

North Wales Fire and Rescue Authority

Statement of Accounts 2020/21



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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

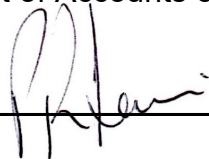
The Authority is required:

- 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.

AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of North Wales Fire and Rescue Authority as at 31 March 2021.

Signed: _____



Dated: 18 October 2021

Councillor Peter Lewis
Chairman, North Wales Fire and Rescue Authority

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 2021.

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 of Practice.
- 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

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2021 and its income and expenditure for the year then ended.

Signed: _____



Dated: 18 October 2021

K W Finch FCPFA
Treasurer, North Wales Fire and Rescue Authority

Independent auditor's report of the Auditor General for Wales to the members of North Wales Fire and Rescue Authority

Opinion on financial statements

I have audited the financial statements of North Wales Fire and Rescue Authority for the year ended 2021 under the Public Audit (Wales) Act 2004.

North Wales Fire and Rescue Authority's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of North Wales Fire and Rescue Authority as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report and Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts on page 4, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Adrian Crompton
Auditor General for Wales
October 2021

24 Cathedral Road
Cardiff
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NARRATIVE REPORT

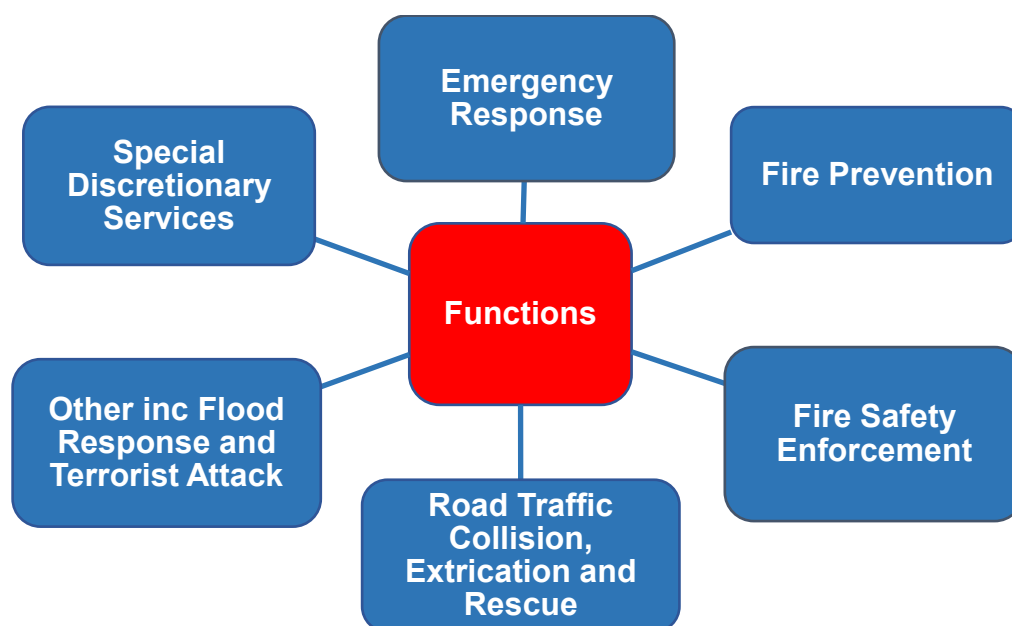
The purpose of the narrative report is to offer interested parties clear information about the financial position and the financial performance of the North Wales Fire and Rescue Authority for the financial year 2020/21.

ORGANISATION OVERVIEW

The North Wales Fire and Rescue Authority (NWFRA) is made up of 28 Elected Members nominated by each of the six local authorities and provides direction and governance for the day to day activities delivered by North Wales Fire and Rescue Service.

North Wales Fire and Rescue Service (NWFRS) serves the communities within the areas of Gwynedd and Ynys Môn, Conwy and Denbighshire and Wrexham and Flintshire.

NWFRA is responsible for providing adequate resources to enable the Fire and Rescue Service to undertake a range of activities as detailed below:



The Service deals with a wide-range of emergencies, from house fires and road traffic collisions, to floods and chemical spills. Extensive work is carried out with schools, businesses and local communities to promote fire safety and prevention and to help keep people and property safe.

The Authority is financed by contributions from the six Constituent Authorities, in proportion to population.

Details of our service area, funding and activities can be found on the following pages.

About Our Service Area



Resources



44 fire stations across North Wales



74 fire appliances



29 special appliances including rescue boats and aerial ladder platforms



3 Community Safety Offices in Caernarfon, Colwyn Bay and Bangor



857 staff

Engagement Activities



Virtual engagement with **2,061** school children



996 pupils engaged with the Phoenix programme



8 Fire cadet groups supporting around **100** cadets



Member of the Regional Partnership Board and **4** Public Service Boards

Key Activities



11,334 Safe and Well checks completed



449 Business audits conducted



1,772 Accidental / deliberate fires attended



2,312 Incidents relating to false alarms



614 Special Service calls including **105** Road Traffic Collisions

THE AUTHORITY'S IMPROVEMENT AND WELLBEING OBJECTIVES

Fire and Rescue Authorities in Wales are required to publish improvement objectives in accordance with the Local Government (Wales) Measure 2009, and well-being objectives in accordance with the Well-being of Future Generations (Wales) Act 2015. For the purposes of the Authority's planning processes these are treated as one and the same.

These long-term objectives are changes that the Authority wants to help bring about in North Wales that will contribute to improving local well-being and to moving Wales closer to achieving its well-being goals. Having identified these long-term objectives, the Authority has a duty to take all reasonable steps to pursue them and to report publicly after the end of each financial year on the progress it has made.

In March 2020 the Authority completed its Combined Improvement and Well-being Plan for 2020/21, that confirmed its long term strategic objectives and explained what it was planning to do during the year towards achieving them. The Authority has continued its commitment to prevention activity and reducing numbers of accidental dwelling fires as well as helping people to stay safe if they do occur. Work has also continued in order to facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk.

The following link provides information relating to North Wales Fire and Rescue Service activity and performance against improvement objectives over the last twelve months-[Information and statistics - Performance and improvement - About Us - North Wales Fire And Rescue Service \(gov.wales\)](#)

The statutory deadline for publishing an Annual Performance Assessment is 30th September 2021. This year, a greater emphasis will be placed on including real examples of how we have made a difference to people's lives. The Annual Performance Assessment will be available on the website at [Corporate Planning - Performance and improvement - About Us - North Wales Fire And Rescue Service \(gov.wales\)](#)

