



## **AGENDA ITEM: 7**

### **NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE**

**23 September 2013**

#### **STATEMENT OF ACCOUNTS 2012-13**

**Report by Ken Finch, Treasurer to the Authority**

#### **Purpose of Report**

- 1 This report is to present to Members the audited Statement of Accounts for 2012-13 (Appendix 1) and the Annual Governance Statement (Appendix 2) for approval.
- 2 The Audit Committee has been given delegated authority to approve the accounts. Due to the timing of the final audit meeting it was not possible to have the accounts finalised and distributed to members in time for the meeting of the Fire and Rescue Authority, so delegated authority was requested.

#### **Information**

- 3 In compliance with the Accounts and Audit Regulations (Amendment Wales) 2010 it is a requirement that the audited accounts are approved by Members by 30 September. Delegated authority for approving the accounts has been granted to the Audit Committee.
- 4 It is also a requirement that the Annual Governance Statement is presented to Members with the Statement of Accounts and these have been included as an Annex to the accounts. The statement has been prepared in accordance with the principles contained within the 'Framework for Delivering Good Governance in Local Government'

issued by the Chartered Institute of Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and was initially approved by Members of the Executive Panel on 15 July 2013.

- 5 At the meeting of the Fire and Rescue Authority on 17 June 2013 Members were presented with a Financial Performance report for 2012-13 which detailed the actual spend for the year against budget and Members approval was sought to set aside money from the underspend in to a number of Reserves and Provisions. These transactions have been enacted in the accounts, the details of which can be found on pages 31 and 32.

### **Audited Changes**

- 6 The accounts have now been audited by the Auditor appointed by the Wales Audit Office and have been amended in line with the findings from the audit and subsequent discussions over the accounting treatment, definitions and presentation of specific items within the accounts.
- 7 A detailed breakdown of the corrected misstatements identified in the draft accounts form part of the 'Audit of Financial Statements Report' which will be presented to the Audit Committee with the accounts.  
A summary of the changes are listed below.
  - a) Reclassification of some items of expenditure from revenue to capital;
  - b) Amendments to the Fixed Assets total by reinstating some vehicles which had been incorrectly removed and amending the depreciation calculated for the year;
  - c) Reclassification of a Provision to a Creditor;
  - d) Amendment to some of the figures and tables in the notes to the accounts to enhance presentation.
- 8 Usable reserves consist of the General Reserve, Earmarked Reserves and Grant Income brought forward from the previous year. These reserves can be used by the Authority to finance expenditure in future years. Unusable reserves are non-cashable and consist of

money already set aside to finance expenditure; revaluations to reflect increase in asset values; and the Pension Reserve which is a deficit reserve.

### **Letter of Representation**

- 9 Attached to this report, as Appendix 3, is a letter of representation addressed to both the Wales Audit Office and KPMG from the Authority. It is a requirement of Auditing Standards in that KPMG needs to obtain representations from the Authority to support its audit opinion. The letter provides further detail.

### **Recommendation**

- 10 Members are asked to approve the audited Statement of Accounts for 2012-13 and acknowledge the Letter of Representation sent to the External Auditors.

## **North Wales Fire Authority-Statement of Accounts 2012-13**

### **TABLE OF CONTENTS**

	<u>PAGE NO.</u>
Explanatory Foreword & Spending Review	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	14-20
Note 1 - Critical Judgements in Applying Accounting Policies	21
Note 2 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	21
Note 3 - Material Items of Income and Expense	22
Note 4 - Events after Balance Sheet Date	22
Note 5 - Adjustments between Accounting & Funding Basis Under Regulation	22-24
Note 6 - Transfer to and from Earmarked Reserves	25
Note 7 - Other Operating Expenditure and Income	25
Note 8 - Financing and Investment Income & Expenditure	25
Note 9 - Taxation & Non-Specific Grant Income	25
Note 10 - Property Plant and Equipment and Intangible Assets	26-27
Note 11 - Financial Instruments	28-29
Note 12 - Fair Value of Assets and Liabilities Carried at Amortised cost	30
Note 13 - Inventories	30
Note 14 - Debtors	31
Note 15 - Cash and Cash Equivalent	31
Note 16 - Creditors	31
Note 17 - Provisions	31-32
Note 18 - Usable Reserves	32-33
Note 19 - Unusable Reserves	33-36
Notes 20 to 22- Cash Flow Statement–Operating, Investing and Financing Activity	36-37
Note 23 - Amounts Reported for Resource Allocation	37-39
Note 24 - Trading Operations	39
Note 25 - Members' Allowances	40
Note 26 - Officers' Remuneration	40-41
Note 27 - Audit Fees	41
Note 28 - Grants	42
Note 29 - Related Parties	43
Note 30 - Capital Expenditure & Financing	43-44
Note 31 - Leases	44-45
Note 32 - Termination Benefits	45
Note 33 - Transactions Relating to Post-employment Benefits	45-50
Note 34 - Nature and Extent of Risk Arising from Financial Instruments	50-51
Note 35 - Contingent Liabilities	51
Firefighters' Pension Fund Account	52-53

## **EXPLANATORY FOREWORD**

1. Operational guidance for Fire and Rescue Services in Wales is detailed in the Fire and Rescue National Framework which has been produced by the Welsh Government. The National Framework seeks to expand the role of Fire and Rescue Services in Wales in relation to prevention, education and engaging with the communities they serve whilst ensuring that their reactive firefighting capability is not compromised. As with all Public Services in Wales, the Fire Authority is faced with reduced funding in future years and the challenge for the Authority is to provide acceptable levels of service within those restraints without compromising the safety of the public.

The North Wales Fire and Rescue Service produces annual action plans for managing down risks and improving services with an increasing emphasis on prevention and education. The Service is actively engaged in working with the communities it serves, an example of which is the number of Home Fire Safety checks carried out by the Service, 22,201 in 2012-13. 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 2012-13.

- 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 2012-13 (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 2012-2013****Revenue Expenditure 2012-2013**

The budget for the year was approved by Members of the Authority at £31,772,011. Further details on the operational spend, which is the actual expenditure for the Authority without the accounting adjustments, can be found in Note 23. The actual expenditure was lower than budgeted and was achieved by curtailing expenditure wherever possible to ease anticipated pressures in the coming years and create additional provisions to cover possible contingent liabilities. The Authority was able to set aside £466k in to a general reserve which will provide some assurance that there are funds available to assist in future years and will mean that the Authority can draw on these funds rather than having to request supplementary levies.

	Budget	Actual	Variance
	£000	£000	£000
<b>Revenue</b>			
Expenditure	32,052	31,450	(602)
Income	(280)	(347)	(67)
Net Expenditure	31,772	31,103	(669)
Earmarked Reserves & Provisions	0	203	203
Unitary Authority Contributions	(31,772)	(31,772)	0
(Surplus) /Deficit	0	(466)	(466)
<b>Capital</b>			
(inc b/f slippage)	3,980	3,075	(905)

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

	£'000
*Net Expenditure	31,103
**Accounting Adjustments	279
***Cost of Services	31,382

\*detailed in 'The Outturn for the Year 2012/13 (above)

\*\*detailed in Note 23

\*\*\*detailed in the CIES



The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the six constituent local authorities in proportion to population. For 2012-13, the proportions were as follows:

<b>Authority</b>	<b>2012/2013 Contribution £</b>	<b>Proportion %</b>
Conwy County Borough Council	5,206,959	16.39
Anglesey County Council	3,219,270	10.13
Gwynedd Council	5,525,827	17.39
Denbighshire County Council	4,569,316	14.38
Flintshire County Council	6,981,590	21.97
Wrexham County Borough Council	6,269,049	19.74
<b>TOTAL</b>	<b>31,772,011</b>	

The Authority received a number of revenue grants from the Welsh Government during the year to promote various schemes within North Wales. The total value of the grants received was £2.3m (£2.69m 2011-12). Details of the grants received can be found in Note 28 to the accounts.

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

<b>2011/12 £'000</b>		<b>2012/13 £'000</b>
<b>31,933</b>	Unitary Authority Contributions	<b>31,772</b>
<b>35</b>	Revenue Grants	<b>39</b>
<b>27</b>	Interest	<b>24</b>
<b>256</b>	Fees and Charges	<b>284</b>

#### **Capital Expenditure 2012-2013**

Total capital expenditure in the year amounted to £3.075m. Further details can be found in Note 30 to the accounts.

<b>2011/12 £'000</b>		<b>2012/13 £'000</b>
1,349	Property – Refurbishments, adaptations, new buildings	2,380
2,920	Vehicles and Plant	193
222	Operational and I.C.T. Equipment	502
<b>4,491</b>	<b>Total Capital Expenditure</b>	<b>3,075</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 2012-2013 the capital programme was financed mainly by loans from the Public Works Loan Board and other Local Authorities (£2,632k), revenue contribution (£330k), grants (£74k) and Capital Receipts (£39k).

A detailed report on the financial activity for the year was presented to the Fire Authority on 17 June 2013 and is available on the Fire service website ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)).

### **Pension Liability**

In 2012-13, 9 wholetime uniformed staff retired. The net cost of the Firefighters' Pension Scheme to the revenue budget continues to grow, as does the liability in terms of future pension commitments. The actuarially assessed liability as at 31 March 2013 was £242.16m for Firefighters' pension scheme and £9.74m for the Local Government pension scheme.

Under International Accounting Standard 19 (Employee Benefits) the Authority is required to provide details of assets and future liabilities for pensions payable to employees, both past and present. This is outlined in greater detail in the disclosures to the accounts.

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

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

### **Capital Financing Costs**

The charge made to the service revenue accounts to reflect the cost of fixed assets used in the provision of services was £2.9m. 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 £374k loan interest and £1,988k 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 2013 was £22.969m.

### **Provisions and Reserves**

The Authority holds provisions to meet known future liabilities which have arisen due to past events. The balance at the beginning of the year was £0.646m and at the end of the year £0.441m. The movement in the year was due to additional monies being set aside to cover possible retrospective pension contributions for RDS staff following the equal pay claim; and payments to RDS staff in settlement of the equal pay claim;

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

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

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

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

The national economic downturn together with the outcomes of the Comprehensive Spending Review in November 2010, gave an indication of the level of cuts to public services expected in the coming years. To ensure the Authority would be able to meet those cuts whilst maintaining service levels a 3 year plan was agreed which set out savings targets to be met over the next 3 years. 2012-13 was the second year of the 3 year plan and the agreed savings target was £815k. The majority of the savings were on front line fire cover through changing the rostering system. Other savings were to be made by freezing some Support Service and Community Fire Safety posts. Budget holders were aware of the need to identify efficiencies and to generate savings where possible, not only for the future but within the financial year. With these measures in place the Authority has managed to meet its savings target and make further savings within the year.

