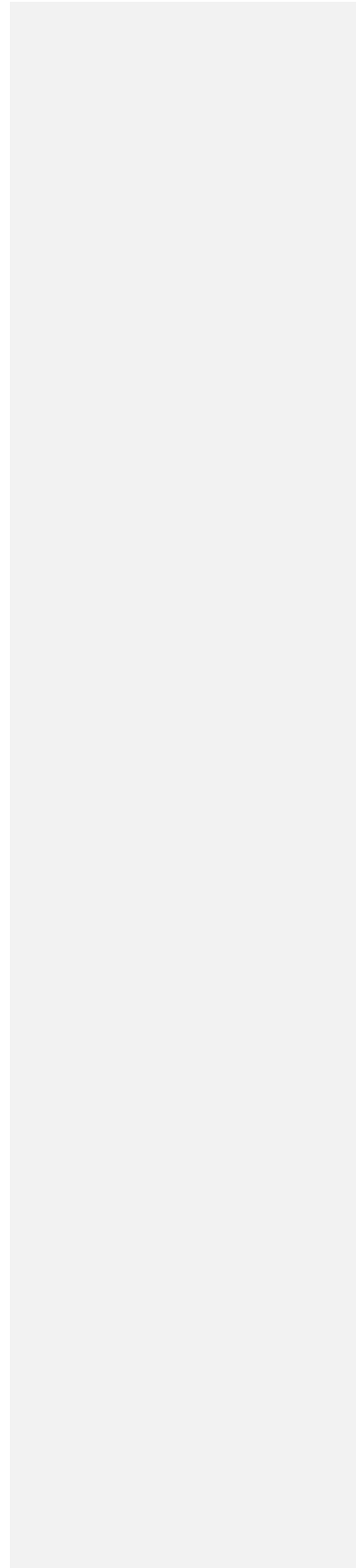


NORTH WALES FIRE & RESCUE SERVICE

STATEMENT OF ACCOUNTS 2003-2004

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EXPLANATORY FOREWORD

1. 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 2003-2004.

- 2(a). The statements and their purposes are as follows:-
 - (i) **Statement of Accounting Policies**
This sets out the principles and policies upon which the Authority's accounts have been prepared.
 - (ii) **Consolidated Revenue Account**
This summarises the expenditure of the Authority and demonstrates how the expenditure has been financed.
 - (iii) **Consolidated Balance Sheet**
The Consolidated Balance Sheet describes the financial position of the Authority.
 - (iv) **Statement of Total Movements in Reserves**
This statement brings together all of the recognised gains and losses of the Authority and identifies those that have and have not been recognised in the Consolidated Revenue Account.
 - (v) **Cashflow Statement**
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third-parties for revenue and capital purposes.
 - (vi) **Statement of Responsibilities for the Statement of Accounts**
This sets out the responsibilities of the Treasurer to the Fire Authority as regards the Statement of Accounts.

- 2(b). The Revenue Account, Balance Sheet and Cash Flow Statements are supported by notes which provide additional information. The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting in Great Britain (2003) and the Best Value Accounting Code of Practice (2003), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 1996.

3. **SUMMARY OF FINANCIAL YEAR 2003-2004**
 - (i) **Revenue Expenditure 2003-2004**
The budget for the year was approved by Members of the Fire Authority at £25,304,230. The Consolidated Revenue Account shows that the expenditure for the year was contained within this sum. Reports to Members in December 2003 and March 2004 estimated that the outturn for 2003-2004 would be an overspend of between £216,000 and £231,000, which was to be funded from the previous years' underspend. The actual expenditure for 2003-2004 was £25,298,686, an underspend of £5,544. The underspend is discussed in more detail below.

The effects of the Pay Award on the 2003-2004 financial year has been an overspend on full-time and retained firefighters pay of £341,000. However, the overspend on pay has been offset by savings elsewhere in the budget so the Provision for the Pay Award has remained intact.

The budget for non-uniformed staff was underspent by £95,000 due mainly to new posts not being filled at the beginning of the year and posts not being replaced immediately it becomes vacant.

Under Pensions expenditure, the budget for Commutations was £933,100 and to cover the higher than normal expenditure a provision was made in the budget to transfer £100,000 from the Pension Provision. Actual expenditure on Commutations was £636,946 so it is deemed prudent not to transfer the monies from the Pension Provision. Pension costs overall were overspent by £17,030 due to the increase in pension transfer values out.

Under Supplies and Services the costs for Computers show an underspend of £127,000. Budgetary provision of £100,000 for a new Human Resources Management system had been made for 2003-2004. The purchase of the system was delayed partly due to the national changes as part of the modernisation of the Fire Service. To enable the Authority to purchase the system in 2004-2005 it was agreed at the Fire Authority meeting on 15 March 2004 that £100,000 be transferred to a Provision for Computers.

Leasing charges for 2003-2004 were underspent by £125,000 due mainly to larger vehicles such as Water Tenders and an Aerial Appliance not being completed in time for the leasing drawdown in 2003-2004.

The budgeted income for Interest on Balances was £70,000, the actual income received was £144,416. The additional income is due to the increase in Balances because of the Pay Award Provision and an increase in interest rates. Details of the Treasury Management activity for 2003-2004 are contained in a separate report to Members.

(ii)

Outturn Expenditure 2003-2004

The outturn for 2003-2004 shows a small underspend of £5,544. In 2004-2005 the Fire Authority was awarded transitional funding of £382,382 to cover the cost of the Pay Award; the Contributions from the constituent Authorities were subsequently reduced. The timing of the repayment of the funding is currently under discussion and there is a possibility that full repayment will have to be made in 2005-2006. To minimise the possible effects on the 2005-2006 budget it is considered prudent that the underspend for 2004-2005 be directed to a Transitional Funding Provision.