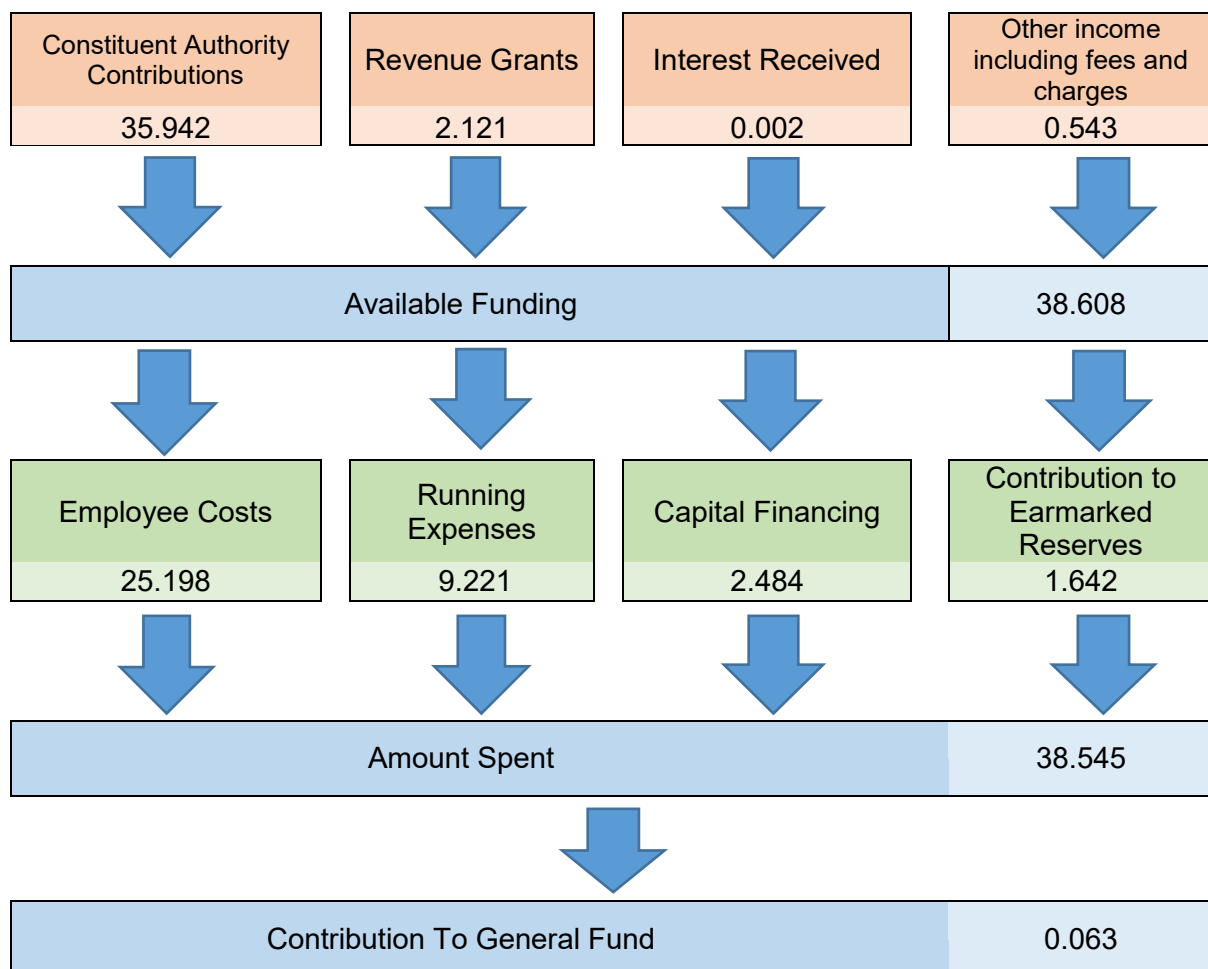
FINANCIAL PERFORMANCE

At a time of extraordinary financial challenge, the North Wales Fire and Rescue Authority is committed to continuing to provide excellent prevention services, fire safety enforcement services and emergency response. The Authority remains committed to playing its part in building stronger and safer communities, but also acknowledges that for the future the financial situation means that being able to sustain service delivery will require a great deal of flexibility and innovation.

In order to secure financial sustainability for the Authority and maintain service levels, Members agreed a 3 year medium term financial strategy. Members agreed for 2020/21 to increase the contributions from the constituent authorities by 2%, to £35.94m.

The Authority's position over the medium term is sound, but careful attention will need to be paid to cost pressures relating to pension and payroll costs and also anticipated changes to the funding mechanism that is used, by the Welsh Government, for Fire and Rescue Authorities.

REVENUE PERFORMANCE (£m)



IMPACT OF COVID 19

In common with all public sector bodies, the Authority has experienced significant challenges arising from the COVID-19 pandemic. There have been additional costs, which have in part, been funded from the Hardship Fund, managed by the Welsh Government. However the Service has also borne additional costs, which have been managed within the Service's budget.

Careful recording and monitoring arrangements are in place to ensure that additional costs have been identified and where required external sources of funding accessed.

Due to the Covid-19 pandemic a number of measures were taken to ensure the safety of our workforce which included working from home where possible and delayed

recruitment to vacant posts. Therefore, actual expenditure was less than the planned budget in a number of areas which enabled the Authority to establish reserves for known liabilities. All of the vacant posts remain critical to achieving the objectives and recruitment will progress during 2021/22 as restrictions are eased.

PROVISIONS AND RESERVES

The Authority has made provision for known liabilities and established reserves for future liabilities or earmarked for future service developments. Reserves have been increased in 2020/21, to cover ongoing service requirements including protective equipment, environmental building works and implementing additional staff training to conform to legislation. £60,000 of reserves were utilised in 2020/21 but it is envisaged that there will be further use in future years. Further information is available in Note 18 and Note 19.

CAPITAL PERFORMANCE

The original capital programme was revised in year to take account of the restrictions relating to the Covid 19 pandemic. It was hoped that some works could have been completed in the second half of the financial year. However this has not been possible and no capital expenditure had been incurred in 2020/21.

Since the programme was revised, projects in relation to building works and fire appliances have been delayed due to the Covid 19 pandemic.

Some ICT schemes have been delayed due to the reprioritisation of the work of the ICT team in order to manage the transition to remote working. Other schemes are under review.

It is anticipated that all deferred schemes will commence in 2021/22.

TREASURY MANAGEMENT

An annual treasury report detailing the financial activity for the year is presented to the Fire Authority and made available on the website (www.nwales-fireservice.org.uk).

PENSION COSTS

Firefighters' Pension Scheme

In 2020/21, 12 whole time uniformed staff and 9 retained duty system staff retired. Employer normal contributions to the Pension Fund amounted to £3.17m (2019/20: £3.17m).

The liability in terms of future pension commitments has increased to £318.75m (2019/20: £295.55m) due to a change in the actuarial assumptions.

Local Government Pension Scheme

In 2020/21, employer contributions to the Pension Fund amounted to £1.82m (2019/20: £1.49m).

The actuarially assessed liability as at 31 March 2021 was £18.57m (2019/20: £16.57m). The increase was due to a change in actuarial assumptions used to re-measure the schemes liabilities.

Note 33 and the Firefighter's pension Fund Account provide further information.

EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts summarises the financial performance of the Authority for year ended 31 March 2021. These accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom published by the Chartered Institute of Public Finance and Accountancy (CIPFA) which in turn is underpinned by International Financial Reporting Standards.

The **Core Statements** are:

- The **Comprehensive Income and Expenditure Statement** – this records all of the Authority's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- The **Movement in Reserves Statement** is a summary of the changes to the Authority's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific legal or accounting purposes.
- The **Balance Sheet** is a "snapshot" of the Authority's assets, liabilities, cash balances and reserves at the year-end date.
- The **Cash Flow Statement** shows the reason for changes in the Authority's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).
- **The Pension Fund Account** which shows the movements relating to the Firefighters' Pension Fund.

The **Notes** to these financial statements provide further detail about the Authority's accounting policies and individual transactions.

FURTHER INFORMATION

Additional information about these accounts is available from the Treasurer. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised on the website for North Wales Fire and Rescue Authority (www.nwales-fireservice.org.uk) and a notice is displayed in the Fire and Rescue Service Headquarters, Ffordd Salesbury, St Asaph, LL17 0JJ.

COMPREHENSIVE INCOME and EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with GAAP, 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.

2019/20				2020/21			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
26,941	0	26,941		25,479	0	25,479	
2,471	0	2,471		2,641	0	2,641	
1,090	0	1,090		924	0	924	
3,492	0	3,492		5,053	0	5,053	
593	0	593		603	0	603	
2,866	0	2,866		4,950	0	4,950	
0	(2,513)	(2,513)		0	(2,664)	(2,664)	
37,453	(2,513)	34,940		39,650	(2,664)	36,986	
497	0	497		41		41	
8,669	(20)	8,649		7,394	(2)	7,392	
0	(35,237)	(35,237)		0	(35,942)	(35,942)	
		8,849				8,477	
110	0	110		678	0	678	
		(28,894)				17,947	
		(28,784)				18,625	
		(19,935)				27,102	

Note: The 2019/2020 CIES & EFA expenditure and income figures have been restated to account for the Local Resilience Forum (LRF) expenditure and income. Additional information relating to the Local Resilience Forum can be found in note 28.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. 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.

2020/21	Note	General Fund Balance £'000	Earmarked and Grant Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2020		1,387	1,820	0	3,207	(298,215)	(295,008)
Movement in Reserves during 2020/2021							
Surplus or (Deficit) on the Provision of Services		(8,477)	0	0	(8,477)	0	(8,477)
Other Comprehensive Income & Expenditure		0	0	0	0	(18,625)	(18,625)
Total Comprehensive Income & Expenditure		(8,477)	0	0	(8,477)	(18,625)	(27,102)
Adjustments between accounting basis & funding basis under regulations	6	10,182	0	0	10,182	(10,182)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		1,705	0	0	1,705	(28,807)	(27,102)
Adjustment		0	0	0	0	0	0
Other Transfers to/(from) Earmarked Reserves		(1,642)	1,642	0	0	0	0
Increase/(Decrease) in 2020/21	7	63	1,642	0	1,705	(28,807)	(27,102)
Balance as at 31 March 2021		1,450	3,462	0	4,912	(327,022)	(322,110)

2019/20	Note	General Fund Balance £'000	Earmarked and Grant Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2019		1,376	770	0	2,145	(317,091)	(314,946)
Movement in Reserves during 2019/2020							
Surplus or (Deficit) on the Provision of Services		(8,849)	0	0	(8,849)	0	(8,849)
Other Comprehensive Income & Expenditure		0	0	0	0	28,784	28,784
Total Comprehensive Income & Expenditure		(8,849)	0	0	(8,849)	28,784	19,935
Adjustments between accounting basis & funding basis under regulations	6	9,910	0	0	9,910	(9,910)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		1,061	0	0	1,061	18,874	19,935
Adjustment		0	0	0	1	2	3
Other Transfers to/(from) Earmarked Reserves		(1,050)	1,050	0	0	0	0
Increase/(Decrease) in 2019/20	7	11	1,050	0	1,062	18,876	19,938
Balance as at 31 March 2020		1,387	1,820	0	3,207	(298,215)	(295,008)

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, i.e. 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'.