The third year of the plan was to achieve a standstill budget and with the effect of inflationary increases and the pay award the Authority will need to make savings of £482k. The Authority has plans in place to achieve these savings, it may be that the savings can not be delivered within the timescales set and there may be some slippage. To ensure the Authority has some financial safeguard against this it has been agreed that the general reserve can be used in the short term to cover any shortfall.

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

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

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

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

The Authority is required:

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

### **THE TREASURER'S RESPONSIBILITIES**

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Statement of Accounts is required to give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2013

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 2012/2013**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2013 and its income and expenditure for the year then ended.

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

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

I have audited the accounting statements and related Notes of:

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

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

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

Firefighters' Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

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

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

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

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

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of North Wales Fire Authority as at 31 March 2013 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 2012-13.

### **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 2013 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 2012-13.

**Opinion on other matters**

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

**Matters on which I report by exception**

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

**Certificate of completion of audit**

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

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

September 2013

## CORE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

<u>Movement in Reserves Statement for the years ended 31 March 2012 &amp; 2013</u>	Note	General Fund Balance	Earmarked and Grant Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2011</b>		641	479	0	1,120	(180,804)	(179,684)
<b>Movement in Reserves during 2011/12</b>							
Surplus or (Deficit) on the Provision of Services		(10,877)	0	0	(10,877)	0	(10,877)
Other Comprehensive Income & Expenditure		0	0	0	0	(6,763)	(6,763)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(10,877)</b>	<b>0</b>	<b>0</b>	<b>(10,877)</b>	<b>(6,763)</b>	<b>(17,640)</b>
Adjustments between accounting basis & fundng basis under regulations	5	12,003	0	(21)	11,982	(11,982)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>1,126</b>	<b>0</b>	<b>(21)</b>	<b>1,105</b>	<b>(18,745)</b>	<b>(17,640)</b>
Adjustment		1	0	0	1	(1)	0
Transfers to/(from) Earmarked Reserves	6	(624)	417	21	(186)	186	0
<b>(Increase)/Decrease in 2011/12</b>		<b>503</b>	<b>417</b>	<b>0</b>	<b>920</b>	<b>(18,560)</b>	<b>(17,640)</b>
<b>Balance as at 31 March 2012</b>		<b>1,144</b>	<b>896</b>	<b>0</b>	<b>2,040</b>	<b>(199,364)</b>	<b>(197,324)</b>

<u>Movement in Reserves Statement</u>	Note	General Fund Balance	Earmarked and Grant Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2012</b>		1,144	896	0	2,040	(199,364)	(197,324)
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services		(10,319)	0	0	(10,319)	0	(10,319)
Other Comprehensive Income & Expenditure		0	0	0	0	(28,576)	(28,576)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(10,319)</b>	<b>0</b>	<b>0</b>	<b>(10,319)</b>	<b>(28,576)</b>	<b>(38,895)</b>
Adjustments between accounting basis & fundng basis under regulations	5	10,351	0	(39)	10,312	(10,312)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>32</b>	<b>0</b>	<b>(39)</b>	<b>(7)</b>	<b>(38,888)</b>	<b>(38,895)</b>
Adjustment		0	0	0	0	0	0
Transfers to/(from) Earmarked Reserves	6	433	(472)	39	0	0	0
<b>(Increase)/Decrease in 2012/13</b>		<b>465</b>	<b>(472)</b>	<b>0</b>	<b>(7)</b>	<b>(38,888)</b>	<b>(38,895)</b>
<b>Balance as at 31 March 2013</b>		<b>1,609</b>	<b>424</b>	<b>0</b>	<b>2,033</b>	<b>(238,252)</b>	<b>(236,219)</b>



### **THE COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT**

2011/12				2012/13			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
2,213	(50)	2,163	Community Fire Safety - Inspection & Certification		2,215	(60)	2,155
4,237	0	4,237	Community Fire Safety - Prevention & Education		4,198	0	4,198
21,261	(201)	21,060	Fire Fighting - Operational Responses		21,140	(236)	20,904
3,574	0	3,574	Fire Fighting - Communications & Mobilising		3,654	0	3,654
173	0	173	Fire Fighting - Securing Water Supplies		228	0	228
186	0	186	Corporate & Democratic Core Costs		205	0	205
13	0	13	Non Distributed Costs		38	0	38
<b>31,657</b>	<b>(251)</b>	<b>31,406</b>	<b>Cost of Services</b>		<b>31,678</b>	<b>(296)</b>	<b>31,382</b>
18	(21)	(3)	Other Operating Expenditure	7	0	(39)	(39)
12,257	(850)	11,407	Financing & Investment Income & Expenditure	8	11,543	(795)	10,748
0	(31,933)	(31,933)	Contributions from Constituent Authorities		0	(31,772)	(31,772)
		<b>10,877</b>	<b>Deficit or (Surplus) on Provision of Services</b>				<b>10,319</b>
			Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets				(192)
		6,754	Actuarial Gains/Losses on Pension Assets/Liabilities				28,768
		<b>6,763</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>28,576</b>
		<b>17,640</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>38,895</b>

**BALANCE SHEET**

<b>31 March 2012</b>		<b>Note</b>	<b>31 March 2013</b>
<b>£'000</b>			<b>£'000</b>
37,506	Property, Plant & Equipment	10	£ 37,032.00
0	Intangible Assets	10	£ -
<b>37,506</b>	<b>Long Term Assets</b>		<b>£ 37,032.00</b>
313	Inventories	13	£ 383.00
1,624	Debtors	14	£ 2,548.00
1,201	Cash & Cash Equivalents	15	£ 2,236.00
<b>3,138</b>	<b>Current Assets</b>		<b>£ 5,167.00</b>
11,031	Short Term Borrowing	11	£ 10,008.00
2,393	Creditors	16	£ 2,998.00
646	Provisions	17	£ 141.00
<b>14,070</b>	<b>Current Liabilities</b>		<b>£ 13,147.00</b>
214,193	Pension Liability	19	£ 251,900.00
0	Provisions	17	£ 300.00
9,705	Long Term Borrowing	11	£ 13,071.00
<b>223,898</b>	<b>Long Term Liabilities</b>		<b>£ 265,271.00</b>
<b>(197,324)</b>	<b>Net Assets</b>		<b>-£ 236,219.00</b>
2,040	Usable Reserves	18	£ 2,033.00
(199,364)	Unusable Reserves	19	-£ 238,252.00
<b>(197,324)</b>	<b>Total Reserves</b>		<b>-£ 236,219.00</b>

## CASH FLOW STATEMENT

2011/12		Note	2012/13
£'000			£'000
10,877	Net (Surplus)/Deficit on the Provision of Services		10,319
(10,526)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements		(11,362)
(337)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(333)
14	Net Cash Flows From Operating Activities	20	(1,376)
4,249	Investing Activities	21	2,700
(2,161)	Financing Activities	22	(2,359)
2,102	Net (Increase) or Decrease in Cash and Cash Equivalents		(1,035)
(3,303)	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>(1,201)</b>
(1,201)	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	15	<b>(2,236)</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **1. GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2012-13 financial year and its position at the year-end of 31 March 2013. 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 2012-13 (the Code) and the Service Reporting Code of Practice 2012-13 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The ratio of Current Liabilities to Current Assets is high and this would indicate that the Authority may have a problem with liquidity in that it will not have sufficient resources available to meet its' short term obligations. However, the Authority has ready access to borrowings from the Public Works Loan Board and other sources and there is no significant risk that it will be unable to raise finance to meet its commitments.

#### **2. INCOME AND EXPENDITURE**

In the revenue accounts, income and expenditure are accounted for, net of VAT, in the year in which they arise, not simply when cash payments are made or received. In particular:

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

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

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

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

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

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

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

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

Buildings	35-60 years
Infrastructure	5-20 years
Vehicles, Plant and Equipment	3-20 years
Intangible Assets	5-15 years

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

#### 5. **EMPLOYEE BENEFITS**

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

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

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

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

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

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

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

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

## **8. EXCEPTIONAL ITEMS**

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

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

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

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

## **10. FINANCIAL INSTRUMENTS**

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

loans and investments the Authority has, the amounts presented in the Balance Sheet are the principal outstanding plus any accrued interest for the year.

**11. INVESTMENTS**

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

**12. FOREIGN CURRENCY TRANSLATION**

The majority of transactions of the Authority are in sterling. Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

**13. ACCOUNTING FOR GOVERNMENT GRANTS**

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

**14. INVENTORIES**

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

**15. LEASES**

**Finance leases**

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

**Operating Leases**

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

**16. ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES**

The major central administrative services such as Finance, Property Management and Legal and Administrative Support are bought in from other Local Authorities. These costs and the costs of



central administration at the Fire Authority have been allocated to front line services in line with CIPFA's Statement on Accounting for Overheads and the Service Reporting Code of Practice, with the exception of:

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

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

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

### Recognition

Property, Plant and Equipment is capitalised where:

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

### Useful Economic Life of Assets

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

Buildings	35-60 years
Infrastructure	5-20 years
Vehicles, Plant and Equipment	3-20 years
Intangible Assets	5-15 years

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

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

### Assets of a Specialised Nature

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

### Land and Buildings

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

### Assets Under Construction

Assets under construction have been valued at historic cost.

### Surplus Assets

Surplus assets have been valued at Fair Value that is considered to be open market value. Where the asset is not held for generating cashflows, the value in use is the Present Value of the asset's remaining service potential, assumed to be at least equal to the cost of replacing that service potential and used as a measure of fair value.

If the surplus asset is of a specialised nature, then DRC has been used as an estimate of fair value. Surplus assets have been depreciated, with the depreciation being shown against "non-distributed costs" rather than a specific service.

### Component Accounting

A component of property, plant and equipment is an item that has a cost that is significant in relation to the total cost of the asset. Components should be depreciated individually over their useful lives. However, on transition to the Code, component accounting has only been applied when a component is replaced or part enhanced, and the old component has been derecognised.