At the Fire Authority meetings on 15 December 2003 and 15 March 2004 it was agreed that any overspend arising in the financial year be funded from the previous years' underspend. To cover the additional costs of the expected pay settlement, £748,064 of the underspend in 2002-2003 was directed to a Provision for Pay Award, £216,658 to be used to cover the estimated overspend for 2003-2004 and the remaining £531,406 be used to offset the budget increase for 2004-2005. However, due to the

savings detailed above it will not be necessary to use the Pay Provision to fund the overspend on firefighters pay. In line with the above, £216,658 has been transferred from the Pay Award Provision to the Transitional Funding Provision.

In previous years the Fire Authority has built up a Capital Provision to fund slippage in the capital programme. However, it has not always been necessary to use the Capital Provision and the balance on the provision is now £481,631. It was estimated that £59,000 of the provision be used to fund capital expenditure in 2003-2004, leaving a balance on the provision of £422,631. With the new Prudential Code it is no longer be necessary to hold provisions for capital expenditure, so the balance on the provision of £422,631 has been transferred to the Pay Award Provision to offset budgetary pressures for 2004-2005. However, due to slippage in the Capital Programme for 2003-2004 it has not been necessary to use the £59,000. In line with the recommendations above it is considered prudent that the £59,000 be used to offset budgetary pressures in 2005-2006 and be transferred to the Transitional Funding Provision.

In summary, the balance on the Transitional Funding Provision at 31 March 2004 is £281,202. This is made up of the underspend of £5,544 from 2003-2004, £216,658 from the Pay Award Provision and £59,000 from the Capital Provision.

(iii) **Capital Expenditure 2003-2004**

During 2003-2004 the Government controlled capital expenditure of Authorities through the issue of a Basic Credit Approval (BCA) and Supplementary Credit Approval (SCA). This is the limit set by the Government on the amount that can be borrowed to finance capital expenditure in a financial year. The actual expenditure incurred in 2003-2004 was £957,988. The major schemes carried out were as follows:

£	
37,755	Llanfairfechan Fire Station
70,641	Training Facilities Llandudno
394,911	Training Facilities Dolgellau
69,551	Minor Works and Planned Maintenance
20,134	Vehicles
19,374	Fire Hydrants
345,622	IT and Communications Equipment

The expenditure was financed by £936,000 BCA and £21,988 Capital Receipts. The Authority's BCA for 2003-2004 was £709,000, but due to slippage in the capital programme in 2002-2003 £227,000 was transferred to Newport City Council; this has been returned in 2003-2004.

(iv) **Balance Sheet 2003-2004**

All buildings are now allocated an asset life and are depreciated over that expected life; this is shown in Note 1 to the Consolidated Balance Sheet on page 16. Long Term Borrowing was increased by £615,000. The increase in borrowing is determined by formula, and the factors considered are the amount of BCA and SCA used in the year, the Credit Ceiling and the outstanding borrowing. The Authority's loan debt at 31 March 2004 was £3.963m, an increase of £0.615m over the year.

(v) **Cash Flow**

The Fire Authority is funded from contributions from 6 Constituent Local Authorities, the contributions are received on a monthly basis and are used to fund expenditure.

(vi) **Provisions and Liabilities**

The Authority has a Provision for Pension Liabilities of £1,954,566 to meet future liabilities. The Pension position is monitored regularly and reported to the Authority as a separate agenda item. Other provisions held by the Authority at 31 March 2004 are the Pay Award Provision of £954,037, the Computer Provision of £100,000 and the Transitional Funding Provision of £281,202. Further details of the provisions held are included in pages 14 and 21.

4. **ADDITIONAL INFORMATION**

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

The 2003-2004 accounts have been audited and the Auditor's certificate appears on page 27.

K W FINCH CPFA IRRV
Treasurer to the Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2004.

In preparing the Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

TREASURER'S CERTIFICATE

STATEMENT OF ACCOUNTS 2003/2004

A Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 1996.

SIGNED: _____
K W FINCH CPFA IRRV
Treasurer to the Fire Authority

DATED: _____

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the statement of accounts for the North Wales Fire Authority. The Fire Authority acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Service develop and maintain the system of financial control. In particular, the system includes:
 - Comprehensive budgeting systems;
 - Regular reviews of periodic and annual financial reports which indicate financial performance against the forecast;
 - Setting targets to measure financial and other performance;
 - The preparation of regular financial reports which indicate actual expenditure against the forecasts; and
 - Clearly-defined capital expenditure guidelines.

4.

7-Internal Audit Arrangements

Internal Audit Services (IA) are provided to the Fire Service, under contract, by Conwy County Borough Council. The current agreement allows for a number of days Internal Audit Service to be provided with any unplanned works incurring an additional cost to the Fire Authority.

Internal Audit aims to undertake its work in accordance with the professional standards set by the Audit Practices Board as described in Codes of Practice issued by professional bodies, in particular the CIPFA Code of Practice for Internal Audit in Local Government.

In order to ensure that IA meets its objectives and deploys its resources to maximum effect, the work of IA needs to be adequately planned. Planning involves identification of the workload of IA, taking into account all of the activities to be audited, the extent of any known weaknesses and areas of high risk. The Audit Plan is agreed annually and is currently based upon a cyclic review of activities with adjustments being made in accordance with Fire Service requirements.

Internal Audit Reports are issued in the name of the Audit Manager who has access to, and may report directly to any or all of the following: The Chairman of the Fire Authority, the Chief Fire Officer, the Fire Authority, and any senior officer of the Fire Service. Opinion expressed in the reports is independently formed and is not subject to influence external to the Internal Audit Section.