31 March 2020 £'000		Note	31 March 2021 £'000
45,284	Property, Plant & Equipment	11	39,537
653	Intangible Assets	11	477
80	Long Term Debtors	15	376
46,017	Long Term Assets		40,390
667	Inventories	14	566
3,448	Debtors	15	2,647
0	Assets Held For Sale	11	0
1,771	Cash & Cash Equivalents	16	1,528
5,886	Current Assets		4,741
16,139	Short Term Borrowing	12	16,774
370	Provisions	18	426
3,240	Creditors	17	3,148
19,749	Current Liabilities		20,348
312,118	Pension Liability	33	337,323
135	Long Term Provisions	18	135
14,909	Long Term Borrowing	12	9,435
327,162	Long Term Liabilities		346,893
(295,008)	Net Assets		(322,110)
3,207	Usable Reserves	19	4,912
(298,215)	Unusable Reserves	20	(327,022)
(295,008)	Total Reserves		(322,110)

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 (i.e. borrowing) to the Authority.

2019/20 £'000		Note	2020/2120 £'000
8,849	Net (Surplus)/Deficit on the Provision of Services		8,477
(12,813)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	21	(13,113)
(360)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	21	(378)
(4,324)	Net Cash Flows From Operating Activities	21	(5,014)
641	Investing Activities	22	0
1,958	Financing Activities	23	5,257
(1,725)	Net (Increase) or Decrease in Cash and Cash Equivalents		243
(46)	Cash and Cash Equivalents at the beginning of the reporting period		(1,771)
(1,771)	Cash and Cash Equivalents at the End of the Reporting Period	16	(1,528)

NOTES TO THE FINANCIAL 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.

1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Appendix 1, 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 AND UNCERTAINTY

The Statement of Accounts contain 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 items in the Authority's Balance Sheet at 31 March 2021, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>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. An assessment of the liabilities is provided by the government actuary department. Further information is provided within the pension fund account.</p>	<p>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.</p>
Property Valuations	<p>The Authority revalue its assets every 5 years. The last valuation was undertaken in 2020/2021. It is possible that property values could fluctuate especially during times of economic uncertainty.</p> <p>It bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions.</p> <p>These judgements are underpinned by the best available information and made by qualified valuers but are still based on estimates.</p>	<p>A fluctuation in property values would impact on the values held in the Balance Sheet and on the corresponding depreciation charge.</p>

3 MATERIAL ITEMS OF INCOME AND EXPENSE

Due to changes in actuarial assumptions the total net liability on the Firefighters Pension Scheme and Local Government Pension Scheme have increased by £25.2m.

This is due partly to changes in the key financial assumptions used being higher than those used in previous years such as CPI inflation, salary inflation and pension increase rate.

4 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts have been authorised for issue by the Treasurer to the Fire and Rescue Authority on the 26th July 2021. Events after the reporting period are those taking place between the end of the reporting period (31st March 2021) and the date when the financial statements are authorised for issue 26th July 2021.

5 EXPENDITURE AND FUNDING ANALYSIS

The statement shows how annual expenditure is used and funded from resources (grants, contributions etc.) by local authorities compared to resources consumed or earned by authorities in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision making purposes according to the type of expenditure incurred.

Income and Expenditure accounted for under generally accepted accounting practices (GAAP) is presented more fully in the CIES.

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund £'000	Adjustments Between the Funding and Accounting basis £'000	Net Expenditure in the Comprehensive Income & Exp Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments Between the funding and Accounting basis £'000	Net Expenditure in the Comprehensive Income & Exp Statement £'000
26,313	628	26,941	Employees	25,198	281	25,479
2,471	0	2,471	Premises	2,641	0	2,641
1,090	0	1,090	Transport	924	0	924
3,492	0	3,492	Supplies & Services	5,053	0	5,053
593	0	593	Support Services	603	0	603
2,750	116	2,866	Capital Financing Costs	2,484	2,466	4,950
(2,533)	20	(2,513)	Income	(2,666)	2	(2,664)
34,176	764	34,940	Net Cost of Service	34,237	2,749	36,986
			Other Income & Expenditure			
0	9,146	9,146	Other Income & Expenditure Adjustments	0	7,433	7,433
(35,237)	0	(35,237)	Taxation and Non Specific Grant Income	(35,942)	0	(35,942)
(1,061)	9,910	8,849	Deficit or (Surplus) on Provision of Services	(1,705)	10,182	8,477
		(1,376)	Opening General Fund Balance			(1,387)
		(11)	(Surplus)/Deficit on General Fund Balance in Year			(63)
		0	Other Movements Not included above i.e.			0
		(1,387)	Earmarked Reserves			0
			Closing General Fund Balance			(1,450)

2019/2020 figures have been restated to account for the Local Resilience Forum adjustment as per the CIES.

Notes to the Expenditure and Funding Analysis

	2020/21			
	Adjustment for Capital Purposes £'000	Net Change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Employees	0	244	37	281
Supplies & Services	0	0	0	0
Capital Financing Costs	2,466	0	0	2,466
Income	0	0	2	2
Net Cost of Service	2,466	244	39	2,749
Other Income & Expenditure				
Other Income & Expenditure Adjustments	41	7,014	378	7,433
Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services	2,507	7,258	417	10,182

	2019/20			
	Adjustment for Capital Purposes £'000	Net Change for the Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Employees	0	648	(20)	628
Supplies & Services	0	0	0	0
Capital Financing Costs	116	0	0	116
Income	0	0	20	20
Net Cost of Service	116	648	0	764
Other Income & Expenditure				
Other Income & Expenditure Adjustments	498	8,155	493	9,146
Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services	614	8,803	493	9,910

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 Expenditure and Funding Analysis Statement relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2019/20 £'000			2020/21 £'000	
	34,177	Net Expenditure in the Service Analysis		34,237
		Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis		
2,931		Depreciation	2,477	
(111)		Government Grant Released	0	
648		IAS 19 – Pensions Adjustment (Note 33)	244	
42		Impairment	2,473	
(20)		Accumulated Absences	37	
3	3,493	Adjustment CAA/Asset Disposal	0	5,231
		Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement		
(2,236)		Debt Repayment (MRP)	(2,104)	
(514)		Interest Paid	(380)	
20	(2,730)	Interest Received	2	(2,482)
	34,940	Cost of Services in the Comprehensive Income & Expenditure Statement		36,986

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

2020/21	Useable Reserves		Unusable Reserves
	General Fund Balance £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	2,477	2,477	(2,477)
Revaluation (losses)/Gains on Property, Plant and Equipment	2,473	2,473	(2,473)
Loss on Disposal	41	41	(41)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	(2,104)	(2,104)	2,104
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0
Adjustment primarily involving the Pensions Reserve			
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,837)	(9,837)	9,837
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	17,095	17,095	(17,095)
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:			
Adjustment to Grants reserve	0	0	0
Adjustment primarily involving the Accumulated Absences Account:			
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	37	37	(37)
Total Adjustments	10,182	10,182	(10,182)

2019/20	Useable Reserves		Unusable Reserves
	General Fund Balance £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	3,447	3,447	(3,447)
Revaluation (losses)/Gains on Property, Plant and Equipment	0	0	0
Loss on Disposal	27	27	(27)
Capital grants and contributions applied	(111)	(111)	111
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	(2,236)	(2,236)	2,236
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0
Adjustment primarily involving the Pensions Reserve			
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,829)	(8,829)	8,829
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	17,632	17,632	(17,632)
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:			
Adjustment to Grants reserve	0	0	0
Adjustment primarily involving the Accumulated Absences Account:			
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	(20)	(20)	20
Total Adjustments	9,910	9,910	(9,910)

7 TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves as from the 1 April 2020.

	Balance 01-Apr-19 £'000	Transfers out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31-Mar-20 £'000	Transfers out 2020/21 £'000	Transfers In 2020/21 £'000	Balance 31-Mar-21 £'000
General Fund	(1,376)	0	(11)	(1,387)	0	(63)	(1,450)
Earmarked and Grant Reserves	(769)	0	(1,050)	(1,819)	60	(1,702)	(3,461)
Total	(2,145)	0	(1,061)	(3,206)	60	(1,765)	(4,911)

8 OTHER OPERATING EXPENDITURE AND INCOME

2019/20 £'000		2020/21 £'000
135	(Gains) or Loss on the disposal of non-current assets	41
362	(Gains) or Loss on the derecognition of assets	0
497	Total	41

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20 £'000		2020/21 £'000
514	Interest payable & similar charges	380
(20)	Interest	(2)
8,155	Net Interest on the net defined benefit liability	7,014
8,649	Total	7,392

10 CONTRIBUTIONS FROM THE CONSTITUENT AUTHORITIES

2019/20 Contribution £'000		2020/21 Contribution £'000
5,876	Conwy County Borough Council	6,005
3,523	Anglesey County Council	3,593
6,227	Gwynedd Council	6,364
4,806	Denbighshire County Council	4,899
7,790	Flintshire County Council	7,968
7,015	Wrexham County Borough Council	7,113
35,237	Total	35,942

11 PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets are valued as outlined in Notes 14 of Accounting Policies. Details of the value of assets held at 31 March 2021 comparative figures for 31 March 2020 are also shown, together with details of the movement in the year.