### Revaluation

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

### Revaluation Losses

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

The latest full property valuation was carried out by Wilks Head and Eve, a firm of valuers based in London, on 1 April 2009. A number of properties were re-valued on 1 April 2012 due to works undertaken on these properties and were part of the policy introduced by the Authority to value their property on a rolling basis rather than carry out a full valuation every 5 years. Office accommodation has been valued at existing use value and fire stations at depreciated replacement cost. To comply with the Code of Practice the valuer estimated residual lives for all the Authority's buildings so that a charge for depreciation could be calculated. Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

### Impairment

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

## **18. CAPITAL RECEIPTS**

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

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

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

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

This disclosure will be fully incorporated into the 2013-14 Statement of Accounts. However IAS8 requires the disclosure of the expected impact of the future changes going forward. This disclosure has been included in Note 33.

## **NOTES TO THE ACCOUNTS**

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

In applying the accounting policies set out on pages 14-20, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement in the statement of accounts is due to the high degree of uncertainty about future levels of funding for local Government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of the need to reduce levels of service provision.

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

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

The main item in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:-

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
RETAINED FIREFIGHTERS' PENSIONS	The Authority has made a provision of £300,000 for possible retrospective access to the Firefighter's pension scheme for Retained Duty System (RDS) firefighters as negotiations are still ongoing between the FBU and DCLG. An assessment was made of the maximum costs to the Authority and this was estimated at £960k based on the assumption that all RDS staff that are currently in the pension scheme would back date.	The provision was based on an estimate that possibly a third of the RDS staff would back date. If this is significantly higher then it will be necessary to add to the provision.
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and, for the Local Government pension Scheme, the expected return on pension fund assets. Actuaries are engaged to provide an assessment of the liabilities.	Relatively small changes in the assumptions made can have a significant impact on the pension net liability. The pension net liability shown in the balance sheet will only become payable over the retirement period of current and retired employees, so adjustments to the liability can be spread over a number of years through changes in employee and employer contributions. Increases in employer contributions have a direct impact on the budget.



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

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

**4. EVENTS AFTER BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Treasurer to the Fire Authority on 23 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATION**

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

2012/13	Useable Reserves				Unusable Reserves
	General Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(3,652)	0	0	(3,652)	3,652
Revaluation losses on Property, Plant and Equipment					
Amortisation of Intangible assets	0			0	0
Capital grants and contributions applied	74	0	0	74	(74)
Movement in the Donated Assets Account	0	0	0	0	0
Adjustment	122	0	0	122	(122)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	1,988	0	0	1,988	(1,988)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	39	39	(39)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
<b>Adjustment primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(12,045)	0	0	(12,045)	12,045
Employer's pensions contributions and direct payments to pensioners payable in the year	3,106	0	0	3,106	(3,106)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	56	0	0	56	(56)
<b>Total Adjustments</b>	<b>(10,351)</b>	<b>0</b>	<b>39</b>	<b>(10,312)</b>	<b>10,312</b>

2011/12	Useable Reserves				Unusable Reserves
	General Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(3,434)	0	0	(3,434)	3,434
Revaluation losses on Property, Plant and Equipment					
Amortisation of Intangible assets	(9)			(9)	9
Capital grants and contributions applied	94	0	0	94	(94)
Movement in the Donated Assets Account	0	0	0	0	0
Adjustment	(3)	0	0	(3)	3
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	1,959	0	0	1,959	(1,959)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	21	21	(21)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
<b>Adjustment primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(13,809)	0	0	(13,809)	13,809
Employer's pensions contributions and direct payments to pensioners payable in the year	3,192	0	0	3,192	(3,192)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	0	0	7	(7)
<b>Total Adjustments</b>	<b>(12,003)</b>	<b>0</b>	<b>21</b>	<b>(11,982)</b>	<b>11,982</b>



## 6. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves from 1 April 2011.

	<b>Balance 1 April 2011</b>	Transfers out 2011/12	Transfers In 2011/12	<b>Balance 31 March 2012</b>	Transfers out 2012/13	Transfers In 2012/13	<b>Balance 31 March 2013</b>
	£000	£000	£000	£000	£000	£000	£000
General Fund	(641)	624	(1,127)	(1,144)	0	(465)	(1,609)
Earmarked & Grant Reserves	(479)	0	(417)	(896)	688	(216)	(424)
<b>Total</b>	<b>(1,120)</b>	624	(1,544)	<b>(2,040)</b>	688	(681)	<b>(2,033)</b>

## 7. OTHER OPERATING EXPENDITURE AND INCOME

2011/12 £000		2012/13 £000
18	Deficit on Trading Operations	0
(21)	Gains/losses on the disposal of non-current assets	(39)
<b>(3)</b>	<b>Total</b>	<b>(39)</b>

## 8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £000		2012/13 £000
363	Interest payable & similar charges	374
(27)	Interest	(24)
11,894	Pension Interest Costs	11,169
(823)	Return on Pension Assets	(771)
<b>11,407</b>	<b>Total</b>	<b>10,748</b>

## 9. TAXATION AND NON SPECIFIC GRANT INCOMES

2011/12 £000		2012/13 £000
(31,933)	Local Authority Levies	(31,772)
<b>(31,933)</b>	<b>Total</b>	<b>(31,772)</b>

## 10. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets are valued as outlined in Notes 4 and 17 of Accounting Policies. Details of the value of assets held at 31 March 2013 and comparative figures for 31 March 2012 are shown below, together with details of movement in the year:-

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

Comparative Data 2011-2012	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Non- Operational Assets</i>	<i>Property Plant &amp; Equipment Total</i>	<i>In- Tangible Assets Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross Book Value at 1 April 2011	24,193	19,765	260	2,175	46,393	65
<b>VALUE AT 1 APRIL 2011</b>	<b>24,193</b>	<b>19,765</b>	<b>260</b>	<b>2,175</b>	<b>46,393</b>	<b>65</b>
Additions	1,323	3,142	0	25	4,490	0
Revaluations	11	0	0	0	11	0
Commissioned Expenditure	0	2,139	0	(2,139)	0	0
Disposals	0	(377)	0	0	(377)	0
Impairment/Capitalised Under Statute	(1,062)	0	0	0	(1,062)	0
<b>GROSS BOOK VALUE AT 31 MARCH 2012</b>	<b>24,465</b>	<b>24,669</b>	<b>260</b>	<b>61</b>	<b>49,455</b>	<b>65</b>
Accumulated Depreciation at 1 April 2011	(1,164)	(8,607)	(238)	0	(10,009)	(56)
Revaluation	55	0	0	0	55	0
Depreciation for Year	(701)	(1,669)	(2)	0	(2,372)	(9)
Adjustment	0	0	0	0	0	0
Disposals	0	377	0	0	377	0
<b>Accumulated Depreciation at 31 March 2011</b>	<b>(1,810)</b>	<b>(9,899)</b>	<b>(240)</b>	<b>0</b>	<b>(11,949)</b>	<b>(65)</b>
<b>NET BOOK VALUE AT 31 MARCH 2012</b>	<b>22,655</b>	<b>14,770</b>	<b>20</b>	<b>61</b>	<b>37,506</b>	<b>0</b>
<b>NET BOOK VALUE AT 31 MARCH 2011</b>	<b>23,029</b>	<b>11,158</b>	<b>22</b>	<b>2,175</b>	<b>36,384</b>	<b>9</b>



## 11. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	-	-	2,210	2,240
Available-for-sale financial assets	-	-	-	-
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>2,210</b>	<b>2,240</b>
<b>Debtors</b>				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	179	164
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>179</b>	<b>164</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	13,071	9,705	10,008	11,031
<b>Total Borrowings</b>	<b>13,071</b>	<b>9,705</b>	<b>10,008</b>	<b>11,031</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	909	1,084
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>909</b>	<b>1,084</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				
	2011/12		2012/13	
	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	363		374	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>363</b>		<b>374</b>	
Interest income		(27)		(24)
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(27)</b>		<b>(24)</b>
<b>Net gain/(loss) for the year</b>	<b>(363)</b>	<b>27</b>	<b>(374)</b>	<b>24</b>

### External Borrowing

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

Source of Loan	Interest Rate Payable 2012/13 %	Minimum to Maximum approved limits %	Actual % March 2012	Actual % March 2013	Total Outstanding at 31 March 2012		Total Outstanding at 31 March 2013	
					£'000		£'000	
Public Works Loans Board	1.09 – 4.9					13,724		16,071
Market Loans	0.30 – 0.40					7,000		7,000
<b><u>ANALYSIS OF LOANS BY MATURITY</u></b>								
Within 1 Year		0% - 55%	53.18%	43.34%		11,020		10,000
Between 1 and 2 years		0% - 50%	14.48%	21.68%	3,000		5,000	
Between 2 and 5 years		0% - 50%	9.65%	11.23%	2,000		2,592	
Between 5 and 10 years		0% - 75%	12.06%	9.75%	2,500		2,250	
Over 10 years		0% - 100%	10.63%	14.00%	2,204		3,229	
<b>TOTAL</b>						<b>20,724</b>		<b>23,071</b>

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

## 12. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, borrowing from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	13,724	15,009	16,071	17,559
Non-PWLB debt	7,000	7,000	7,000	7,000
<b>Total debt</b>	<b>20,724</b>	<b>22,009</b>	<b>23,071</b>	<b>24,559</b>

The fair value has been calculated with direct reference to published price quotations in an active market. In the case of the Fire Authority they are based on premiums that would be payable if PWLB loans were surrendered and provides an estimate of the additional interest payable compared to the same loan at current market rates discounted back to the current period.

## 13. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2012 and 31 March 2013 is shown below.

	<i>Main Stores</i>		<i>Transport Van Stock</i>		<i>Totals</i>	
	<i>2011/12 £'000</i>	<i>2012/13 £'000</i>	<i>2011/12 £'000</i>	<i>2012/13 £'000</i>	<i>2011/12 £'000</i>	<i>2012/13 £'000</i>
Balance at start of year	263	299	12	14	275	313
Purchases	289	252	29	21	318	273
Recognised as an Expense in year	(203)	(182)	(27)	(21)	(230)	(203)
Write Offs in year	(50)	0	0	0	(50)	0
<b>Balance outstanding at year end</b>	<b>299</b>	<b>369</b>	<b>14</b>	<b>14</b>	<b>313</b>	<b>383</b>

#### 14. DEBTORS

	<b>31 March 2012</b> <b>£'000</b>	<b>31 March 2013</b> <b>£'000</b>
Central Government Bodies	1,421	2,293
Other Local Authorities	24	34
NHS Bodies	21	39
Public Corporations and Trading Funds	94	91
Other Entities and Individuals	64	91
<b>TOTAL DEBTORS</b>	<b>1,624</b>	<b>2,548</b>

#### 15. CASH AND CASH EQUIVALENT

The actual cash in hand represented the cash shown in the Balance Sheet, together with transactions not effected within the cleared bank balance at 31 March 2013. The following table summarises the position:-

	<b>31 March 2012</b> <b>£'000</b>	<b>31 March 2013</b> <b>£'000</b>
Bank Call Accounts	2,240	2,210
Short Term Investments	0	0
Bank Current Accounts	(1,044)	23
Petty Cash Imprests	5	3
<b>Total Cash and Cash Equivalents</b>	<b>1,201</b>	<b>2,236</b>

#### 16. CREDITORS

	<b>31 March 2012</b> <b>£'000</b>	<b>31 March 2013</b> <b>£'000</b>
Central Government Bodies	274	329
Other Local Authorities	277	964
Public Corporations and Trading Funds	143	77
Other Entities and Individuals	1,699	1,628
<b>TOTAL CREDITORS</b>	<b>2,393</b>	<b>2,998</b>

#### 17. PROVISIONS

At 31 March 2013 the Authority held three provisions. The provisions held and the movement on the provisions is as follows.