5. The review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Authority;
 - The work of the internal auditors as described above; and
 - The external auditors in their annual audit letter and other reports.
6. Based upon the work undertaken during 2003/04, the Internal Audit opinion of the mechanisms put in place by management to exercise Internal Financial Control is that they are adequate for their purpose.
7. In accordance with the findings of the external review of Internal Audit of the Fire Service, the planning of Audit coverage for 2004/05 is based upon a risk assessment to ensure that audit resource is deployed most effectively.

(Signed) _____
 (Dated) _____

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(Treasurer)

STATEMENT OF ACCOUNTING POLICIES

1. **GENERAL**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2003, issued in June 2003 by CIPFA and also with guidance notes issued by CIPFA on the application of Accounting Standards (SSAPs) and Financial Reporting Standards (FRS).

2. **FIXED ASSETS**

A revaluation of fixed assets was undertaken during August/September 1999, and those values reflected in the Balance Sheet. The valuation was carried out by Gwynedd Council. Office accommodation has been valued at open market value and fire stations at depreciated replacement cost. To comply with FRS 15, for 2000-2001, the valuer estimated residual lives for all the Fire Authority's buildings so that a charge for depreciation could be calculated. Other assets are recognised at historic cost and depreciated over their useful lives.

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

The revenue account is charged with a capital charge for all fixed assets used in service provision. The total charge covers the annual provision for depreciation, plus a specified notional rate of interest of 3.5% of net asset values.

The aggregate charge is determined on the basis of the capital employed. Depreciation is provided for on all assets with a finite useful life and is calculated on a straight-line basis.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with the capital charges made.

4. **DEPRECIATION**

Assets, other than land, are being depreciated over their useful lives. Under FRS 15 a provision for depreciation must be made on all the Fire Authority's buildings. Where depreciation is provided for, assets are being depreciated using the straight-line method over the following periods:-

Buildings	15 -80 years
Infrastructure	5-10 years
Vehicles, Plant and Equipment	4-15 years

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

The Authority has taken out long-term loans of variable duration to finance the purchase of fixed assets. Provision for redemption of debt is a calculation based on the opening credit ceiling value, with that element relating to transitional costs being charged to the revenue account over seven years and the balance of the credit ceiling being charged to the revenue account as an amount equivalent to 4% of its value.

6. **RESERVES & PROVISIONS**

Whilst the Authority cannot technically hold reserves it does maintain a number of provisions for future expenses which are certain to be incurred.

The Authority made a contribution of £100,000 to the Computer Provision to fund the purchase of a new Human Resources system in 2004-2005.

A contribution of £160,000 was made to the Provision for Pension Liabilities, the balance on the provision is now £1,954,566. The Provision for Pension Liabilities was established to meet the future demand in terms of disproportionate pension payments, and the position is regularly monitored and reported to the Authority.

A new provision was established in 2002-2003 to fund the additional costs of the expected pay settlement. The balance of the provision at 31 March 2004 is £954,037. To facilitate repayment of the transitional funding of £382,382 a new provision has been established. The balance on the Transitional Funding Provision at 31 March 2004 is £281,202.

7. **STOCKS AND STORES**

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

8. **PENSION COSTS**

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

(i) **Uniformed Fire-fighters**

This scheme is unfunded with the charge to the revenue account representing the net cost of pensions and other benefits after allowing for contributions made by employees for the year.

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

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

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

(iii) **FRS 17**

FRS 17 prescribes the disclosure of the long-term commitments entered into relating to pension costs. 2003-2004 is the first year in which the accounts are adjusted to take account of the accounting policies contained in FRS 17. The

accounts of 2002-2003 have been changed by way of a prior year adjustment to provide comparative figures.

The accounts of the Fire Authority have been adjusted in line with the SORP and that provides that the adjustments made to implement FRS 17 do not have any effect on the Contributions made by the Local Authorities.

9. **ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES**

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

10. **DEBTORS AND CREDITORS**

The Revenue Account of the Authority is maintained on an accrual basis in accordance with the Code and SSAP 2; that is to say that sums due to or from the Authority during the year are included in the revenue account whether or not the cash has actually been received or paid in the year. Material capital accruals would be recognised on the same basis as revenue accruals.

11. **INVESTMENTS**

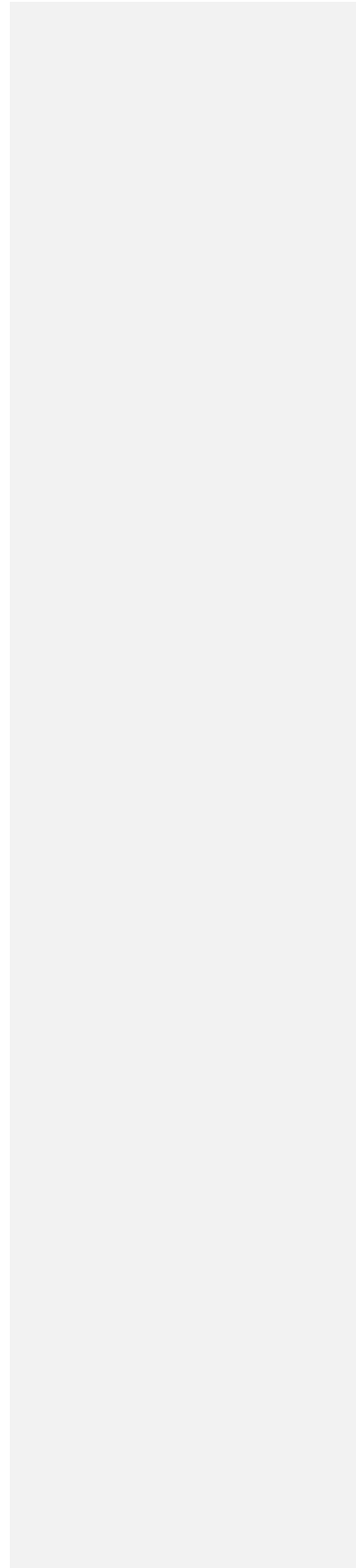
Up until 15 January 2004 any surplus cash or overdrawn balance prevailing on a day-to-day basis was included as part of Conwy County Borough Council's treasury management activities. It was considered that the consolidation of the Authority's cash, together with Conwy County Borough Council's cash, maximises the available interest the Fire Service can earn. Interest was paid or charged on the daily cash balances based on the overnight rate achieved from the Authority's bank plus 0.25%. Due to the increase in Provisions held by the Fire Authority it was considered prudent to invest the surplus funds directly on behalf of the Authority and direct investments commenced on 15 January 2004. Interest transactions are shown separately within the Summary Revenue Account. Investments are shown in the Consolidated Balance Sheet at cost. Further details are given in Note 12 to the Balance Sheet.