2020-2021	Land and Buildings	Vehicles and Equipment	Infra - structure	Assets Under Construction	Property Plant & Equipment	Intangible Assets	Assets Held for Sale
	£'000	£'000	£'000	£'000	Total £'000	Total £'000	Total £'000
Gross Book Value at 1 April 2020	38,723	23,082	0	628	62,433	1,231	0
Re-catagorisation of assets	0	101	0	(186)	(85)	85	0
Additions	0	0	0	0	0	0	0
Derecognition - Disposals	0	(413)	0	0	(413)	0	0
Derecognition - Other	0	0	0	(244)	(244)	(95)	0
Revaluation increase / (decreases) recognised in the Revaluation Reserve	(1,762)	0	0	0	(1,762)	0	0
Revaluation increase / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(5,336)	0	0	0	(5,336)	0	0
Gross Book Value at 31 March 2021	31,625	22,770	0	198	54,593	1,221	0
Accumulated Depreciation at 1 April 2020	(3,947)	(13,202)	0	0	(17,149)	(578)	0
Re-catagorisation of assets	0	0	0	0	0	0	0
Depreciation written out of the Revaluation Reserve	1,084	0	0	0	1,084	0	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,863	0	0	0	2,863	0	0
Depreciation/Amortisation for Year	(605)	(1,621)	0	0	(2,226)	(252)	0
Derecognition - Disposals	0	372	0	0	372	0	0
Derecognition - Other	0	0	0	0	0	86	0
Accumulated Depreciation at 31 March 2021	(605)	(14,451)	0	0	(15,056)	(744)	0
NET BOOK VALUE AT 31 MARCH 2021	31,020	8,319	0	198	39,537	477	0
NET BOOK VALUE AT 31 MARCH 2020	34,776	9,880	0	628	45,284	653	0

2019-2020	Land and Buildings	Vehicles and Equipment	Infra - structure	Assets Under Construction	Property Plant & Equipment Total	Intangible Assets Total	Assets Held for Sale Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2019	38,723	28,593	260	510	68,086	1,163	0
Re-categorisation of assets	0	(83)	0	0	(83)	83	0
Additions	156	472	0	124	752	23	0
VAT Refund from Previous Year	0	(40)	0	0	(40)	0	0
Derecognition - Disposals	0	(632)	0	0	(632)	0	0
Derecognition - Other	0	(5,228)	(260)	(6)	(5,494)	(38)	0
Impairment losses / reversals recognised in the Revaluation Reserve	(110)	0	0	0	(110)	0	0
Impairment losses / reversals recognised in the Surplus/Deficit on the Provision of Services	(46)	0	0	0	(46)	0	0
Gross Book Value at 31 March 2020	38,723	23,082	0	628	62,433	1,231	0
Accumulated Depreciation at 1 April 2019	(3,130)	(16,747)	(251)	0	(20,128)	(312)	0
Re-categorisation of assets	0	57	0	0	57	(57)	0
Depreciation/Amortisation for Year	(817)	(1,873)	0	0	(2,690)	(240)	0
Derecognition - Disposals	0	474	0	0	474	0	0
Derecognition - Other	0	4,887	251	0	5,138	31	0
Accumulated Depreciation at 31 March 2020	(3,947)	(13,202)	0	0	(17,149)	(578)	0
NET BOOK VALUE AT 31 MARCH 2020	34,776	9,880	0	628	45,284	653	0
NET BOOK VALUE AT 31 MARCH 2019	35,593	11,846	9	510	47,958	851	0

A full property revaluation exercise was undertaken by Wilks Head and Eve, on 1 April 2020. 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. Depreciation is based on the Beacon Approach where an estimate is made of the components of the building and the useful life of each component.

Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

12 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	0	0	1,495	1,730
Available-for-sale financial assets	0	0	0	0
Total Investments	0	0	1,495	1,730
Debtors				
Loans and receivables	376	80	2,647	3,448
Financial assets carried at contract amounts	0	0	0	0
Total Debtors	376	80	2,647	3,448
Borrowings				
Interest Accrued	0	0	90	139
Financial liabilities at amortised cost	9,435	14,909	16,684	16,000
Total Borrowings	9,435	14,909	16,774	16,139
Creditors				
Financial liabilities carried at contract amount	0	0	3,148	3,240
Total Creditors	0	0	3,148	3,240

2019/2020 restated to include the debtors figures.

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. The effective interest rate is 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;
- De-recognition of instruments;
- Allowance for credit losses;
- Reclassification of instruments;
- Collateral;
- 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:

	2019/20		2020/21	
	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	514		380	
Total expense in Surplus or Deficit on the Provision of Services	514		380	
Interest income		(20)		(2)
Total income in Surplus or Deficit on the Provision of Services		(20)		(2)
Net gain/(loss) for the year	(514)	20	(380)	2

External Borrowing

The loans outstanding have been raised through the Public Works Loan Board (PWLB) and on the financial markets.

The following table gives an analysis of the long and short term loans.

The table excludes the interest accrual for the year which is shown under short term borrowing.

	2019/20		2020/21	
	Rates	Loans £'000	Rates	Loans £'000
Market Loans	0.85 - 1.20	16,000	0.05 - 0.10	14,000
Public Works Loan Board	1.45 - 4.9	14,909	1.45 - 4.9	12,119
Total External Borrowing		30,909		26,119

	2019/20		2020/21	
	Short Term £'000	Long Term £'000	Short Term £'000	Long Term £'000
Market Loans	16,000	0	14,000	0
Public Works Loan Board	0	14,909	2,684	9,435
Total External Borrowing	16,000	14,909	16,684	9,435

Conwy County Borough Council manages the treasury function on behalf of the Fire and Rescue Authority but all loans are under the name of North Wales Fire and Rescue Authority.

13 FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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

- For loans from the PWLB and other loans payable, borrowing from the PWLB has 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-Mar-20		31-Mar-21	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	14,909	16,468	12,119	13,781
Non-PWLB debt	16,000	16,000	14,000	14,000
Total Debt	30,909	32,468	26,119	27,781

The fair value has been calculated with direct reference to published price quotations in an active market. In the case of the Fire and Rescue Authority they are based on premiums that would be payable if PWLB loans were surrendered and provides an estimate of the additional interest payable compared to the same loan at current market rates discounted back to the current period. The carrying amount excludes the accrued interest as per note 12.

14 INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2020 and 31 March 2021 is shown below.

	Main Stores		Fleet Stock		Totals	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Balance at start of year	381	545	98	122	479	667
Purchases	107	165	193	158	300	323
Recognised as an Expense in year	57	(291)	(169)	(133)	(112)	(424)
Balance outstanding at year end	545	419	122	147	667	566

15 DEBTORS

2019/20 £'000		2020/21 £'000
	Long Term	
80	Payment in Advance	376
80	Total Long Term	376
	Short Term	
360	Other	277
2,794	Trade	1,803
294	Payment in Advance	567
3,448	Total Short Term	2,647
3,528	Total Long and Short Term Debtors	3,023

2019/2020 figures adjusted to show Long Term and Short Term Debtors to reflect the Balance Sheet.

16 CASH AND CASH EQUIVALENTS

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 2021.

The following table summarises the position:

31-Mar-20 £'000		31-Mar-21 £'000
1,730	Bank Call Accounts	1,495
31	Bank Current Accounts	23
10	Petty Cash Imprests	10
1,771	Total	1,528

17 CREDITORS

2019/20 £'000		2020/21 £'000
711	Other	1,302
2,529	Trade	1,846
3,240	Total	3,148

18 PROVISIONS

At 31 March 2021 the Authority held a provision with a value of £561k relating to employee liabilities. This provision will be utilised to offset revenue expenditure, when it occurs.

	Opening Balance £'000	Movements In £'000	Movements Out £'000	Closing Balance £'000
Short Term Provisions	370	141	(85)	426
Long Term Provisions	135	0	0	135
Total	505	141	(85)	561

19 USABLE RESERVES

General Reserves

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

- pay increases;
- decrease in grant funding.