##### **Pension Provision**

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

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

A provision has been recognised to offset the financial consequences of retained firefighters becoming entitled to the same conditions of service as whole-time firefighters. The provision was increased to cover the cost of the employees Tax and NIC contributions. The majority of the payments were paid in 2012-13 and it is expected that the provision will be fully utilised in 2013-14.



### Retrospective Pension provision

This is a new provision this year to cover the possibility of backdating the employer's contribution in to the pension fund for RDS staff following the equal pay claim. It is expected that if the negotiations are successful it will take some time to set up and calculate the sums due so it has been designated as a longer term provision.

	<i>Pension Provision</i>	<i>Equal Pay Provision</i>	<i>Retrospective Pension provision</i>	<i>Less than 1 Year Totals</i>	<i>Greater than 1 year Totals</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Closing Bal 31 March 2011	(75)	(407)	0	(482)	0
Transfers (in)/out,	(25)	(139)	0	(164)	0
Closing Bal 31 March 2012	(100)	(546)	0	(646)	0
Transfer (in)/out 2012-13	0	505	(300)	505	(300)
<b>Closing Bal 31 March 2013</b>	<b>(100)</b>	<b>(41)</b>	<b>(300)</b>	<b>(141)</b>	<b>(300)</b>

## 18. USABLE RESERVES

### General Reserves

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

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

The balance on the reserve at 31 March 2013 is £1,609,061 (31 March 2012, £1,143,269).

### Earmarked Reserves

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

	<i>Balance 1 April 11</i>	<i>Transfers in/(out) 11/12</i>	<i>Balance 31 March 12</i>	<i>Transfers in/(out) 12/13</i>	<i>Balance 31 March 13</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Pension Reserve	169	0	169	0	169
Early Termination Scheme	0	300	300	(300)	0
Purchase Headquarters - Fees	0	68	68	(68)	0
Software Purchase	0	65	65	(65)	0
Incident Command Courses	0	0	0	116	116
Interest Reserve	0	0	0	100	100
<b>Totals</b>	<b>169</b>	<b>433</b>	<b>602</b>	<b>(217)</b>	<b>385</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 2012-13 relates to Resilience grants. The balance on the reserve as at 31 March 2013 is £39,143 (31 March 2012 - £294,445).

<b>31 March 2012</b> <b>£'000</b>		<b>31 March 2013</b> <b>£'000</b>
1,143	General Reserve	1,609
602	Earmarked Reserves	385
295	Grant Reserves	39
<b>2,040</b>	<b>Total Usable Reserves</b>	<b>2,033</b>

### 19. UNUSABLE RESERVES

<b>31 March 2012</b> <b>£'000</b>		<b>31 March 2013</b> <b>£'000</b>
3,081	Revaluation Reserve	3,147
12,087	Capital Adjustment Account	10,783
(214,193)	Pensions Reserve	(251,900)
(339)	Accumulated Absences Account	(282)
<b>(199,364)</b>	<b>Total Unusable Reserves</b>	<b>(238,252)</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.

<b>2011/12 £'000</b>	<b>Revaluation Reserve</b>	<b>2012/13 £'000</b>
<b>3,121</b>	<b>Balance at 1 April</b>	<b>3,081</b>
66	Upward revaluation of assets	173
0 0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services- Remove Depreciation	68 (49)
(106)	Difference between fair value depreciation and historical cost depreciation	(126)
<b>3,081</b>	<b>Balance at 31 March</b>	<b>3,147</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.

2011/12	Capital Adjustment Account	2012/13
£'000		£'000
13,239	Balance at 1 April	12,087
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,254)	▪ Charges for depreciation & impairment of non-current assets	(3,339)
(74)	▪ Revaluation losses on Property, Plant & Equipment	(188)
(9)	▪ Amortisation of Intangible Assets	0
(3,337)		(3,527)
(3,337)	Net written out amount of the cost of non-current assets consumed in the year	(3,527)
	<b>Capital financing applied in the year:</b>	
21	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	39
94	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	404
1,959	▪ Statutory provision for the financing of capital investment charged against the General Fund	1,988
111	▪ Prior year lease adjustment	(208)
(1,152)		(1,304)
<b>12,087</b>	<b>Balance at 31 March</b>	<b>10,783</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.

2012-13	Fixed Asset Statement (Note 10)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(2,646)	(126)	(2,520)	(2,646)
Impairment	(1,055)	(49)	(1,006)	(1,055)
Revaluations	173	173	0	173
Revaluations Depreciation	68	68	0	68
Total	(3,460)	66	(3,526)	(3,460)
2011-12	Fixed Asset Statement (Note 10)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation & Impairment	(2,372)	(106)	(2,266)	(2,372)
Impairment	(1,062)	0	(1,062)	(1,062)
Revaluations	0	0	0	0
Revaluations Depreciation	66	66	0	66

Total	(3,368)	(40)	(3,328)	(3,368)
-------	---------	------	---------	---------

### 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.

2011/12 £'000	MOVEMENTS on PENSION RESERVE	2012/13 £'000
(196,832)	Opening Balance 1 April	(214,193)
(13,809)	Reversal of Items debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	(12,045)
3,192	Employer's pensions contributions and direct payments to pensioners payable in the year	3,106
10	Adjustment Previous Year	0
(6,754)	Actuarial Gains or Losses on pensions assets and liabilities	(28,768)
(17,361)	<b>MOVEMENT ON PENSION RESERVE</b>	<b>(37,707)</b>
(214,193)	<b>CLOSING BALANCE</b>	<b>(251,900)</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.

2011/12 £'000	Accumulated Absences Account	2012/13 £'000
(332)	<b>Balance at 1 April</b>	<b>(339)</b>
332	Settlement or cancellation of accrual made at the end of the preceding year	339
(339)	Amounts accrued at the end of the current year	(282)
(339)	<b>Balance at 31 March</b>	<b>(282)</b>

## 20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2011/12 £'000		2012/13 £'000
10,877	<b>Net (Surplus)/Deficit on the Provision of Services</b>	10,319
	<b>Adjustments to Net (Surplus)/Deficit for Non Cash Movements</b>	
38	Increase/(Decrease) in Stock	70
468	Increase/(Decrease) in Debtors	924
1,651	(Increase)/Decrease in Creditors	267
(2,381)	Depreciation Charge	(2,646)
94	Government Grants Received	74
(10,617)	IAS 19 Pension Adjustments	(8,939)
(1,062)	Impairment Charge	(1,006)
65	Revaluation	(191)
21	Gain on Asset Disposal	39
145	Adjustment for Finance Leases	209
165	Contribution (to)/from Various Provisions	7
(26)	Decrease in Grant Reserve	255
920	Transfers to/(from) Reserves	(369)
(7)	Accumulated Absences Reserve	(56)
<b>(10,526)</b>	<b>Less Total Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities</b>	<b>(11,362)</b>
(367)	Interest paid	(357)
30	Interest Received	24
<b>(337)</b>	<b>Less Total</b>	<b>(333)</b>
<b>14</b>	<b>Net Cash Flow From Operating Activity</b>	<b>(1,376)</b>

## 21. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/12 £'000		2012/13 £'000
4,364	Purchase of property, plant and equipment, investment property and intangible assets	2,813
(21)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(39)
(94)	Other receipts from investing activities	(74)
<b>4,249</b>	<b>Net cash flows from investing activities</b>	<b>2,700</b>



## 22. CASH FLOW STATEMENT – FINANCING ACTIVITIES

<b>2011/12 £'000</b>		<b>2012/13 £'000</b>
(22,371)	Cash receipts of short-term and long-term borrowing	(29,397)
21,052	Repayments of short –term and long-term borrowing	31,741
(1,110)	Decrease in call accounts and short –term investments (Note 14) less interest due	(30)
268	Other payments for investing activities	45
<b>(2,161)</b>	<b>Net cash flow from financing activities</b>	<b>(2,359)</b>

## 23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- The Fire Authority budget reporting is based on a subjective analysis of expenditure and income e.g. Employee costs, Premises, Transport etc. rather than on the objective basis that is reported in the accounts e.g. Fire Fighting – Operational Response, Community Fire Safety – Inspection & 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 2011/12 and 2012/13**