12. **LEASES**

During the course of the year the Fire Authority's policy was to acquire vehicles and certain qualifying equipment through an operating lease. The capital value of assets acquired during the year through leasing was £188,644.

13. **CAPITAL RECEIPTS**

The proceeds from disposable assets are held as Usable Capital Receipts in the Capital Receipts Unapplied Account until used to finance capital expenditure.



CONSOLIDATED REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

OBJECTIVE ANALYSIS	NOTES	2003/04 £'000	2002/03 £'000
Community Fire Safety - Inspection & Certification		1,006	943
Community Fire Safety - Prevention & Education		1,894	1,766
Fire Fighting - Operational Responses		18,591	17,403
Fire Fighting - Communications & Mobilising		2,000	1,828
Fire Fighting - Securing Water Supplies		802	784
Fire Fighters Pensions		4,157	3,880
Corporate & Democratic Core Costs		129	119
Non Distributed Cost		9	14
GROSS EXPENDITURE		28,588	26,737
Income – Community Fire Safety		-30	-27
Income - Fire Fighting		-219	-191
Income – Pensions		-1,180	-1,033
TOTAL INCOME		-1,429	-1,251
Provision for Pay Award	Note 8	0	748
Contribution to the Transitional Funding Provision	Note 8	6	0
Contribution to the Provision for Pension Liabilities	Note 8	160	200
Contribution to the Capital Provision	Note 8	0	55
Contribution to Computer Provision	Note 8	100	0
Increase/(Decrease) in Bad Debt Provision	Note 8	-5	9
NET COST OF SERVICE		27,420	26,498
Interest Received		-144	-81
Asset Management Revenue Account	Note 1	-354	-770
Pension Interest Cost	Note 4	6,417	5,995
Expected Return on Pension Assets	Note 4	-181	-92
NET OPERATING EXPENDITURE		33,158	31,550
Contribution from Capital Financing Reserve	Note 5	-167	-210
Movement on Pensions Reserve	Note 4	-7,687	-7,385
AMOUNT TO BE MET FROM CONTRIBUTIONS		25,304	23,955
INCOME FROM CONTRIBUTIONS	Note 6	-25,304	-23,955

SURPLUS FOR YEAR		0	0
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NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. **ASSET MANAGEMENT REVENUE ACCOUNT**

The Asset Management Revenue Account records the charges made for the use of assets and the actual costs to the Authority of external interest. The resulting surplus is shown in the Consolidated Revenue Account.

	2003/04 £'000	2002/03 £'000
<u>INCOME</u>		
Capital Charges to Revenue Account	-997	-1,417
<u>EXPENDITURE</u>		
Provision for Depreciation	437	481
External Interest Charges	206	166
SURPLUS TO CONSOLIDATED REVENUE ACCOUNT	-354	-770

2. **LEASE RENTALS**

The operating lease payments outstanding as at 31 March 2004 are £3,892,719 (31 March 2003, £4,775,453), with payment of operating leasing charges during the year of £1,165,441 (2002/03, £1,201,412). Finance lease payments during the year amounted to £3,986; the original purchase price of the vehicles was £359,048. The finance lease has entered the secondary rental period, which lasts for the useful life of the vehicles; it is estimated that the vehicles will remain in service until 2005.

LEASING OBLIGATIONS	£'000
2004/2005	1,040
2005/2006	800
2006/2007	641
2007/2008	438
2008/2009	323
2009/2010	203
2010/2011	171
2011/2012	171
2012/2013	51
2013/2014	51
2014/2015	3
2015/2016	1
TOTAL	3,893

3. **PUBLICITY EXPENDITURE**

Under Section 5 of the Local Government Act 1986, the Authority is required to disclose the expenditure on publicity and advertising directed at the public at large or particular sections of the public. In 2003-2004 this expenditure amounted to £28,240.

PUBLICITY EXPENDITURE	2003/04 £'000	2002/03 £'000
Recruitment	8	18

Fire Safety Advertising	20	23
TOTAL	28	41

4. **PENSIONS**

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

In 2003-2004 the Authority paid an employer's Superannuation contribution of £458,715 (2002-2003, £401,835) representing 21.3% (2002-2003, 20.59%) of employees' pensionable pay into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2001. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. During 2003-2004 added years benefits of £8,142 (2002-2003, £7,500) were awarded to employees which represents 0.37%(2002-2003, 0.38%) of employees' pensionable pay.

Further information on the Clwyd Pension Fund can be found in the Pension Funds Annual Report and Accounts which is available on request from the County Treasurer at Flintshire County Council, County Hall, Mold, CH7 6NA or on the website www.flintshire.gov.uk.

(ii) **Firefighters**

The firefighters pension scheme is an unfunded scheme with defined contributions. In 2003-2004 the net cost of pensions and other benefits amounted to £2.98m (2002-2003, £2.85m).