The balance on the reserve at 31 March 2021 is £1,450k (31 March 2020: £1,387k). The increase is due to a £63k underspend within the revenue budget.

Earmarked Reserves

A number of earmarked reserves have been set up for specific purposes, which the Authority has agreed to fund.

	Balance 1 April 2019 £'000	Transfers in/(out) 2019/20 £'000	Balance 31 March 2020 £'000	Transfers in/(out) 2020/21 £'000	Balance 31 March 2021 £'000
Pension Reserve	85	0	85	0	85
Radio Scheme	300	0	300	200	500
HFSC Grant	195	0	195	0	195
Reduction/Training	100	0	100	0	100
Interest Reserve	90	0	90	0	90
Fire Hydrant Repairs	0	250	250	0	250
PPE Uniform / Stock	0	350	350	450	800
Transformational Change	0	150	150	340	490
Facilities Improvement	0	200	200	0	200
Legal Liability	0	100	100	0	100
Training	0	0	0	150	150
Major Incident	0	0	0	502	502
System Improvements	0	0	0	502	502
Total	770	1,050	1,820	1,642	3,462

Grant Reserves

Under IFRS any grants that have been received by the Authority for specific schemes but have not yet been utilised in year have been shown under Capital Grants receipts in advance.

Total Usable Reserves

31-Mar-20 £'000		31-Mar-21 £'000
1,387	General Reserve	1,450
1,820	Earmarked Reserves	3,462
3,207	Total	4,912

20 UNUSABLE RESERVES

31-Mar-20 £'000		31-Mar-21 £'000
9,028	Revaluation Reserve	6,719
5,164	Capital Adjustment Account	3,908
(312,118)	Pensions Reserve	(337,323)
(290)	Accumulated Absences Account	(326)
(298,216)	Total	(327,022)

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.

2019/20 £'000		2020/21 £'000
9,244	Balance at 1 April	7,318
0	Upward revaluation of assets/Remove depreciation	0
(110)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services.	(678)
(1,600)	Adjustment from Capital Adjustment Account	203
(216)	Difference between fair value depreciation and historical cost depreciation	(124)
7,318	Balance at 31 March	6,719

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.

2019/20 £'000		2020/21 £'000
6,182	Balance at 1 April	6,874
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(50)	Amount of non current asset written off on disposal or sale as part of the gain/loss on disposal to CIES	(41)
(2,760)	Charges for depreciation & impairment of non-current assets	(2,353)
(470)	De-recognition of non-current assets	0
0	Adjustment relating to the revaluation of assets	(2,473)
0	Adjustment to the Revaluation Reserve through CIES	0
1,600	Adjusting amounts written out of the Revaluation Reserve	(203)
(1,680)	Net written out amount of the cost of non-current assets consumed in the year	(5,070)
	Capital financing applied in the year:	
25	Use of the Capital Receipts Reserve to finance new capital expenditure	0
111	Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
2,236	Statutory provision for the financing of capital investment charged against the General Fund	2,104
692		(2,966)
6,874	Balance at 31 March	3,908

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.

2019/20					2020/21			
Fixed Asset Statement (Note 11)	Revaluation Reserve	Capital Adjustment Account	Totals		Fixed Asset Statement (Note 11)	Revaluation Reserve	Capital Adjustment Account	Totals
(2,931)	(216)	(2,715)	(2,931)	Depreciation	(2,477)	(124)	(2,353)	(2,477)
(205)	0	(205)	(205)	Impairments	0	0	0	0
0	0	0	0	Revaluation	(3,151)	(678)	(2,473)	(3,151)
(470)	0	(470)	(470)	De-recognition - Other*	0	0	0	0
(3,606)	(216)	(3,390)	(3,606)	Total	(5,628)	(802)	(4,826)	(5,628)

*During 2019/2020 an exercise was completed to verify all assets on the asset register. Where assets have been previously disposed of, but remained on the asset register, the net book value of these assets has been written out.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding 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.

2019/20 £'000		2020/21 £'000
(332,209)	Opening Balance 1 April	(312,118)
(17,632)	Reversal of Items related to retirement benefits debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	(17,095)
8,829	Employer's pensions contributions and direct payments to pensioners payable in the year	9,837
28,894	Re-measurement of the net defined benefit liability	(17,947)
20,091	Movement on Pension Reserve	(25,205)
(312,118)	Closing Balance	(337,323)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absence 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.

2019/20 £'000		2020/21 £'000
(309)	Balance at 1 April	(290)
309	Settlement or cancellation of accrual made at the end of the preceding year	290
(290)	Amounts accrued at the end of the current year	(326)
(290)	Balance at 31 March	(326)

21 CASH FLOW STATEMENT - OPERATING ACTIVITIES

2019/20 £'000		2020/21 £'000
8,849	Net (Surplus)/Deficit on the Provision of Services	8,477
	Adjustment to net (surplus)/deficit for non-cash movements	
188	Increase/(decrease) in Inventories	(101)
(1,079)	Increase/(Decrease) in Debtors	1,293
372	(Increase)/Decrease in Creditors	(1,706)
(2,931)	Depreciation Charge	(2,478)
41	Asset Refund	0
(8,803)	IAS 19 Pension Adjustments	(7,258)
(45)	Impairment Charge/Revaluation of Assets	(2,474)
(520)	Carrying amount of Non Current Assets sold or derecognised	(296)
(55)	Contribution (to)/from Various Provisions	(56)
0	Other non-cash items charged to the net surplus or deficit on the provision of services	0
19	Accumulated Absences Reserve	(37)
(12,813)	Less Total	(13,113)
	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	
(514)	Interest paid	(380)
20	Interest Received	2
134	Contributions Received/Capital Receipts	0
(360)	Less Total	(378)
(4,324)	Net Cash Flow From Operating Activity	(5,014)

22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2019/20 £'000		2020/21 £'000
775	Purchase of property, plant and equipment, investment property and intangible assets	0
(23)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(111)	Other receipts from investing activities	0
641	Net cash flow from investing activities	0

23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2019/20 £'000		2020/21 £'000
(28,536)	Cash receipts of short-term and long-term borrowing	(8,077)
30,000	Repayments of short-term and long-term borrowing	12,957
494	Other payments for financing activities	377
1,958	Net cash flow from financing activities	5,257

24 MEMBERS' ALLOWANCES

2019/20 £		2020/21 £
	Full Year Allowances	
10,473	Chair	10,705
5,473	Vice Chair	5,705
5,473	Chair Audit Committee	5,705
1,773	Member	2,005
66,724	Total of Members' Allowances paid (Number of Members 33)	72,922
5,133	Total of Members' Expenses paid	0
71,857	Total Paid to Members	72,922

The £72,922 members allowance paid includes a total of 33 members.

25 OFFICERS' REMUNERATION

Senior Officers' Emoluments 2020/21 – Salary Between £60,000 and £150,000

Post Title	Year	Salary (Inc Fees & Allowances) £	Expenses Reimbursed £	Benefit in Kind £	Total (Excluding Pension Contribution) £	Pension Contributions £	Total Remuneration £
Chief Fire Officer	2019/20	128,815	126	5,010	133,951	37,138	171,089
	2020/21	131,392	126	0	131,518	42,244	173,762
Assistant Chief Fire Officer (Retired October 2019)	2019/20	84,705	65	0	84,770	14,036	98,806
	2020/21	0	0	0	0	0	0
Assistant Chief Fire Officer	2019/20	93,065	126	2,793	95,984	27,249	123,233
	2020/21	94,926	126	0	95,052	26,104	121,156
Assistant Chief Fire Officer (commenced Jan 2021, previously Assistant Chief Officer)	2019/20	62,424	0	10,013	72,437	18,184	90,621
	2020/21	71,721	0	0	71,721	23,060	94,781
Temporary Assistant Chief Officer	2019/20	62,424	126	3,970	66,520	18,184	84,704
	2020/21	64,141	126	12,531	76,798	20,622	97,420
Temporary Assistant Chief Fire Officer (Retired 31 January 2021)	2019/20	86,675	185	1,814	88,674	21,534	110,208
	2020/21	76,032	105	0	76,137	18,285	94,422
Temporary Assistant Chief Fire Officer (Commenced February 2021)	2019/20	0	0	0	0	0	0
	2020/21	14,664	0	0	14,664	3,679	18,343
Treasurer – Section 151 Officer (15 Days per Year)	2019/20	7,603	101	0	7,704	0	7,704
	2020/21	7,812	0	0	7,812	0	7,812

No benefit in kind for officers that complete strategic cover (Gold rota), due to changes in HMRC regulations from 1 April 2020.