2011/12		2012/13
	<b>EXPENDITURE</b>	
	<b>EMPLOYEE COSTS</b>	
13,804,968	Uniformed Staff - Wholetime	13,197,815
4,260,324	Uniformed Staff - Part time	3,851,556
3,811,308	Support Services Staff	3,835,740
405,230	Training Costs	418,077
12,982	Supplementary Payments to Pension Funds	38,083
394,539	Pension payments	437,186
230,095	Other Staff Costs	75,347
<b>22,919,446</b>	<b>TOTAL EMPLOYEE COSTS</b>	<b>21,853,804</b>
	<b>PREMISES COSTS</b>	
854,307	Utilities & Taxation	918,853
351,668	Maintenance	338,470
207,315	Rents	171,166
18,398	Other/Wrexham Fees	882,124
<b>1,431,688</b>	<b>TOTAL PREMISES COSTS</b>	<b>2,310,613</b>
	<b>TRANSPORT</b>	
859,897	Maintenance & Running Expenses	882,523
211,992	Travelling Expenses & Lease Car Scheme	253,282
276,569	Operating Lease Payments	198,029
<b>1,348,458</b>	<b>TOTAL TRANSPORT COSTS</b>	<b>1,333,834</b>
	<b>SUPPLIES &amp; SERVICES</b>	
314,744	Equipment	317,340
1,611,675	IT & Communications	1,421,031
700,590	Other Supplies & Services	934,453
<b>2,627,009</b>	<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>2,672,824</b>
	<b>SUPPORT SERVICES</b>	
328,309	Agency Payments	322,515
337,552	Support Service Agreements	384,838
<b>665,861</b>	<b>TOTAL SUPPORT SERVICES</b>	<b>707,353</b>
0	Contribution to Capital for Lease Vehicles & IT	209,463
2,154,074	<b>CAPITAL FINANCING COSTS</b>	2,362,432
<b>31,146,536</b>	<b>TOTAL EXPENDITURE</b>	<b>31,450,323</b>
	<b>INCOME</b>	
(290,986)	Sales, Fees & Charges	(302,515)
(26,880)	Other Income	(44,588)
<b>(317,866)</b>	<b>TOTAL INCOME</b>	<b>(347,103)</b>
<b>30,828,670</b>	<b>NET OPERATING COSTS</b>	<b>31,103,220</b>
1,103,984	Contribution to Provisions and Reserves	668,791
(31,932,654)	Income From Contributions	(31,772,011)
<b>0</b>	<b>SURPLUS/DEFICIT FOR YEAR</b>	<b>0</b>

### Reconciliation of Service Income and Expenditure presented in the Management Accounts to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the Management Accounts relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2011/12 £'000			2012/13 £'000	
	30,829	Net Expenditure in the Service Analysis		31,103
		<b>Amounts in the Comprehensive Income &amp; Expenditure Statement not reported to management in the Analysis</b>		
2,381		Depreciation	2,646	
(12)		Lease Adjustment	(120)	
(94)		Government Grant Released	(74)	
(454)		IAS 19 – Pensions Adjustment (Note 33)	(1,459)	
1,062		Impairment	1,006	
7		Accumulated Absences	(56)	
	2,890	<b>Amounts included in the Analysis not included in the Comprehensive Income &amp; Expenditure Statement</b>		1,943
(1,959)		Debt Repayment (MRP and VRP)	(1,988)	
(363)		Interest Paid	(374)	
27		Interest Received	24	
0		Provisions and Reserves	669	
0		Transfer from Provisions	5	
(18)		Trading Account Deficit	0	
	(2,313)			(1,664)
	<b>31,406</b>	<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>		<b>31,382</b>

#### 24. TRADING OPERATIONS

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

2011/12 £'000		2012/13 £'000
(24)	Turnover	(34)
42	Expenditure	34
18	<b>Deficit</b>	0

## 25. MEMBERS' ALLOWANCES

During 2012-2013 the sum of £58,826 (£55,387 in 2011-2012) was paid to Members in the form of Members Allowances and travel expenses.

2011/12		2012/13
	<u>Full Year Allowances</u>	
9,744	Chair	10,085
7,489	Vice Chair	5,095
0	Chair Audit Committee	5,095
1,143	Member	1,350
<b>48,952</b>	Total of Members' Allowances paid	<b>48,049</b>
<b>6,435</b>	Total of Members' Expenses paid	<b>10,777</b>

## 26. OFFICERS' REMUNERATION

### SENIOR OFFICERS' EMOLUMENTS 2012-2013 – SALARY BETWEEN £60,000 AND £150,000

POST TITLE	Year	SALARY (inc fees and allowances)	EXPENSES RE-IMBURSED	BENEFIT IN KIND (Provided vehicle)	TOTAL (excl pension contributions)	PENSION CONTRIBUTIONS	TOTAL REMUNERATION
		£	£	£	£	£	£
Chief Fire Officer	2011/12	116,387	52	5,648	122,087	0	122,087
	2012/13	116,387	106	4,378	120,871	0	120,871
Deputy Chief Officer	2011/12	90,280	19	3,963	94,262	19,230	113,492
	2012/13	90,280	267	4,068	94,615	19,230	113,845
Assistant Chief Fire Officer	2011/12	83,990	21	5,965	89,976	17,863	107,839
	2012/13	83,990	390	2,731	87,111	17,863	104,974
Assistant Chief Fire Officer	2011/12	83,990	334	3,158	87,482	17,863	105,345
	2012/13	0	0	0	0	0	0
Assistant Chief Officer	2011/12	73,407	64	3,781	77,252	15,609	92,861
	2012/13	73,407	62	2,966	76,435	15,609	92,044

The Authority does not have any employees with a salary in excess of £150k. One of the Assistant Chief Fire Officers retired in March 2012 and the post has been vacant for 2012-13. The Treasurer to the Authority is not included in the above table as he is not an employee of North Wales Fire Authority.



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

<b>REMUNERATION BAND</b>	<b>2011/12 NUMBER OF EMPLOYEES</b>	<b>2012/13 NUMBER OF EMPLOYEES</b>
£70,000 - £74,999	3	3
£65,000 - £69,999	0	0
£60,000 - £64,999	1	1

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

The number of exit packages with total cost per band are set out in the table below. There were no compulsory redundancies in 2011-12 or 2012-13.

Exit package cost band(including special payments)	Number of departures agreed		Total Cost of Exit packages in each band	
	2011/12	2012/13	2011/12 £	2012/13 £
£0 - £20,000	5	0	47,643	0
£20,001 - £40,000	3	0	83,319	0
£40,001 - £60,000	1	0	40,167	0
Total	9	0	171,129	0

## 27. EXTERNAL AUDIT COSTS

Fees payable to the statutory auditors equate to £60,082 (2011/12 £58,286) with regard to external audit services received.

	<b>2011/2012 £000</b>	<b>2012/2013 £000</b>
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	58	60
Fees payable to the Auditor General for Wales in respect of Statutory inspection	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0

**28. GRANTS**

The following grants were received by the Authority:-

	2011/12 £'000	2012/13 £'000
Airwave	485	416
All Wales Resilience	138	74
Arson Reduction Team	270	290
Community Safety Partnership	52	28
Defra/DEIT Phase 1	12	60
HFSC High Risk	30	0
HFSC Partnership Development	18	41
Interventions	458	463
Lone Workers	16	0
MRG Training	16	11
NDG Equipment Maintenance	100	122
New Dimensions	625	426
Operation mail Guard/Assurance	24	9
Phoenix	180	197
Resilience Officer	78	63
RMS Improvements	14	0
RTC and Fire Behaviour Training	45	0
RTC Initiatives	46	1
Third Sector Co-ordinator	80	97
YFA Equipment	5	0
<b>TOTAL</b>	<b>2,692</b>	<b>2,298</b>

## 29. RELATED PARTIES

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

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

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

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

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

	<b>£'000</b>
Conwy CBC – Treasurer and Financial Services	106
Conwy CBC – Legal Services	9
Flintshire CC – Monitoring Officer	17
Carmarthenshire CC – Superannuation Service	26
Welsh Local Government Association	21
North Wales Police – Facilities Management	141
North Wales Police - Procurement	12
Firebrake	35

There were no balances outstanding at the year end.

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

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

## 30. CAPITAL EXPENDITURE AND FINANCING

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

<b>2011/12</b> <b>£'000</b>		<b>2012/13</b> <b>£'000</b>
19,754	Opening Capital Financing Requirement	22,327
	Capital Investment in Year	
0	• Intangible Assets	0
4,491	• Fixed Assets	3,075
	Sources of Finance	
(94)	• Grants & Contributions	(443)
(1,824)	• Revenue and Other Provisions	(1,988)
	• Prior year adjustment	(2)
22,327	Closing Capital Financing Requirement	22,969
<b>2,573</b>	Change in Capital Financing Requirement	<b>642</b>
2,573	Explanation of change: Increase in underlying need to borrow	642

Capital Expenditure during the year was as follows:

Scheme	£000
Station Refurbishments	2,380
Vehicles	194
ICT	409
Operational Equipment	92
<b>Total</b>	<b>3,075</b>

### CAPITAL COMMITMENTS 2012-2013 Onwards

There are no major capital commitments entered into as at 31 March 2013.

### FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

	2011/12 £000	2012/13 £000
External Loans	1,344	2,347
Grant Funding	94	74
Capital Receipts	21	39
Internal Borrowing	3,032	285
Revenue Contribution	0	330
<b>Total</b>	<b>4,491</b>	<b>3,075</b>

## 31. LEASES

### Finance Leases

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

	31 March 2012 £'000	31 March 2013 £'000
Vehicles, Plant, furniture & Equipment	254	165
<b>Total</b>	<b>254</b>	<b>165</b>

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

	31 March 2012 £'000	31 March 2013 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	45	165
▪ Non-Current	0	0
Finance costs payable in future years	3	0
<b>Minimum Lease Payments</b>	<b>48</b>	<b>165</b>



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

	<i>Minimum Lease Payments</i>		<i>Finance Lease Liabilities</i>	
	<i>31 March 2012 £'000</i>	<i>31 March 2013 £'000</i>	<i>31 March 2012 £'000</i>	<i>31 March 2013 £'000</i>
No later than one year	48	165	45	165
No later than one year and not later than 5 years	0	0	0	0
<b>Total</b>	<b>48</b>	<b>165</b>	<b>45</b>	<b>165</b>

### Operating Lease

The operating lease payments outstanding as at 31 March 2013 are £113,672 (31 March 2012, £171,320), with payment of operating leasing charges during the year of £73,028 (2011/12, £110,366). All operating leases are for vehicles and equipment. The lease charges for 2012-13 are less than in the previous year as all leases have been re-negotiated so that by 2016/17 all leased assets will be owned by the Authority.

<i>LEASING OBLIGATIONS</i>	<i>£'000</i>
Expires within 12 months	28
Expires between 2 and 5 years	86
Expires after 5 years	0
<b>TOTAL for 2012/13</b>	<b>114</b>

## 32. TERMINATION BENEFITS

The Authority terminated no contracts in 2012-13. No termination costs were payable in 2012-13 (2011-12, £171,129) any costs would have been charged within the year with the only future liabilities being in respect of future pensions. These liabilities are contained within pension liabilities under IAS 19 and included within pension disclosure Note 33 below.