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

In accordance with FRS17 the current cost of pensionable service is allocated to gross expenditure in the Consolidated Revenue Account (CRA). Actual superannuation payments on behalf of employees in current service are removed from the CRA, an adjustment is then applied below the line so there is no effect on the overall expenditure of the Authority. Actuarial valuations have been carried out on the Firefighters scheme by the Government Actuaries Department, and the Local Government Pension scheme by Mercers. The table below analyses the attributable movement in the pension fund for 2003-2004 for both schemes.

MOVEMENTS	2003/04 £'000	2002/03 £'000
Employers contributions	467	409
Current Service Cost	-1,918	-1,891
Interest Cost	-6,417	-5,995
Expected Return on Pension Assets	181	92
MOVEMENT ON PENSION RESERVE	7,687	7,385

Further information on pensions is contained in note 11 to the Consolidated Balance Sheet.

5. **MINIMUM REVENUE PROVISION (MRP)**

The Authority is required by statute to set aside a MRP for the redemption of debt. For 2003-2004, the amount is £270,194. The entries forming the calculation of the transfer from the Capital Financing Reserve are shown below:-

	2003/04 £'000	2002/03 £'000
Amount Charged as Depreciation	437	481
Transfer from Capital Financing Reserve to Revenue	-167	-210
MINIMUM REVENUE PROVISION	270	271

6. **CONTRIBUTIONS**

In 2003-2004 contributions totalling £25,304,230 were applied to fund revenue expenditure from the following Local Authorities:-

AUTHORITY	2003/04 £'000	2002/03 £'000
Anglesey County Council	2,544	2,351
Gwynedd Council	4,454	4,239
Conwy County Borough Council	4,187	4,090
Denbighshire County Council	3,551	3,331
Flintshire County Council	5,667	5,382
Wrexham County Borough Council	4,901	4,562
TOTAL LEVIES	25,304	23,955

7. **OFFICERS' EMOLUMENTS**

The number of employees whose remuneration, excluding pension contributions, was £40,000 or more in bands of £10,000 were:-

REMUNERATION BAND	2003/04 NUMBER OF EMPLOYEES	2002/03 NUMBER OF EMPLOYEES
£70,000 - £79,999	1	1
£60,000 - £69,999	1	1
£50,000 - £59,999	2	0
£40,000 - £49,999	17	2

8. **CONTRIBUTION TO AND FROM EARMARKED RESERVES & BALANCES****Transitional Funding Provision**

A sum of £5,544 was set aside from the 2003-2004 revenue budget in to a Provision to repay the transitional funding awarded to the Authority in 2004-2005. A transfer of £216,658 was made from the Pay Award Provision to the Transitional Funding Provision, this amount had been set aside in the Pay Award Provision to cover the expected overspend for 2003-2004 so is no longer required. Due to slippage in the Capital programme £59,000 of the provision is no longer required, this has been transferred to the Transitional Funding Provision. The balance on the provision at 31 March 2004 is £281,202.

Provision for Pension Liabilities

A sum of £160,000 has been set aside from the 2003-2004 revenue budget in to the Provision for Pension Liabilities. This amount was budgeted for in 2003-2004.

Computer Provision

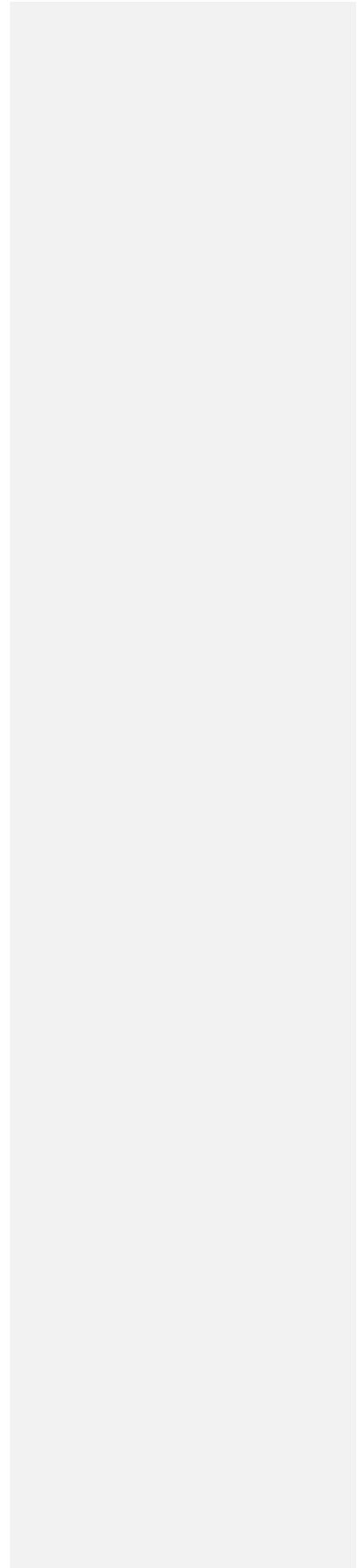
A sum of £100,000 has been set aside from the 2003-2004 revenue budget in to the Computer provision to cover the purchase of a Human Resources system, this was agreed by the Fire Authority on 15 March 2004.

Bad Debt Provision

The Authority maintains a Bad Debt Provision which adequately covers debts which may be required to be written off. An analysis of the year end debtors has resulted in the provision being decreased by £5,000.

9. **TRANSACTIONS WITH RELATED PARTIES**

The Fire Authority is a member of the Welsh Local Government Association (WLGA) and the Local Government Association (LGA), to which subscriptions of £20,121 were paid in 2003-2004. Payments to Conwy County Borough Council for providing financial services for the year were £61,950. Denbighshire County Council was paid £22,379 for providing the Monitoring Officer and legal support.