The Authority does not have any employees with a salary in excess of £150k. The Monitoring Officer is provided by Flintshire County Council as part of a Service Level Agreement so no costs for an individual are shown in the table above. Further details on the Monitoring Officer costs can be found within Note 29 – Related Parties.

For those officers that are members of the Local Government Pension Scheme the employers contribution includes 17% of their salary plus an apportionment of the lump sum payable to the Pension Fund based on a percentage of total pensionable pay. The number of employees whose remuneration was £60,000 or more in bands of £5,000 was:

REMUNERATION BAND	2019/2020 NUMBER OF EMPLOYEES	2020/2021 NUMBER OF EMPLOYEES
£80,000 - £84,999	0	0
£75,000 - £79,999	1	2
£70,000 - £74,999	0	1
£65,000 - £69,999	1	0
£60,000 - £64,999	4	3

The above excludes senior officers as they are separately within the remuneration table.

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

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

2019/20 £		2020/21 £
133,951	Chief Fire Officer	131,518
31,144	Median	31,767
4.30	Ratio	4.14

The staff that are employed under Retained Duty System Contracts have been included in the calculation on their Full Time Equivalent scale point rather than actual earnings. The above data includes total salary paid (excludes pension contributions).

Exit Packages

There were no exit / redundancy packages within 2019/2020 or 2020/2021.

26 EXTERNAL AUDIT COSTS

2019/20 £'000		2020/21 £'000
60	Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor.	61

27 GRANTS

The following grants were received by the Authority:

2019/20 £'000		2020/21 £'000
	Revenue	
416	Airwave	416
134	Arson Reduction Team	157
192	Interventions	136
1	Ask and Act	1
134	New Dimensions/All Wales Resilience	143
171	Phoenix	162
1,086	Firefighter Pension Scheme Employer Contribution	1,104
	Costs	
0	Cyber Training	3
2,134	Total	2,122
	Capital	
111	NDG: Procurement of Vehicles	0
111	Total	0

28 AGENCY SERVICES

The Authority acts as an agent on behalf of Welsh Government in administering two grant schemes for all the Fire and Rescue Services in Wales. The approved grants are paid to North Wales Fire and Rescue Service who are then responsible for distributing the grants to the Mid and West Wales Fire and Rescue Services and South Wales Fire and Rescue Services.

The Authority acts as an agent for the Local Resilience Forum. This is a multi-agency partnership made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency and others. Contributions from the various public bodies, are paid to North Wales Fire and Rescue Service. This funding is utilised to pay for the expenditure of the Forum.

2019/20 £'000		2020/21 £'000
2,261	New Dimensions/All Wales Resilience	2,845
225	Phoenix	206
108	Local Resilience Forum	184
2,594	Total	3,235

The 2019/2020 figures have been restated to include the Local Resilience Forum balance.

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 was formerly the Strategic Director - Democracy, Regulation and Support, Conwy County Borough Council. The post is now employed directly by the Fire and Rescue Service.
- The Monitoring Officer is the Chief Executive of Flintshire County Council.

Conwy County Borough Council manages the Treasury function on behalf of the Fire and Rescue Authority and brokers market loans and investments on behalf of the Authority. Conwy CBC also provides legal services to the Authority.

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

There are joint arrangements with North Wales Police Crime Commissioner which include Facilities Management, a shared control room and partnership working on a number of projects

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

2019/20 £'000		2020/21 £'000
17	Flintshire CC – Monitoring Officer	17
137	Conwy CBC – Financial Services	138
10	Conwy CBC – Legal Services	10
51	Carmarthenshire CC – Superannuation Service	53
197	North Wales Police Crime Commissioner – Facilities Management	207
7	North Wales Police Crime Commissioner – Procurement	7

Within the 2019/2020 Statement of Accounts the Annual Membership fee for the Welsh Local Government Association was included within the related parties table.

This is now removed as it is not deemed to be a related parties transaction.

The table below provides details of all payments made to the related parties.

2019/20 £'000		2020/21 £'000
62	Carmarthen County Council	53
341	Conwy County Borough Council	314
87	Flintshire County Council	335
394	North Wales Police Crime Commissioner	507

Members and senior officers of the Authority were asked to declare any third party transactions during the year.

Senior Officers

The senior officers completed a declaration of interest with related parties return for the year 2020/21.

An Assistant Chief Fire Officer declared an interest as a trustee with Dangerpoint. Payments of £1,580 have been made to Dangerpoint in 2020/21, as part of Welsh Government grant funding (2019/20: £11,976). In addition funding is provided for the cost of an administrator, which amounted to £26,386 (2019/20: £24,538). No income was received by the Authority during 2020/21 (Nil during 2019/20). No other related party interests were reported by the Senior Officers.

Members

All Members completed a declaration of interest with related parties return for the year 2020/21. Apart from allowances and expenses no other transactions were identified. Nothing was paid by the Authority during 2020/21 under such arrangements (nothing in 2019/20), and no income was received by the Authority during 2020/21 (nothing in 2019/20).

The 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:

2019/20 £'000		2020/21 £'000
33,383	Opening Capital Financing Requirement	31,746
	Capital Investment in Year	
775	Fixed Assets	0
	Sources of Finance	
(176)	Grants & Contributions	0
0	*Prior Year Adjustment Relating to Ceased Project	(253)
(2,236)	Revenue and Other Provisions	(2,104)
31,746	Closing Capital Financing Requirement	29,389
1,637	Change in Capital Financing Requirement	2,357
	Explanation of change:	
1,637	(Increase)/decrease in underlying need to borrow	2,357

* A prior year adjustment relating to a ceased joint project has been charged to revenue, which adjusts the Capital Financing Requirement and past MRP charge.

There was no Capital Expenditure during 2020/21. The COVID-19 pandemic restricted the Authority's ability to undertake the planned capital programme.

CAPITAL COMMITMENTS 2021/22 Onwards

The Authority is committed to capital expenditure in future periods arising from contracts entered into at the balance sheet date. Capital expenditure committed at the 31 March 2021 for future periods equates to £2,190k (2019/20: £414k). The commitments relate to the following:

Description	£'000
Building Works	167
Information Technology	0
Vehicles	2,023
Command & Control Refresh	0
Total	2,190

FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

2019/20 £'000		2020/21 £'000
598	External Loans	0
111	Grant Funding	0
23	Capital Receipts	0
43	Revenue Contribution to Capital	0
775	Total	0

31 LEASES

Finance Leases

The Authority acquired the Wrexham Fire Station under a finance lease in 2016/17. The asset acquired under the lease is carried on the Balance Sheet under Property, Plant and Equipment with a net value of £4,586k.

The lease payment for the Wrexham Fire Station is a peppercorn rent, therefore there is no reconciliation between the total of future minimum lease payments and the present value.

Operating Leases

2019/20 £'000		2020/21 £'000
313	Not later than 1 year	294
1,095	Later than 1 year and not later than 5 years	920
366	Later than 5 years	247
1,774	Total	1,461

Note that the 2019/20 Statement of Accounts did not contain the analysis relating to Operating Leases.

32 TERMINATION BENEFITS

No contracts were terminated during 2020/21 (2019/20: Nil).

33 TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

Pensions

(i) Local Government Services and Control Staff

In 2020/21 the Authority paid employer's pension contribution of £1,827k (2019/20: £1,489k) representing 17% (2019/20: 14.7%) of employees' pensionable pay and included a lump sum payment of £308k (2019/20: £747k) 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 2019. Following the review, the employer's contribution is 17.0% for 2020/21. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

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

(ii) Firefighters

The Firefighters' Pension Scheme is an unfunded scheme with defined benefits. In 2020/21 the Authority paid an Employer's Pension contribution of £3,173k (2019/20: £3,166k). Pensions payments relating to ill health paid from revenue amounted to £363,541 (2019/20: £420,208). In 2021/22 the employer's contribution to the scheme is estimated to be £3,487k and the estimate for Pensions paid from revenue is £440k. The majority of pension payments to retired firefighters are paid from a separate Pension Fund account administered by the Authority. Note that the Fire fighter's Pension Fund contribution rates can be found on page 60 and 61.

GMP equalisation and indexation

The Government has recently published a further consultation on indexation and equalisation of Guaranteed Minimum Pensions (GMP), with the proposal being to extend the "interim solution" to those members who reach State Pension Age after 5 April 2021. A past service cost was included in for 2019/20 for extending the equalisation to all future retirees.

There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement. For public service pension schemes, the expectation is that this ruling will be taken forward on a cross scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs are yet to be determined. Data on historic CETVs is not available to estimate the potential impact. It is expected that this will be a relatively small uplift for a relatively small subset of members (ie those who took a CETV and are in scope for a top up).

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 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.

COVID 19: Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2020/21 accounting figures.