## 33. TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

### Pensions

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

In 2012-2013 the Authority paid an Employer's Pension contribution of £865,268 (2011-2012, £883,400 representing 12% (2011-2012, 12%) of employees' pensionable pay and included a lump sum payment of £459,000 (2011-12, £459,000) into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service. In 2011-12 the percentage used to calculate the contribution was reduced substantially with the reduction being replaced by an annual lump sum payment, the change in funding calculation is to assist in better managing the fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2010. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

During 2012-2013 added years benefits and early retirement costs due to redundancies of £158,706 (2011-2012, £35,978) were paid to employees which represents 4.34% (2011-2012, 0.86%) of employees' pensionable pay. Pension contributions to be paid in to the scheme for the financial year 2013-14 are estimated to be £843,000 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 2012-2013 the Authority paid an Employer's Pension contribution of £1,851,594 (2011-12, £1,907,685). Pensions paid from revenue amounted to £432,739 (2011-2012, £389,976). In 2013-2014 the employer's contribution to the scheme is estimated to be £1,819,700 and the estimate for Pensions paid from revenue is £346,000. 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 2013 was £9.74m (31 March 2012, £7.563m) and for the Firefighters scheme the liability was £242.16m as at 31 March 2013 (31 March 2012 £206.63m). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found below.

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

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

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

This disclosure will be fully incorporated into the 2013-14 Statement of Accounts. However IAS8 requires the disclosure of the expected impact of the future changes going forward. The change in assumptions will increase the current service costs charged to the Comprehensive Income & Expenditure Account and it is estimated that for the Firefighters' pension scheme these will increase by approximately £2.8m and for the Local Government Pension Scheme by £0.16m.

**Movements on the Pension Fund**

<b>MOVEMENTS ON PENSION RESERVE</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
Opening Balance 1 April	(196,832)	(214,193)
Comprehensive Income & Expenditure Account <b>Cost of Service</b>		
Current Service Cost		
– Firefighters	(5,000)	(4,790)
– Local Government Pension Scheme	(660)	(582)
	(5,660)	(5,372)
Settlements & Curtailments		
– Firefighters	0	(30)
– Local Government Pension Scheme	0	0
<b>Net Operating Expenditure</b>	(5,660)	(5,402)
Interest Cost		
– Firefighters	(10,810)	(10,090)
– Local Government Pension Scheme	(1,084)	(1,079)
Expected Return on Pension Assets		
– Local Government Pension Scheme	823	771
<b>Net Charge to I&amp;E Account</b>	(16,731)	(15,800)
Actual Amount Charged		
Employers contributions		
– Local Government Pension Scheme	894	901
– Pensions Paid Firefighters	335	354
– Firefighters Pension Fund	1,963	1,851
Difference between Actuarial Estimate and Actual Contributions- Firefighters	2,922	3,755
Adjustment	10	0
Actuarial Adjustments to Balance Sheet	(6,754)	(28,768)
<b>MOVEMENT ON PENSION RESERVE</b>	17,361	(37,707)
<b>CLOSING BALANCE</b>	(214,193)	(251,900)

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

<b>Adjustment to Net Cost of Service</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
Current Service Costs	5,660	5,372
Past Service Costs	0	0
Employer's Contributions	(3,192)	(3,106)
Top Up Grant	(2,936)	(3,825)
Actuarial Adjustment/Curtailment	14	30
Transfer Values In	0	70
<b>Adjustment to Net cost of Service</b>	(454)	(1,459)

### Scheme History

The actuarial gains and losses identified as movements on the Pensions Reserve in 2012-13 can be analysed into the following categories.

CATEGORY	2012/13		2011/12		2010/11		2009/10		2008/09	
	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %	£'000	Asset/ Liability %
Difference between expected and actual return on Assets	517	3.4	(594)	4.4	(35)	0.3	0	0	0	0
Difference between actuarial assumptions about liabilities and actual experience	7,470	3.08	3,460	1.51	16,309	7.8	25,330	10.73	30	0.6
Changes in the demographic and financial assumptions used to estimate liabilities	(36,755)	14.59	(9,620)	4.22	902	0.43	(72,227)	30.59	17,072	10.59
<b>Totals</b>	<b>(28,768)</b>		<b>(6,754)</b>		<b>17,176</b>		<b>(46,897)</b>		<b>17,102</b>	

The Authority's estimated share of assets and liabilities from 31 March 2009 to 31 March 2013 were as follows:

	31 March				
	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Estimated share of liabilities in the Firefighters' Pension Scheme	242,160	206,630	189,890	216,810	135,040
Estimated share of liabilities in Clwyd Pension Fund	25,037	21,037	19,447	19,250	12,515
<b>Total Estimated share of liabilities</b>	<b>267,197</b>	<b>227,667</b>	<b>209,337</b>	<b>236,060</b>	<b>147,555</b>
Estimated Share of assets in Clwyd Pension Fund	15,297	13,474	12,505	10,593	7,255
<b>Net Pensions Deficit</b>	<b>251,900</b>	<b>214,193</b>	<b>196,832</b>	<b>225,467</b>	<b>140,300</b>

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

	<b>Firefighters' Scheme</b>		<b>Clwyd Pension Fund</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rate of Inflation	2.6	2.5	2.6	2.4
Rate of Increase in Salaries	4.7	4.75	4.5	3.9
Rate of Increase in Pensions	2.5	2.5	3.0	2.4
Rate of Discounting Scheme Liabilities	4.9	4.3	5.5	4.4
	Life Expectancies Estimated as at 31 March 2013			
Life Expectancy at 65	Males	Females	Males	Females
Current Pensioners	23.5	25.4	22.2	24.8
Future Pensioners	26.7	28.4	24.1	26.8

The Firefighters' Pension scheme is an unfunded scheme and as such holds no assets to generate income to meet the schemes liabilities. Funding for the payments made from the scheme is met from employers and employees contributions in the year and an annual grant from the Welsh Assembly Government.

The Local Government scheme is a funded scheme and as such has built up assets over the years to generate income to meet future liabilities. Assets in the Clwyd Pension Fund are valued at fair value, principally bid value for investments, and consist of:

	<b>31 March</b>	<b>31 March</b>	<b>Expected Return On Asset</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>2013</b>			
Equity Investments	43.6	6,670	7.0
Bonds	14.8	2,264	3.9
Other Assets	41.6	6,363	7.0
<b>Total</b>		<b>15,297</b>	
<b>2012</b>			
Equity Investments	41.0	5,525	7.0
Bonds	16.0	2,156	5.1
Other Assets	43.0	5,793	7.0
<b>Total</b>		<b>13,474</b>	

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

<b>Liabilities</b>	<b>2011/12 £'000 Clwyd</b>	<b>2011/12 £'000 Firefighters</b>	<b>2012/13 £'000 Clwyd</b>	<b>2012/13 £'000 Firefighters</b>
Balance as at 1 April	(19,447)	(189,890)	(21,037)	(206,630)
Current Service Cost	(660)	(5,000)	(582)	(4,790)
Transfer Values In	0	(350)	0	(70)
Past Service Cost	0	0	0	0
Interest	(1,084)	(10,810)	(1,079)	(10,090)
Curtailments	0	0	(30)	0
Actuarial Loss/Gain	2	(6,160)	(2,675)	(26,610)
Employer's Contributions	0	5,570	0	6,030
Benefits paid less Member contbn	152	10	366	0
<b>Net Pension Liabilities at Year End</b>	<b>(21,037)</b>	<b>(206,630)</b>	<b>(25,037)</b>	<b>(242,160)</b>

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

<b>Assets</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
Balance 1 April	12,505	13,474
Return on Pension Assets	823	771
Actuarial Gain/Loss on Assets	(596)	517
Contributions	742	535
<b>Net Pension Assets at Year End</b>	<b>13,474</b>	<b>15,297</b>

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

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

The highest credit risk is for investments and these are managed through the Treasury Management Strategy as detailed above. In the current market the Authority only invests short term, up to a maximum of 3 months, with institutions that are on the Authority's counterparty list. On a daily basis the Authority is updated with any changes to the credit status of institutions on the counterparty list and if any institutions are down graded and fail to meet the criteria set out in the Treasury management Strategy then they are removed from the list. If an institute failed to repay an investment then the financial loss to the Authority could be in excess of £1m. However, due to careful management of the portfolio no institutions have failed to repay monies due.

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

An assessment of the financial effect of a 1% increase in interest rates has been undertaken; interest on variable rate and temporary borrowing would have increased by £100k; and interest from investments would have increased by £22k.

### **35. CONTINGENT LIABILITIES**

#### **Retained Firefighter Pensions**

Retained Firefighters have been able to join the New Firefighter Pension Scheme since 1 April 2006. However, as a consequence of a court case in relation to the Part-Time Workers (Prevention of less favourable treatment) Regulations, which came into force on 1 July 2000, under certain circumstances Retained Firefighters are permitted to buy into the Firefighters' Pension Scheme from an earlier date. Where this option is chosen there will be a considerable liability for the Authority to bear the cost of such pensions. The current estimate is that the maximum cost to the Authority could be up to £960k and a provision of £300k has been set aside to offset these costs (see note 2). However, a detailed calculation of liability has not yet been fully agreed and an element may be funded by the Welsh Assembly Government.

### THE FIREFIGHTERS' PENSION FUND ACCOUNT

<i>Fund Account</i>	<i>2011/12 £000</i>	<i>2012/13 £000</i>
<b>INCOME</b>		
<b>Contributions Receivable:</b>		
Employer normal contributions	(1,908)	(1,852)
Employer Ill Health Charge	(56)	(75)
Members	(1,064)	(1,089)
Transfers In	(354)	(65)
<b>TOTAL</b>	<b>(3,382)</b>	<b>(3,081)</b>
<b>EXPENDITURE</b>		
<b>Benefits Payable:</b>		
Pension Payments	4,934	5,336
Commutation of Pensions and Lump Sum benefits	1,384	1,590
<b>Payments to and on Behalf of Leavers:</b>		
Transfers out	0	0
<b>TOTAL</b>	<b>6,318</b>	<b>6,926</b>
<b>NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT</b>	<b>2,936</b>	<b>3,845</b>
Top Up grant receivable from WG	(2,936)	(3,845)
<b>NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR</b>	<b>0</b>	<b>0</b>

<i>Net Assets Statement</i>	<i>2011/12 £000</i>	<i>2012/13 £000</i>
<b>Net Current Assets and Liabilities:</b>		
Top Up payable (from)/to WG	(1,064)	(1,117)
Amount owed from/to the General Fund	1,064	1,117
<b>Net Assets at year end</b>	<b>0</b>	<b>0</b>

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

The Fund was established 1 April 2007 and covers both the 1992 and 2007 Firefighters' Pension Schemes and is administered by the Authority. Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by WG and subject to triennial revaluation by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by Top Up Grant from WG.