CONSOLIDATED BALANCE SHEET

	NOTES	31 March 2004		31 March
		£'000	£'000	2003 £'000
FIXED ASSETS	Note 1			
Operational Assets	Note 3			
Land and Buildings		14,547		14,261
Vehicles, Plant and Equipment		1,055		886
Infrastructure		58	15,660	45
Non-Operational Assets			539	657
Investments			3	3
TOTAL LONG TERM ASSETS			16,202	15,852
CURRENT ASSETS				
Stock	Note 6	216		251
Debtors	Note 7	1,725		587
Investments	Note 12	3,400		0
Payments in Advance		194		223
Cash in Hand		0	5,535	3,241
LESS CURRENT LIABILITIES				
Creditors	Note 8	1,347		1,218
Borrowing Repaid within one year	Note 4	550		1,481
Cash Overdrawn	Note 5	588		0
Receipts in Advance		313	2,798	0
NET CURRENT ASSETS			2,737	1,603
TOTAL ASSETS LESS CURRENT LIABILITIES			18,939	17,455
Pension Liability	Note 11		106,346	90,274
Long Term Borrowing	Note 4		3,413	1,867
TOTAL ASSETS LESS LIABILITIES			(90,820)	(74,686)
EQUITY				
Capital Financing Reserve			1,658	1,803
Fixed Asset Restatement Reserve			10,546	10,717
Capital Provision			0	482
Usable Capital Receipts			32	43
Provision for Pension Liabilities			1,955	1,795
Provision for Pay Award			954	748
Transitional Funding Provision			281	0
Computer Provision			100	0
Pension Reserve			(106,346)	(90,274)
TOTAL EQUITY			(90,820)	(74,686)

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

Details of the value of assets held at 31 March 2004 are shown below, together with details of movement in the year:-

	<i>Land and Buildings £'000</i>	<i>Vehicles and Equipment £'000</i>	<i>Infrastructur e £'000</i>	<i>Non- Operational Assets £'000</i>	<i>Total £'000</i>
Gross Book Value at 1 April 2003	14,938	3,570	230	657	19,395
Revaluations and Restatements	0	0	0	0	0
VALUE AT 1 APRIL 2003	14,938	3,570	230	657	19,395
Additions Commissioned	104	366	19	469	958
Expenditure	587	0	0	-587	0
Written-Off to Fixed Asset Restatement Reserve	-171	0	0	0	-171
GROSS BOOK VALUE AT 31 MARCH 2004	15,458	3,936	249	539	20,182
Accumulated Depreciation at 1 April 2003	-677	-2,684	-185	0	-3,546
Depreciation for Year	-234	-197	-6	0	-437
Accumulated Depreciation at 31 March 2004	-911	-2,881	-191	0	-3,983
NET BOOK VALUE AT 31 MARCH 2004	14,547	1,055	58	539	16,199

2. SOURCES OF FINANCE FOR FIXED ASSETS ACQUIRED

The purchase of fixed assets during 2003-2004 was financed as detailed below:-

	<i>£'000</i>
Loan Finance (BCA)	936
Capital Receipts	22
TOTAL EXPENDITURE ON FIXED ASSETS 2003-2004	958

3. **INFORMATION ON ASSETS HELD**

Fixed assets owned by the Authority include the following:-

	<i>Number at 31 March 2004</i>	<i>Number at 31 March 2003</i>
<u>LAND AND BUILDINGS</u>		
Fire Stations	44	44
Brigade Headquarters	1	1
Control Rooms	1	1
Training Establishments	4	4
Vehicle Workshops	1	1
Stores	1	1
<u>VEHICLES AND EQUIPMENT</u>		
Operational Vehicles		
Ancillary Vehicles	44	43
	21	21

4. **EXTERNAL BORROWING**

The loans outstanding have been raised through the Public Works Loan Board (PWLB). No loans are fully repayable in 2003-2004, and the following table gives an analysis of the loans by maturity.

<i>Source of Loan</i>	<i>Interest Rate Payable</i>	<i>Total Outstanding at 31 March 2004</i>	
	<i>%</i>	<i>£'000</i>	
Public Works Loans Board	4.5 - 5.0		3,963
<u>ANALYSIS OF LOANS BY MATURITY</u>			
Within 1 Year			550
Between 1 and 2 years		414	
Between 2 and 5 years		500	
Between 5 and 10 years		1,127	
Over 10 years		1,372	
			3,413
TOTAL			3,963

5. **CASH OVERDRAWN**

The actual cash in hand represented the cash shown in the Balance Sheet, together with transactions not effected within the cleared bank balance at 31 March 2004.

The following table summarises the position:-

	31 March 2004 £'000	31 March 2003 £'000
Cash Per Balance Sheet	-592	3,237
Uncleared Bank Transactions	856	812
Interest on Balances 2003-2004 not in Bank	-4	81
TOTAL	260	4,130

N.B. The "Cash per Balance Sheet" figures in the above table exclude imprest accounts of £5,000.

6. **STOCKS**

An analysis of the stocks held at 31 March 2003 and 31 March 2004 is shown below:-

STOCKS	31 March 2004 £'000	31 March 2003 £'000
Main Stores (HQ)	204	239
Transport Stock	12	12
TOTAL	216	251

7. **DEBTORS**

	31 March 2004 £'000	31 March 2003 £'000
Government Departments and Other Agencies	242	97
Other Local Authorities	112	404
Sundry Debtors	196	102
Capital Debtors	1,186	0
GROSS DEBTORS	1,736	603
Bad Debt Provision	-11	-16
NET DEBTORS	1,725	587

8. **CREDITORS**

	31 March 2004 £'000	31 March 2003 £'000
Government Departments and Agencies	57	361
Other Local Authorities	453	26
Sundry Creditors	837	831
TOTAL	1,347	1,218

9. **PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)**

As a consequence of the Local Government and Housing Act 1989, Authorities must set aside various sums to meet credit liabilities and identify the entries in a memorandum account. The credit entries to the Provision for Credit Liabilities (PCL) Account include a prescribed percentage of any capital receipts, an annual amount called the Minimum Revenue Provision (MRP) representing the charge to revenue. Section 64 of the 1989 Act allows certain items to be debited to this account. The table below sets out the transactions forming the PCL Account.