Over the same period, the market volatility has also extended to corporate bonds. After an initial spike we have seen the yields on AA-rated corporate bonds reduce from previous levels. As the discount rate for accounting purposes is based on corporate bond yields, this will also impact on accounting liabilities. Finally, there has been an impact on market-implied RPI over the period, although this will in part be related to the consultation on RPI reform and demand for gilts, rather than any fundamental shift in expectations. Regarding the impact on mortality, the actuary's view is that it is not possible at this point to draw any meaningful conclusions on the potential impact of COVID 19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

Goodwin, Brewster and Langford judgments: The recent rulings relating to dependants benefits can in theory have an impact on the Local Government Pension Scheme. In each case we would expect the impact of the ruling to be very small (if anything). A sample analysis on the most significant of the rulings (Goodwin) suggests a cost well under 0.1% of liabilities on average. In addition, there will be significant difficulties in getting some or all of the relevant data. Therefore, there are no adjustments in respect of these rulings.

McCloud and 2016 valuation cost control

Following the Court of Appeal, the McCloud judgment that was handed in December 2018 which concluded that the transitional protections introduced in 2015 were discriminatory on the basis of age. The UK Government subsequently announced plans to address the discrimination across the UK public sector pension schemes including the Firefighters' Pension Scheme. Currently the UK Government is progressing detailed plans to implement the remedy following the consultation undertaken during 2020.

It also announced that the outstanding issues arising from the 2016 actuarial valuation will be addressed and that the McCloud costs would fall into the 'member cost' category of the cost control element of the valuations process. By taking into account the increased value as a result of the McCloud remedy the scheme cost control valuation outcomes will show greater costs than otherwise would have been expected.

The past service costs have been estimated to take into account the impact of the McCloud judgment and have been included since 2018/19 and updated to reflect the proposed remedy outlined by the UK Government following the consultation during 2020.

IAS 19 Pension Adjustment to the Net Cost of Service Income and Expenditure Statement

2019/20 £'000		2020/21 £'000
10,056	Current Service Costs	9,661
(629)	Past Service Costs	0
40	Administration Expenses	40
(4,682)	Employer's Contributions	(5,791)
(4,147)	Top Up Grant	(4,046)
96	Actuarial Adjustment/Curtailment	0
(380)	Transfer Out	0
390	Transfer In	380
744	Adjustment to Net Cost of Service	244

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

31st March 2020 £'000		31st March 2021 £'000
295,550	Estimated Present value of the defined benefit obligation in the Fire Fighters Pension Fund	318,750
45,350	Estimated Present value of the defined benefit obligation in the Clwyd Pension Fund	55,644
340,900	Total Estimated share of liabilities	374,394
(28,782)	Estimated Share of assets in Clwyd Pension Fund	(37,071)
312,118	Net Pensions Deficit	337,323

Assets and Liabilities in Relation to Post-employment Benefits

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

Liabilities	2019/20	2019/20	2020/21	2020/21
	£'000 Clwyd	£'000 Firefighters	£'000 Clwyd	£'000 Firefighters
Balance as at 1 April	45,355	315,810	45,350	295,550
Current Service Cost	1,666	8,390	1,561	8,100
Transfer Values	0	390	0	380
Interest	1,128	7,770	1,082	6,650
Actuarial Loss/Gain	(2,434)	(28,340)	8,126	16,080
Benefits paid	(824)	(9,310)	(815)	(9,620)
Member contribution	338	1,590	340	1,610
Past Service Cost	121	(750)	0	0
Net Pension Liabilities at Year End	45,350	295,550	55,644	318,750

Transactions Relating to Retirement Benefits Recognised in the Accounts

	Funded		Unfunded	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
Net Cost of Service				
Current Service Cost	1,666	1,561	8,390	8,100
Past Service Costs	121	0	(750)	0
Administration Expenses	40	40	0	0
Financing & Investment Income & Expenditure				
Net Interest Expense	385	364	7,770	6,650
Transfers out of scheme	0	0	(380)	0
Transfers in to scheme	0	0	390	380
Total Defined Benefit Charged to Provision of Service	2,212	1,965	15,420	15,130
Other Post Employment Benefits Charged to the Comprehensive Income & Expenditure Statement				
Remeasurement of the net defined benefit/ liability comprising:				
*Return on Plan Assets (excluding Interest) (A)	1,880	(6,259)	0	0
*Actuarial (Gains)/Losses arising on Changes in Demographic Assumptions (B)	(2,170)	0	(9,820)	0
*Actuarial (Gains)/Losses arising on Changes in Financial Assumptions (C)	(564)	8,914	(11,350)	30,810
*Other (D)	300	(788)	(7,170)	(14,730)
Total Pension Costs Charged to the Comprehensive Income & Expenditure Statement	(554)	1,867	(28,340)	16,080
Movement in Reserves Statement				
Reversal of net charges made to the surplus or deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(2,212)	(1,965)	(15,800)	(15,130)
Actual Amounts charged to the General Fund for pensions in the year				
Total Employer Contributions	1,489	1,827	3,193	3,964
Fire Fighters Pensions Top Up Grant	0	0	4,147	4,046

* A + B + C + D = Re-measurement of the Net Defined Benefit Liability/(Asset) as quoted in the Comprehensive Income and Expenditure Statement:
2020/21: (£17,947k); 2019/20: (£28,894k)

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

2019/20 £'000		2020/21 £'000
(28,860)	Balance 1 April	(28,782)
(743)	Interest on Plan Assets	(718)
1,784	Remeasurements (Assets)	(6,259)
40	Administration Expenses	40
(1,489)	Employer Contributions	(1,827)
(338)	Member Contributions	(340)
824	Benefits Paid	815
(28,782)	Net Pension Assets at Year End	(37,071)

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

Asset Category	Quoted Prices in Active Markets	31-Mar-20	31-Mar-20	31-Mar-21	31-Mar-21
		£'000	%	£'000	%
Equity Securities					
Global Quoted	Y	2,223	8%	3,928	11%
Emerging Markets	Y	1,597	6%	3,930	11%
Bonds					
Overseas Other	Y	2,892	10%	4,263	11%
LDI	Y	5,039	18%	9,045	24%
Property					
UK	Y	1,914	7%	1,854	5%
Overseas	Y	125	0%	371	1%
Alternatives					
Hedge Funds/Private Equity/ Commodities/GTAA	Y	14,607	51%	13,050	35%
Cash & Cash Equivalents					
All	Y	385	1%	630	2%
Totals		28,782	100%	37,071	100%

Sensitivity Analysis

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

	LGPS % Change	LGPS Impact £ Million	Firefighters % Change	Firefighters Impact £ Million
Rate of Discounting	0.1	17.5	0.5	-30.0
Rate of Increase in Salaries	0.1	18.8	0.5	7.0
Rate of Increase in Inflation	0.1	19.7	0.5	25.0
Life Expectancy + 1 Year	1.0	20.2	1.0	11.0

Basis for Estimating Assets and Liabilities

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

	Firefighters' Scheme		Clwyd Pension Fund	
	2020 %	2021 %	2020 %	2021 %
Rate of Inflation	2.00	2.40	2.10	2.70
Rate of Increase in Salaries	4.00	4.15	3.35	3.95
Rate of Increase in Pensions	2.00	2.40	2.20	2.80
Rate of Discounting Scheme Liabilities	2.25	2.00	2.40	2.10
Life Expectancy	Estimated as at 31 March 2021			
Life Expectancy at 65	Males	Females	Males	Females
Current Pensioners	21.4	21.4	22.6	25.0
Future Pensioners	23.1	23.1	24.2	27.0

The Firefighters' Pension Scheme is an unfunded scheme and as such holds no assets to generate income to meet the scheme's 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 Government.

34 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Credit Risk

This is the possibility that other parties might fail to pay amounts due to the Authority. The highest credit risk is for investments. These are managed through the Treasury Management Strategy. 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. If any institutions are downgraded and fail to meet the criteria set out in the Treasury Management Strategy, 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 £0.747m. However, due to careful management of the portfolio no institutions have failed to repay monies due.

Liquidity Risk

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

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

Market Risk

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

An assessment of the financial effect of a 1% increase in interest rates has been undertaken. Interest on variable rate and temporary borrowing would have increased by £70k and interest from investments would have increased by £7.4k.

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 and setting out the Prudential Indicators (PI's) for the year. Half way through the year a report details progress against the 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.

35 CONTINGENT LIABILITY

There are legal claims currently being dealt with by the Authority where there is less than 50% likelihood of settlement. The Authority has a sum of £0.2m reserved for insurance in relation to current emerging claims not currently recognised.

Following a lengthy legal process, the judgment in the case of O'Brien vs Ministry of Justice was issued during 2019. This found that the decision to limit the period from which a part-time employee could join the pension scheme was erroneous and eligible employees should be permitted to join the relevant scheme with effect from the start of their contracts.