Transfers in to the scheme are a transfer of pension benefits from another pension scheme for new or existing employees and transfers out are transfer of benefits for employees who have left the Authority and joined another pension scheme.

The Authority is responsible for paying the employer's contributions in to the fund and these are the costs that are included in the accounts for the Authority.

At the beginning of the financial year an assessment is made of the amount of Top Up grant required from WG and 80% of the estimate is paid in July. The 2012-13 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 2012-13 the number of firefighters retiring was higher than the original estimate due partly to the change to the whole time fire fighters rostering system this meant that the Top Up Grant received was lower than that needed to cover the deficit on the fund. At the year end the Authority was owed £1.117m from WG due to underpayment of Top Up Grant.

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

### Contribution Rates

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

Pensionable Pay Band	2012-13 Contribution Rate %
Up to and including £15,000	8.5
More than £15,000 and up to and including £30,000	8.8
More than £30,000 and up to and including £40,000	8.9
More than £40,000 and up to and including £50,000	9.0
More than £50,000 and up to and including £60,000	9.1
More than £60,000 and up to and including £100,000	9.3
More than £100,000 and up to and including £120,000	9.5
More than £120,000	9.7

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

Pensionable Pay Band	2012-13 Contribution Rate %
Up to and including £15,000	11.0
More than £15,000 and up to and including £30,000	11.6
More than £30,000 and up to and including £40,000	11.7
More than £40,000 and up to and including £50,000	11.8
More than £50,000 and up to and including £60,000	11.9
More than £60,000 and up to and including £100,000	12.2
More than £100,000 and up to and including £120,000	12.5
More than £120,000	13.0

**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 (2013 - £242.16m, 2012 - £206.63m).**



**Gwasanaeth Tân ac Achub  
Fire and Rescue Service**

# **Annual Governance Statement 2012/2013**

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Approved By</b>	<b>Date for Review</b>
2	20 <sup>th</sup> May 2013	Finance Manager	Executive Group Executive Panel	23 <sup>rd</sup> May 2013 15 <sup>th</sup> July 2013

## **1 Introduction**

- 1.1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework'.

## **2 Scope of Responsibility**

- 2.1 North Wales Fire & Rescue Service (the Service) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Service also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Service is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 2.3 The Service has approved and adopted a code of corporate governance, which is consistent with the principles of the C.I.P.F.A./S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government'. This statement explains how the Service has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005.

## **3 The Purpose of the Governance Framework**

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services and continuous improvement.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Service's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 3.3 The governance framework has been in place at the Authority for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

## **4 The Governance Framework**

- 4.1 This statement describes the key elements of the Authority's Governance Framework and our self-assessment of the compliance with the Authority's Code of Corporate

Governance. The governance assurances contained in this statement are structured around each of the 6 core governance principles contained in the Framework for Delivering Good Governance in Local Government.

- 4.2 Each of these principles is an important part of the Authority's Code of Corporate Governance arrangements. By applying these principles we can demonstrate that we are delivering the services to our citizens and communities in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

**Principle 1**  
**Focusing on the purpose of the authority, the outcomes for the community and creating and implementing a vision for the local area.**

- 5.1 The **Improvement and Risk Reduction Plan 2010/11 to 2012/13** sets out the vision, mission statement and values of the Authority. The plan has been compiled in accordance with specific duties arising from the new Local Government (Wales) Measure 2009 and the Fire and Rescue National Framework for Wales 2008-11. Three different purposes are covered within the plan:
- The provision of information about the Authority and Service, and the context within which they operate;
  - It records the highest priorities of the Authority and traces progress towards achieving specific goals;
  - It is a useful reference document that retains a historical record of performance spanning three financial years.
- 5.2 The Principal Officers are accountable for ensuring that the Service Priorities are delivered, and performance against key targets is regularly monitored via the **performance management** framework and is regularly reported to members.
- 5.3 There are robust arrangements for effective **financial control** through the Service's accounting procedures and Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Treasurer is responsible for the proper administration of the Service's financial affairs, as required by Section 151 of the Local Government Act 1972. There is a clear segregation of responsibilities between the management accountancy function undertaken internally and the financial accountancy function, which is undertaken through a SLA with Conwy County Borough Council.
- 5.4 Procedures for tendering and contract letting are included in the Financial Regulations. The Service's **Treasury Management** arrangements follow professional practice and are subject to regular review and include reports presented to Members on a quarterly basis.
- 5.5 In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of **procurement** and project management.
- 5.6 Throughout the year the Service collects and monitors a suite of **performance indicators**. Routine reports of activity and performance compared to previous years

are considered by the Executive Group (6 weekly) and the Executive Panel (quarterly) to monitor progress; Consideration of these reports can trigger further investigation of specific issues or corrective action being taken if activity or performance levels are off target or cannot be explained (e.g. by prevailing weather conditions). All Fire and Rescue Authority reports are available on the Service's website.

5.7 The Service has agreed principles and processes to ensure that its objectives, priorities and values are promoted and safeguarded when working in partnership. A **partnership strategy** has been published and is available on the Service's website. Clear accountability and communication provisions are provided within all partnership agreements.

5.8 The Service has made improvements in the areas of quality assurance and performance management within the area of **voluntary sector engagement**. Improvements include:

- Formalisation of the provision of information sharing protocols with partner agencies involved with our Phoenix scheme and with voluntary sector organisations, who deliver Home Fire Safety Checks on our behalf;
- Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved;
- A guidance document has been completed for Community Safety Education in schools and confirmation of the partnership objectives within the multi-agency crucial crew project. In addition a risk register has been compiled and a risk assessment completed for areas of work within Community Safety.

5.9 The Service participates annually in a reciprocal process of **Operational Assurance** of Service Delivery between the three Welsh fire and rescue services. The Key Lines of Enquiry in 2012/13 were around Legislative Fire Safety and Direction of Travel. Having completed a self-assessment, the Service invited a team from the other two Welsh FRS's to undertake a peer review and to make improvement recommendations based on their findings.

**Principle 2**  
**Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

6.1 The **Constitution**, which can be found on the Authority website, sets out:

- How the Service operates and makes decisions;
- The procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;
- The key roles of all members and senior officers, including the lead responsibilities for corporate governance of the CFO, DCFO and other designated senior officers;
- A scheme of delegated powers for decision-taking;
- Responsibilities for reviewing and agreeing the Service's corporate governance arrangements;
- Arrangements for ensuring it is regularly reviewed and updated;
- Its related codes and protocols.

- 6.2 **Policy and decision-making** is facilitated through the **Executive Group**. This strategic group consists of the Chief Fire Officer, Deputy Chief Fire Office and three Assistant Chief Fire Officers who meet every six weeks to review standing items including performance, risk and financial management and development of internal policy and procedures.
- 6.3 The **Executive Panel** has a varied role dealing with such topics as the appointment of senior officers, examining the detail of improvement and financial plans, dealing with certain audit matters and with policy and constitutional issues as the need arises. It usually deals with responses to consultation papers and other policy developments, and makes recommendations to the Fire and Rescue Authority on its key policies including the Risk Reduction Plan. The Panel usually deals with senior appointments by setting up a special sub-committee for the purpose.
- 6.4 The Service operates a **Data Protection** policy and also has procedures in place to meet its responsibilities under the **Environmental Information** Regulations and the **Freedom of Information** Act, 2000. In compliance with the latter, the Service's website includes a 'directory of published information' which provides guidance on information which the Service publishes routinely. The website also includes other information which the Service is required to publish, such as allowances paid to members in accordance with statutory provisions. In addition, all reports considered by the Authority, its Executive Group and Committees and the minutes of decisions taken are, unless confidential, made available on the Authority website.
- 6.5 In accordance with its statutory responsibilities, the Service has in place a **Health and Safety Policy** and related procedures.
- 6.6 Agreed arrangements enable the Service to comply with statutory requirements in respect of **child protection** and the **protection of vulnerable adults**. Recruitment procedures help ensure that Service employees and members working with children or vulnerable adults are checked for their suitability to do so.

### Principle 3

**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

- 7.1 Policies are in place to ensure the Service establishes ethical governance frameworks which include:
- Codes of conduct for officers and members, which are regularly reviewed, updated and tested for compliance;
  - A planning code of conduct;
  - A policy maintaining a disciplinary process to deal with any breaches of the code of conduct for Officers;
  - A whistle-blowing policy widely communicated within the Service and which is regularly reviewed;
  - Registers of personal and business interests;
  - An agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.

- 7.2 The Chief Executive of Flintshire County Council is the designated '**Monitoring Officer**' in accordance with the Local Government and Housing Act, 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the Authority in respect of any proposals, decisions or omissions which could be unlawful.
- 7.3 Established **anti-fraud and corruption** arrangements provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures designed to combat money-laundering.
- 7.4 **Internal Audit** operate to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006' produced by C.I.P.F.A. The Audit Manager reports to the Audit Committee a summary of audit findings annually, and also reports annually an opinion on the overall adequacy and effectiveness of the Service's control environment. The Authority outsources its Internal Audit function to Conwy County Borough Council as part of its Treasury and Financial Services SLA. The Internal Audit service, which is independent in its planning and operation and is designed to give assurance that the Authority maintains adequate systems of internal control and makes recommendations on the ways to enhance these where it feels necessary. The Head of Audit Services has direct access to the Chief Fire Officer, all levels of management and elected members.
- 7.5 The Service has an objective and professional relationship with its **external auditors**. In September 2012, the Wales Audit Office and KPMG presented to the Audit Committee its 'Audit of Accounting Statements' Report, which stated their intention to issue an unqualified Auditor's Report on the accounting statements and related notes for 2011/12. The detailed report confirmed that the Authority's accounting statements give a true and fair view of the financial position as at 31 March 2012 as evidenced by the Relationship Manager's Annual Letter. This can be found on the Authority's website.
- 7.6 The **Standards Committee** was established in accordance with the requirements of the Local Government Act 2000 and its Terms of Reference were set in 2003. Its duties include the consideration of complaints against Authority members referred to it by the Ombudsman and the granting of dispensations. It also advises the Authority on issues to do with standards. The committee consists of 6 members, four of whom are independent. The Fire and Rescue Authority representatives on this Committee cannot be an office holder on the Authority. The Chairman and Vice-Chairman are drawn from the independent members. It also oversees the Service's Whistleblowing arrangements.