	£'000
Balance at 1 April 2003	51
Minimum Revenue Provision 2003-2004	270
Capital Receipts Set Aside 2003-2004	22
Less External Debt Redeemed	-321
BALANCE AT 31 MARCH 2004	22

10. **PROVISIONS**

At 31 March 2004 the Authority held a number of provisions to meet future liabilities and fund various schemes. A Computer Provision of £100,000 was established to fund the purchase of a Human Resources system as agreed by the Fire Authority on 15 March 2004. The Provision for Pension Liabilities was established to meet future demand in terms of disproportionate increases in pension payments. A provision was established in 2002-2003 to fund the additional costs of the expected pay settlement, the balance on the provision is £954,037, this is the amount included in the 2004-2005 budget. A new provision was established in 2003-2004 to repay the transitional funding awarded to the Authority in 2004-2005, the balance on the provision is £281,202.

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

In accordance with the requirements of Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Fire Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 4 to the Consolidated Revenue Account the Authority participates in two schemes, the Firefighters Pension Scheme for full time firefighters which is unfunded, and the Local Government Pension Scheme for other employees which is administered by Flintshire County Council. In addition the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The Authority's assets and liabilities as of 31 March, 2004 and 2003 were as follows:

	31 March	
	2004 £'000	2003 £'000
Estimated liabilities in the Firefighters Pension Scheme	103,400	86,740
Share of liabilities in County Council Fund	6,840	6,530
Estimated liabilities for discretionary added years	250	250
Total liabilities	110,490	93,520
Share of assets in County Council Fund	4,144	2,990
Net Pensions Deficit	106,346	90,430

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 County Council Fund liabilities has been valued by Mercer, an independent firm of actuaries. The main assumptions used in the calculations are:

	FireFighters Scheme		County Fund	
	2004 %	2003 %	2004 %	2003 %
Rate of Inflation	2.9	3.4	2.8	2.5
Rate of Increase in Salaries	4.4	4.9	3.8	3.5
Rate of Increase in Pensions	2.9	3.4	2.8	2.5
Rate of Discounting Scheme Liabilities	6.5	7.0	6.3	6.0

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

	31 March 2004 £'000	31 March 2003 £'000
Equity Investments	2,760	2,110
Bonds	460	390
Other Assets	920	490
Total	4,140	2,990

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

	£'000	£'000	£'000
Net Deficit at the Beginning of Year		(90,270)	
Current Service Cost		(1,920)	
Contributions		470	
Pensions Paid		3,340	
Finance Income			
Return on Assets	180		
Interest on Pension Liabilities	(6,420)		
		(6,240)	
Actuarial Gain/ (Loss)		(11,730)	
Net Pension Deficit at Year End			(106,350)

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

	£'000
Actual loss expected on Pension Fund Assets	(12,270)
Gains Arising on Pension Assets	540

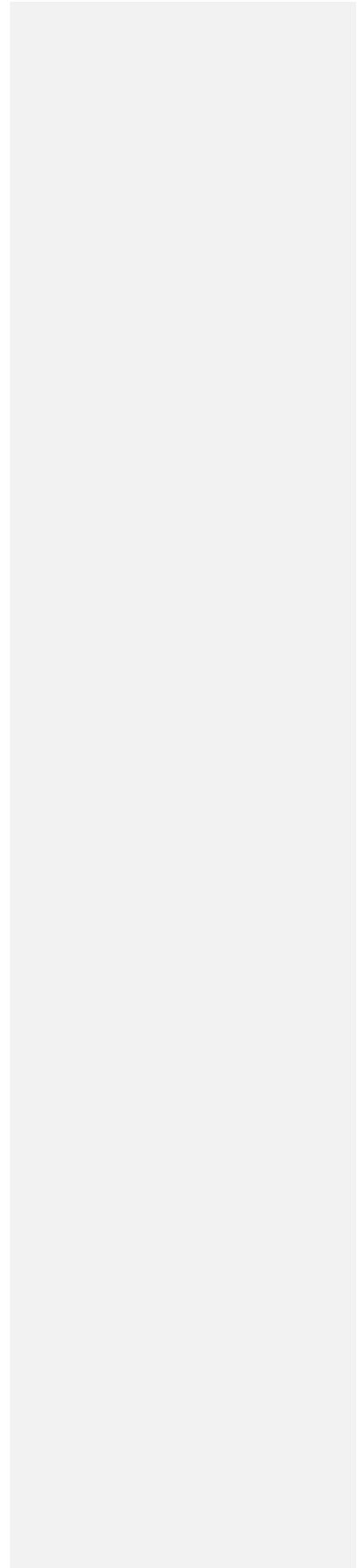
	(11,730)

12. **INVESTMENTS**

The investments below are approved investments under the Local Government and Housing Act 1989 and consist of the following institutions:-

Institutions	31 March 2004 £'000
Short Term	
Bank of Scotland	1,400
Anglo Irish	1,000
Kent Reliance Building Society	1,000
Total	3,400

No short term investments were held by the Authority on 31 March 2003.



STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			
	Capital Financing Reserve £'000	Fixed Asset Restatement Reserve £'000	Usable Capital Receipts £'000	Total £'000
Balance at 1 April 2003	1,803	10,717	43	12,563
Net (Deficit)/Surplus for Year	-437	0	10	-427
Financing of Fixed Assets	292	0	-21	271
Capital Spend 2003-2004 - No Added Value	0	-171	0	-171
BALANCE AT 31 MARCH 2004	1,658	10,546	32	12,236

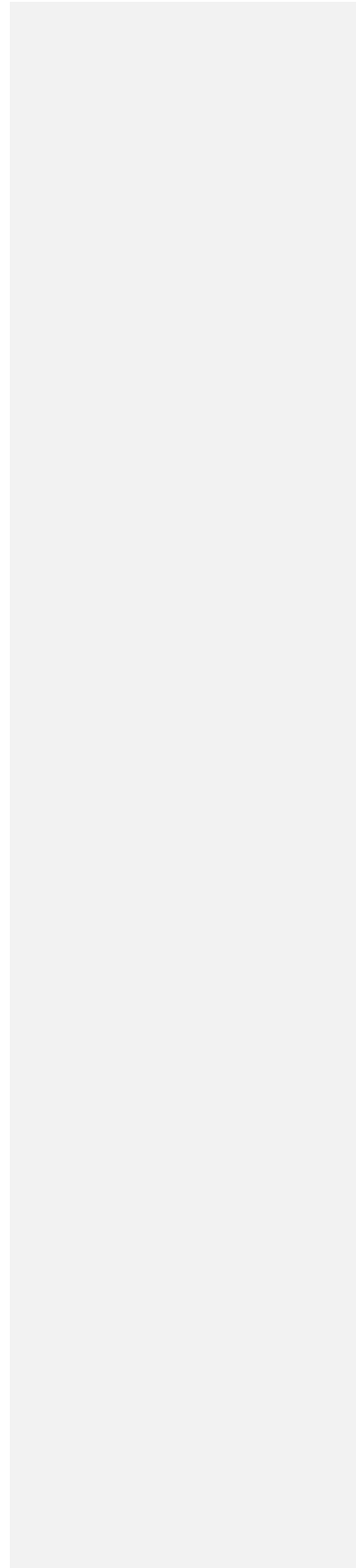
NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Fixed Asset Restatement Reserve

This account represents the difference between the historic cost of fixed assets and their revaluation in the Asset Register. The Reserve will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

2. Capital Financing Reserve

The Capital Financing Reserve (CFR) contains a number of entries concerning capital accounting. These include the excess of depreciation over revenue provisions for potential debt redemption and part of the financing of the 2003-2004 capital programme.



CASH FLOW STATEMENT

	<i>2003/04</i> <i>£'000</i>	<i>2002/03</i> <i>£'000</i>
<u>REVENUE ACTIVITIES</u>		
EXPENDITURE		
Cash Paid to and on Behalf of Employees	21,327	18,372
Other Operating Costs	4,654	5,130
INCOME		
Contributions	-25,304	-23,955
Other Income	-567	-2,446
REVENUE ACTIVITIES NET CASH (INFLOW)/OUTFLOW	110	-2,899
<u>SERVICING OF FINANCE</u>		
EXPENDITURE		
Interest Paid	199	170
INCOME		
Interest Received	-213	-81
<u>CAPITAL ACTIVITIES</u>		
EXPENDITURE		
Purchase of Fixed Assets	958	757
Other Capital Payments	0	97
INCOME		
Capital Receipts	-10	0
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING	1,044	-1,956
<u>FINANCING</u>		
EXPENDITURE		
Repayments of Amounts Borrowed	0	21
INCOME		
New Loans Raised	-615	-512
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS	429	-2,447

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION TO CONSOLIDATED REVENUE ACCOUNT

	<i>2003/04 £'000</i>	<i>2002/03 £'000</i>
Revenue Activities Net Cash Inflow	110	-2,899
<u>NON-CASH MOVEMENTS ON REVENUE ACCOUNT</u>		
Decrease in Stock	35	-3
Increase in Debtors	-1,133	1,210
Decrease in Payments in Advance	28	-74
Increase in Creditors	129	424
Increase in Receipts in Advance	314	-30
Bad Debt Provision	0	0
Minimum Revenue Provision	270	271
<u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW STATEMENT</u>		
Interest Paid	199	170
Interest Received	-213	-81
Contribution to Provision for Pension Liabilities	160	200
Contribution to Capital Provision	0	55
Contribution to Provision for Pay Award	0	748
Contribution to Provision for Transitional Funding	6	0
Contribution to Provision for Computers	100	0
Contribution to Bad Debt Provision	-5	9
DEFICIT (SURPLUS) ON REVENUE ACCOUNT	0	0

2. RECONCILIATION OF MOVEMENT IN CASH AND CASH EQUIVALENTS

	<i>31 March 2004 £'000</i>	<i>31 March 2003 £'000</i>
Cash in Bank	-593	3,237
Investments	3,400	0
Cash Held in Imprest Accounts	5	4
TOTAL	2,812	3,241
INCREASE IN CASH AND CASH EQUIVALENTS	429	

AUDITOR'S REPORT TO NORTH WALES FIRE & RESCUE SERVICE

I have audited the Statement of Accounts on pages 11 to 28 which has been prepared in accordance with the accounting policies applicable to Local Authorities as set out on pages 7 to 9.

This report is made solely to North Wales Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE TREASURER AND AUDITORS

As described on page 5 the Treasurer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor is established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Fire Authority and its income and expenditure for the year.

I review whether the statement on page 6 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003'. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

My audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also included an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Statement of Accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of the information in the financial statements.

OPINION

In my opinion the Statement of Accounts presents fairly the financial position of the North Wales Fire Service at 31 March 2004 and its income and expenditure for the year then ended.

CERTIFICATE

I certify that I have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

SIGNATURE: _____ **DATE:** _____

Anthony J Barrett
District Auditor