It is considered that this judgment may have implications for the Firefighters' Modified Pension Scheme which previously restricted past service to 1 July 2000.

It is not yet possible to determine a reasonable estimate of the financial impact of this judgment as at the balance sheet date and a provision has not yet been recognised.

36 CONTINGENT ASSET

In July 2016 the European Commission fined European truck manufacturers 2.926 billion euros for price fixing and other cartel activities between 1991 and 2001. DAF, Daimler, Iveco, MAN, and Volvo/ Renault acknowledged their guilt (Scania is still being investigated) and confirmed they did the following:

- At Senior HQ management level, fixed gross and sometimes net list prices.
- Aligned gross list prices Europe including the UK at the start of the cartel.
- Reduced rebates when the Euro was introduced.
- Delayed introduction of more fuel efficient Euro 3, 4, 5 and 6 technologies.
- Agreed the cost that operators should pay for Euro technologies.

This involves any trucks of 6 tonnes and over, purchased outright, financed or leased between 1997 and 2011. A legal action is now ongoing to recoup some of the money lost due to this cartel price fixing. No specific value or percentage has been discussed as yet and the legal action may take several years to complete.

- Under the Litigation Funding Agreement, only the VAT is payable by the Authority for the legal costs.

- Current payments under the Litigation Funding Agreement (VAT payable only) for 2020/2021 totalled £1,509.59.

37 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- * Definition of a Business: Amendments to IFRS3 Business Combinations
- * Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- * Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Due to the Covid-19 outbreak the implementation of IFRS 16 has been deferred until the 1st April 2022 and will impact on 2022/2023 onwards.

The various changes covered by the Annual Improvements to IFRS's cycles are relatively minor updates to the relevant standards to clarify the correct treatment. None will have a material impact on the Statement of Accounts.

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.

2019/20 £'000		2020/21 £'000
	INCOME	
	Contributions Receivable:	
(3,166)	Employer normal contributions	(3,173)
(24)	Employer ill health charge	(152)
(1,491)	Members normal contributions	(1,494)
(89)	Members backdated contributions	(126)
(388)	Transfers In	(379)
(5,158)	TOTAL	(5,324)
	EXPENDITURE	
	Benefits Payable:	
7,296	Pension Payments	7,698
1,636	Commutation of Pensions and Lump Sum benefits	1,594
(6)	Backdated Commutation Payments	76
	Payments to and on Behalf of Leavers:	
379	Transfers out	2
9,305	TOTAL	9,370
	NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT	
(4,147)	Top Up grant receivable from WG	(4,046)
0	NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR	0

2019/20 £'000		2020/21 £'000
	Net Current Assets and Liabilities:	
(651)	Prepayment to Pensioners	(647)
(1,018)	Top Up payable (from)/to WG	(1,023)
1,669	Amount owed (from)/to the General Fund	1,670
0	Net Assets at year end	0

Notes to the Firefighters' Pension Fund Account

The Fund was established 1 April 2007 and covers the 1992, 2007 and 2015 Firefighters' Pension Schemes and is administered by the Authority.

Employee and employer contributions are paid into the Fund, from which payments to pensioners are made. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Welsh Government 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 the Welsh Government.

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 into the fund. These are the costs that are included in the accounts for the Authority.

Carmarthenshire County Council, acting on behalf of the Dyfed Pension Fund, manage the payments made to firefighter pensioners on behalf of the Authority. They are also responsible for managing the records of current pensioners and active members of the scheme.

In 2020/21 the estimate for the Top Up Grant due was £3,855k and the actual was £4,046k. At the year end the WG owed £1,670k to the Authority.

Contribution Rates

Under the Firefighters' Pension Regulations the employer's contribution rate for the 2015 scheme was 27.3% (27.3% - 2019/2020) of pensionable pay with employees' rate as per the pensionable pay banding detailed below:

Pensionable Pay Band	2020/21 Contribution Rate %
Up to £27,818	11.0
£27,819 to £51,515	12.9
£51,516 to £142,500	13.5
More than £142,501	14.5

Under the Firefighters' Pension Regulations the employer's contribution rate for the 2007 scheme was 26.6% (26.6% - 2019/2020) of pensionable pay with employees' rates as per the pensionable pay banding detailed.

Pensionable Pay Band	2020/21 Contribution Rate %
Up to and including £15,609	8.5
More than £15,609 and up to and including £21,852	9.4
More than £21,852 and up to and including £31,218	10.4
More than £31,218 and up to and including £41,624	10.9
More than £41,624 and up to and including £52,030	11.2
More than £52,030 and up to and including £62,436	11.3
More than £62,436 and up to and including £104,060	11.7
More than £104,060 and up to and including £124,872	12.1
More than £124,872	12.5

For the 1992 scheme the employer's contribution rate was 29.3% (29.3% - 2019/2020) of pensionable pay with employees' rate as per the pensionable pay bandings detailed below:

Pensionable Pay Band	2020/21 Contribution Rate %
Up to and including £15,609	11.0
More than £15,609 and up to and including £21,852	12.2
More than £21,852 and up to and including £31,218	14.2
More than £31,218 and up to and including £41,624	14.7
More than £41,624 and up to and including £52,030	15.2
More than £52,030 and up to and including £62,436	15.5
More than £62,436 and up to and including £104,060	16.0
More than £104,060 and up to and including £124,872	16.5
More than £124,872	17.0

The Firefighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period end as this is the responsibility of the Authority. Details of the long term pension obligations can be found in Note 33 to the core financial statements.

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require the accounts to be prepared in accordance with proper accounting practices. These practices, under section 12 of the Local Government Act 2003, primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) supported by International Financial Reporting Standards (IFRS).

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.

2. INCOME AND EXPENDITURE

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

- 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.
- 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. A de-minimus limit of £100 is set for these transactions. 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. EMPLOYEE BENEFITS

Benefits payable during employment

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

Termination Benefits

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

5. POST EMPLOYMENT BENEFITS

The Authority participates in distinct pension schemes for Fire fighter and corporate members of staff. The schemes are as follows:

Firefighter's 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 pension 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 Note 33 and the Firefighters' Pension Fund Account 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 and Rescue Authority to meet these costs is disclosed by a note to the accounts as required by IAS 19.

Local Government Pension Scheme (LGPS)

Support and control room staff are part of the Clwyd Pension Fund (the 'fund'). This is a funded scheme with pensions paid from the underlying investment funds administered by Flintshire County Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

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.

Discretionary Benefits:

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

6. 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.

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

7. 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.

8. 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. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

9. 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.

The authority recognises expected credit losses on all of its financial assets held at amortised cost.

10. INVESTMENTS

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

11. FOREIGN CURRENCY TRANSACTIONS

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

12. ACCOUNTING FOR GOVERNMENT GRANTS

Whether paid on account, by instalments, or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due, are not credited to the Comprehensive Income & Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When the conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation & Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied

Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure

13. 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.

14. PROPERTY PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant & Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimus expenditure level of £5,000 has been set for Property, Plant & Equipment, below which expenditure will not be subject to capital accounting requirements. Where an asset is revalued below £5,000, any associated expenditure and depreciation will normally be written out and the asset removed from the Fixed Asset Register.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

Assets are carried in the Balance Sheet using the following measurement bases:

- Land & Buildings – fair value
- Assets under construction - historical cost
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Depreciation

Depreciation is provided for all property, plant and equipment assets, by systematic allocation of their depreciable amounts over their useful lives.

Useful Economic Life of Assets

Land	Infinite (no depreciation)
Buildings	20-75 years
Buildings (leased)	Term of lease
Infrastructure	10-20 years
Vehicles, Plant and Equipment	3-20 years
Intangible Assets	5-15 years

Depreciation is provided on a straight-line basis, with acquisitions being depreciated in the year following purchase. A full year's depreciation is charged in the year of disposal.

Buildings are depreciated using the Beacon Approach. An estimate is made of the components of the building and the useful life of each component. The weighted average method is then used to determine the depreciation charge. The percentages used are:

Buildings – fire stations	2.00% - 2.22%
Buildings – offices	2.23%

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

The Authority 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.

Impairments

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.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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.

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.

15. 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.

16. CAPITAL RECEIPTS

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

17. MINIMUM REVENUE PROVISION (MRP) POLICY

Regulations require that the Fire and Rescue Authority approve an MRP statement in advance of each year. For Land and Buildings the MRP policy is to repay expenditure incurred using the Asset Life Method-straight line. For Vehicles, Plant, Equipment and Infrastructure the MRP will be based on the estimated life of the assets.

18. INVENTORIES

Due to technical limitations with the stock recording systems, stock is valued on a last price paid basis.

19. RESERVES and 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. CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.