**Principle 4**  
**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- 8.1 The **Audit Committee** considers the effectiveness of the Service's risk management arrangements, monitors the work of internal and external auditors and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. The committee has responsibility for scrutinising all financial reports and making recommendations to the Fire Authority as to their findings it has in the past few years been given delegated responsibility for approving the annual

Statement of Accounts and its associated reports (which include this statement). The Committee's membership consists of all non-executive panel members and meets a minimum of twice per year. The Chair and Vice Chair are appointed from different constituent authorities in the interests of representations of the communities of North Wales.

- 8.2 Data feeding into outcome-based **National Strategic Indicators** and other Core Indicators set by the Welsh Government (WG) is routinely collected, checked, analysed, submitted to the WG and reported publicly throughout the year. The WG also publishes much of this information on its own websites.
- 8.3 **Strategic Indicator data** are audited annually by the Wales Audit Office. Effective performance management is further supported by local measures and indicators with associated targets where relevant.
- 8.4 **Incident data** is collected and quality assured internally before being submitted via a new (2009) web-enabled Incident Reporting System (IRS) to the UK Government. Internal electronic systems similarly store data on, for example: fire safety and prevention activity; and financial information.
- 8.5 The Authority has published a **Business Continuity Management (BCM)** policy. Work has been undertaken to integrate the Service's BCM arrangements with the Welsh Government's Climate Change Adaptation reporting requirements. As part of the Combined Improvement and Risk Reduction Plan 2010-11 to 2012-13 the Service ensures that the business continuity arrangements are comprehensive and secure. Each department within the Service has developed individual functional business continuity plans. Following risk analysis the plans cover various scenarios and measures taken to ensure resilience to potential disruptions including situations such as industrial dispute action. The plans have clearly defined and allocated responsibility for Business Continuity Management within the Service; giving equal importance to corporate and operational business continuity management to ensure that no area has been overlooked and that recovery plans are robust. The Service continues to develop a programme of testing and exercising to check the validity of existing plans.
- 8.6 The Service has in place an agreed strategy for external and internal **communications** which is linked to its corporate priorities and includes processes for reviewing its effectiveness.
- 8.7 An **ICT Steering Group** has been formulated; it is chaired by the Principal Officer with the reference for ICT and also includes the Deputy Chief Fire Officer and the other Assistant Chief Fire Officers as well as the ICT Manager. Its terms of reference include:
- Responsibility for the definition of Service ICT policies and procedures including the security policy;
  - Monitoring the deployment and implementation of ICT Policy and the performance of ICT within the Service;
  - Development of the ICT strategy and responsible for reviewing and accepting business cases for ICT investment from various departments;
  - Responsibility for the review and approval of major ICT procurements and overseeing the implementation of major ICT projects.
- 8.8 The Service's **Risk Management Policy** requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and



managing significant risks to the Service's priorities, services and major projects. This includes a specific assessment of those risks considered to be strategic to the Service's priorities. The risks and the controls necessary to manage them are recorded in the **corporate risk register**, and any required improvements to controls are monitored to ensure implementation. The corporate risk register includes identification/appraisal of 9 high level risks within 5 areas: Financial, Political, Resources, Planning and National Issues. The register is reviewed annually.

- 8.9 Processes are in place to ensure the **economic, effective and efficient** use of resources and for securing continuous improvement in the way that functions are exercised. These include reviews undertaken both internally and by the external auditors, and cooperating with the Welsh Assembly Government in the 'Wales Programme for Improvement' and in collaborative working initiatives.

**Principle 5**  
**Developing the capacity and capability of members and officers to be effective**

- 9.1 The Service's **recruitment** procedures provide equality of employment opportunities. An **equality-assessed pay structure** meets the requirements of the Single Status Agreement of 1997. All members of staff are issued with a contract, job description and have an annual performance development review.
- 9.2 The Service holds the WLGA Charter for **Member Support and Development**, and therefore has in place established procedures to assess the training needs of members and senior officers and for ensuring that, where necessary, they are provided with appropriate training. The **employee competency framework** involves an appraisal process to review individual performance and to help ensure that employees are adequately skilled and for their work. The Service operates the national IPDS system for operational staff and has developed workforce succession planning and introduced **Career Development Pathways**.
- 9.3 Equality issues are covered through the Strategic Equality Plan.
- 9.4 Information is cascaded to staff through weekly Chief Updates, monthly routine orders, the intranet and staff newsletters.

**Principle 6**  
**Engaging with Local People and other stakeholders to ensure robust public accountability**

- 10.1 The Authority operates a committee structure covering the key areas aligned to its strategic objectives. The Fire and Rescue Authority is made up of 28 elected members from the six Unitary Authorities covered by the Fire & Rescue Service area in accordance with the North Wales Fire Service (Combination Scheme) Order 1995. The role of the Authority is defined within its Standing Orders. The full Authority meets four times per year in March, June, October and December. Extraordinary meetings can be called at any time if urgent business requires to be transacted. The Authority's function is further supported by its Clerk and Treasurer. Meetings are **open to the**

**public**, and records of the Authority's transactions are available from the Authority's website ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk))

10.2 The Service's stakeholders are consulted in regard to determining the priorities needed to realise the vision set out in the Risk Reduction Plan, and the service-planning process establishes and communicates those priorities and means of achieving them. Planned improvements and targets are set out in the **Annual Report** and Improvement Plan.

10.3 Annual consultation to all stakeholders for feedback regarding key objectives of the Service.

## 11 Review of Effectiveness

11.1 The Service has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Group and its officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and other reviews undertaken.

11.2 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:

- i) there are regular reviews of the Constitution and ethical governance arrangements (including the extent of compliance with the Regulation of Investigatory Powers Act) by the Monitoring Officer;
- ii) the review of effectiveness is informed by the work of the Chief Fire Officer, Deputy Chief Fire Officer and Principal Officers who have the responsibility for the development and maintenance of the governance environment and culture;
- iii) the Internal Audit function performs regular reviews of the financial systems and controls to provide assurance to the Authority through its Audit Committee;
- iv) regular reviews of the financial controls by the Deputy Chief Fire Officer and Treasurer;
- v) the Service has since 1998 managed its spending plans within the approved budget. WAO and KPMG consider the overall control environment to be generally sound, with robust systems of internal financial control and financial management arrangements in operation;
- vi) formal risk management and regular ongoing review of the processes involved;
- vii) internal and external audit of the risk management processes;
- viii) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that Principal Officers implement agreed recommendations;
- ix) the annual assessment of Internal Audit by the Service's external auditors, who concluded that, Internal Audit complies with C.I.P.F.A.'s 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006';
- x) the work of the Service's Scrutiny and other Committees, including its Audit and Standards committees,
- xi) the opinions and recommendations of the Service's external auditors and other inspection and review agencies;
- xii) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to Authority members;

NORTH WALES FIRE & RESCUE SERVICE ANNUAL GOVERNANCE STATEMENT  
2012/13

- xiii) Heads of Departments provide assurance in their professional capacity for their service area through the presentation of reports, monthly service reviews that provide assurance of risk management, the implementation of external and internal recommendations and progress on performance;
- xiv) assurance provided by Principal Officers in respect to the internal controls for which they have responsibility;

11.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

11.4 In respect of those 'significant control issues' included in the Statement on Internal Control for the previous financial year (2011/12), progress in 2012/13 was as follows:

- staff awareness of the Whistleblowing policy was undertaken.
- enhancements have been made to the information reported to the Audit Committee in relation to the Internal Audit findings have been made, with the introduction of written summaries in conjunction with verbal updates;
- the year-end timetable has been formalised thereby ensuring that the Whole of Government Accounts L-pack is submitted to the external auditors with adequate time for review in order to meet the Welsh Government's deadline;
- a five year ICT strategy is currently being developed on an All Wales basis;
- there is extensive collaboration with the other FRS in Wales under the National Issues Committee to enhance and align formats of the medium term revenue plans;
- there are improved governance arrangements for when the Service works in collaboration or in partnership,
- sustainable development and equalities considerations have been further integrated into service planning and policy making processes

## 12 Recommendations for Improvement

12.1 The Service has effective controls and governance but is not complacent. This Annual Governance Statement has identified areas where further improvements need to be made.

### Annual Governance Statement 2012/13 Action Plan - New Actions for 2013/14

Code of Governance Review	Review/update the Authority's Code of Governance and Annual Governance Statement in line with the National Issues Committee.	Finance Manager
Establish a Consultation and Engagement Strategy	Consider how we currently consult and engage with the public; investigate ways of improving the process.	Equalities Advisor

NORTH WALES FIRE & RESCUE SERVICE ANNUAL GOVERNANCE STATEMENT  
2012/13

Improve benchmarking	Use of a like for like comparator; further collaboration with the two other FRAs in Wales.	Corporate Planning Manager
Improve internal, role specific competences	Roll out the provision of PDR competency framework to support staff, and monitor the effectiveness.	Head of Training

12.2 Good governance is the foundation for the delivery of good quality services that meet all stakeholders' needs and it is fundamental to showing that public money is well spent. Based on the review, assessment and on-going monitoring work undertaken during 2012/13, we have reached the opinion that good governance arrangements are in place, key systems are operating soundly and that there are no fundamental control weaknesses in evidence. However, no system of control can provide absolute assurance against misstatement or loss. Based on the various assurances given, this statement is intended to provide reasonable assurance that satisfactory corporate governance arrangements are in place and working effectively.

12.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**.....

**(Chief Fire Officer).....2013**

**Signed:**

**(Chair NWF&RS) 2013**

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

Eich Cyf/Your Ref:  
Ein Cyf/Our Ref: SF/M27  
Dyddiad/Date: 23 September 2013  
Gofynner am/Ask for: S Forrest  
Rhif Union/Direct Dial: 01492 576179

KPMG LLP  
3 Assembly Square  
Britannia Quay  
Cardiff Bay  
CF10 4AX

Dear Sirs

## **2012/2013 Statement of Accounts of North Wales Fire Authority**

This representation letter is provided in connection with your audit of the financial statements of North Wales Fire Authority (the Authority) and the firefighters' pension fund for the year ended 31 March 2013.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### **Management representations**

#### **Responsibilities**

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2012/13; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### **Information provided**

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- our knowledge of fraud or suspected fraud that we are aware of and that affects North Wales Fire Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

### **Financial statement representations**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There have been no uncorrected misstatements.

### **Representations by North Wales Fire Authority**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the North Wales Fire Authority Audit Committee on 23 September 2013.

Yours faithfully

**Chair of the Authority**  
**Date** 23 September 2013

**Treasurer to the Authority**  
**Date** 23 September 2013