Stock	13	8
Decrease/(Increase) in Debtors	-334	-178
Decrease/(Increase) in Payments in Advance	72	72
(Decrease)/Increase in Creditors	965	148
(Decrease)/Increase in Receipts in Advance	-33	-198
Depreciation Charge	968	834
Deferred Charges	0	0
FRS17 Pension Adjustment	8,986	9,608
Impairment Charge	383	0
<u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW STATEMENT</u>		
Interest Paid	419	339
Interest Received	-180	-187
Contribution to/(from) Various Provisions	6	-533
Contribution to Bad Debt Provision	0	8
DEFICIT (SURPLUS) ON I & E ACCOUNT	9,585	9,883

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

	31 March 2008 £'000	31 March 2007 £'000
Cash in Bank (Overdrawn)	229	814
Cash in Transit	0	0
Cash Held in Imprest Accounts	-23	-4
TOTAL	206	810
INCREASE IN CASH AND CASH EQUIVALENTS	604	

THE PENSION FUND ACCOUNT

<i>Fund Account</i>	<i>2007/08 £000</i>
INCOME	
Contributions Receivable:	
Employer normal contributions	-2,129
Employer Ill Health Charge	-155
Members	-1,153
Transfers In	0
TOTAL	-3,437
EXPENDITURE	
Benefits Payable:	
Pension Payments	3,946
Commutation of Pensions and Lump Sum benefits	607
Payments to and on Behalf of Leavers:	
Transfers out	0
TOTAL	4,553
NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT	1,116
Top Up grant receivable from WAG	-1,116
NET AMOUNT (PAYABLE)/RECEIVABLE FOR THE YEAR	0

<i>Net Assets Statement</i>	<i>2007/08 £000</i>
Net Current Assets and Liabilities:	
Top Up payable to WAG	610
Amount owed from the General Fund	-610
Net Assets at year end	0

Notes to the Pension Fund Account

The Pension Fund Account is a new account which was set up to reflect changes to the funding arrangements for firefighters' pensions under the Firefighters' Pension Scheme (Wales) Order 2007. The fund was established 1 April 2007 and covers both the 1992 and 2007 Firefighters' Pension schemes and is administered by the Authority. Employee and employer contributions are paid into the fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by WAG and subject to triennial revaluation by the Government Actuary's Department. 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 WAG.

Contribution Rates

Under the firefighters' pension regulations the contribution rates for the 2007 scheme were 19.5% of pensionable pay (11% employers and 8.5% employees) and for the 1992 scheme were 32.3% of pensionable pay (21.3% employers and 11% employees). Ill health contributions for firefighters who retired due to ill health in 2005-2006 and 2006-2007, were also paid into the pension fund.