

North Wales Fire Authority-Statement of Accounts 2017-18

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NARRATIVE REPORT

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

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

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

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of the North Wales Fire Authority for the financial year 2017-18.

- 2(a). The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code), for the 2017-18 statements the code has been revised to incorporate a reconnection of the financial statements of local authorities with the way those authorities are both organised and funded. The Comprehensive Income and Expenditure Statement is no longer prepared in accordance with the Service Reporting Code of Practice (SeRCOP) but is based on the format used by the Authority to prepare budgets and report the financial position to Members. There is an additional core statement, Expenditure and Funding Analysis, which links the financial position that is familiar to Members and expenditure in accordance with proper accounting practices which includes statutorily defined charges.
- 2(b). The statements and their purposes are as follows:-

(i) The Comprehensive Income and Expenditure Account (CIES)

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.

(ii) The Movement in Reserves Statement

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

(iii) Statement of Financial Position (Balance Sheet)

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

(iv) Cash Flow Statement

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

(v) 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. This is shown in note 5 of the accounts.

(vi) The Firefighters' Pension Fund Account

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

(vii) Statement of responsibilities for the Statement of Accounts

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

A statement of the responsibilities for this statement of accounts is given on page 8.

(viii) Notes to the Accounting Statements

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

- 2(c). The Expenditure and Funding Analysis statement, Comprehensive Income and Expenditure Statement, Movement on Reserves Statement, Balance Sheet, Cash Flow Statement and the Pension Fund Account are supported by notes which provide additional information. The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit (Wales) Regulations 2005 and the 2007 Amendments to the Regulations.

3. SUMMARY OF FINANCIAL YEAR 2017-2018**Revenue Expenditure 2017-2018**

The budget for the year was approved by Members of the Authority at £33,161,277. Further details on the operational spend, which is the actual expenditure for the Authority without the accounting adjustments, can be found in Note 6. In order to set a balanced budget and not increase the contributions from the constituent authorities it was estimated that £414k from reserves would be utilised. The net expenditure was lower than budgeted and was due mainly to savings on capital financing. Charges to the revenue budget for funding the capital programme were less than budgeted due to the rollover of some projects from 2016-17 to 2017-18. The reduced expenditure in 2016-17 has also meant that there has been less debt to furnish. Lower interest costs have also been achieved by 'internally borrowing', where reserves and balances have been used to fund the programme rather than taking out new borrowings. In addition, approval of the change in the MRP policy has resulted in additional savings of £366k on the capital financing charges for 2017-18 as well as providing reduced charges for future budgets these changes still provide for a prudent provision. Given the reduced expenditure only £93k of reserves has been utilised to fund the revenue budget in year. The table below provides a summary of the financial position for the year.

	Budget	Actual	Variance
	£000	£000	£000
Revenue			
Expenditure	34,308	35,147	839
Income	(732)	(1,867)	(1,135)
Net Expenditure	33,576	33,280	(296)
Earmarked Reserves	0	(25)	(25)
General Fund	(414)	(93)	321
Unitary Authority Contributions	(33,161)	(33,161)	0
(Surplus) /Deficit	0	0	0
Capital			
(inc b/f slippage)	5,467	3,729	(1,738)

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is financed by contributions from the six constituent local authorities in proportion to population. For 2017-18, the proportions were as follows:

Authority	2017/2018 Contribution £	Proportion %
Conwy County Borough Council	5,539,433	16.70
Anglesey County Council	3,330,579	10.04
Gwynedd Council	5,851,817	17.65
Denbighshire County Council	4,524,683	13.64
Flintshire County Council	7,339,795	22.13
Wrexham County Borough Council	6,574,970	19.83
TOTAL	33,161,277	

The Authority acts as an agent on behalf of the Welsh Government for all the Fire Services in Wales and manages the grants for two schemes, the New Dimensions Scheme and Phoenix. The grants paid to the other Fire Services are not included in the financial statements as the Authority is acting as an intermediary. The grants allocated to the other two Fire Services in Wales for the specific schemes were £3.935m (£1.9m for 2016-17).

The Authority received a number of different grants from the Welsh Government during the year to promote various schemes within North Wales. The total value of the grants received was £1.43m of Revenue Grants (2016-17 £2.23m) and £0.596m of Capital Grants. Details of the grants received can be found in Note 29 to the accounts.

Revenue Sources of Funding Included in the Management Accounts

2016/17 £'000		2017/18 £'000
31,886	Unitary Authority Contributions	33,161
2,232	Revenue Grants	1,430
6	Interest	3
498	Fees and Charges and Other Income	438

Capital Expenditure 2017-2018

Total capital expenditure in the year amounted to £3.729m. Further details can be found in Note 31 to the accounts.

2016/17 £'000		2017/18 £'000
1,053	Property – Refurbishments, adaptations, new buildings	793
983	Vehicles and Plant	1,698
906	Operational and I.C.T. Equipment	1,238
2,942	Total Capital Expenditure	3,729

Capital Borrowing

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2017-2018 the capital programme was financed mainly by borrowing (£2,468k), other funding amounted to £1.26m. More details can be found in note 31.

A detailed report on the financial activity for the year was presented to the Fire Authority on 4 June 2018 and made available on the Fire service website (www.nwales-ireservice.org.uk).

Pension Liability

In 2017-18, 9 whole time uniformed staff, 1 deferred member and 7 retained duty system staff retired. The net cost of the Firefighters' Pension Scheme to the revenue budget was £2.34m (£2.36m 16/17). The liability in terms of future pension commitments has increased to £299.82m (£289.45m 16/17) due to a change in the actuarial assumptions. The actuaries have changed the assumptions for the re-measurement of the net defined liability and this includes a decrease in the discount rate which has resulted in a significant increase in liabilities. The changes applied have resulted in an estimated increased liability to the Authority for Firefighter pensions.

The actuarially assessed liability as at 31 March 2018 for the Local Government pension scheme was £13.29m (£15.18m 16/17), the decrease was due to a change in actuarial assumptions used to re-measure the schemes liabilities which has resulted in a decrease in the schemes liabilities.

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

Capital Financing Costs

The charge made to the service revenue accounts to reflect the cost of fixed assets used in the provision of services was £3.29m. This is a notional charge for depreciation and an adjustment is made to the year end balance so the contributions required to fund the service are not affected. The actual cost to the service for financing capital is £455k loan interest and £2.181m Minimum Revenue Provision.

The increase in borrowing is dependent upon a number of factors; the amount of capital expenditure to be financed by borrowing and the loan debt repaid as part of the Minimum Revenue Provision. The Authority's loan debt at 31 March 2018 was £35.445m.

Reserves

Earmarked reserves are held for a number of projects the main ones are to cover transitional costs for the radio project and to cover the reduction in funding for HFSC. These reserves were not utilised in 2017-18 but it is envisaged that they will be used in future years.

Further details of the provisions and reserves held are included in Notes 19 and 20 to the core financial statements.

Impact of the Current Economic Climate

Prior to 2017-18 for the last five financial years the Authority has made savings of £3.5m by effectively reducing the net budget requirement by 0.65%. In order to secure financial sustainability for the Authority and maintain service levels Members agreed a 3 year financial strategy combining the use of reserves, increasing financial contributions and making service reductions. Members agreed for 2017-18 to increase the contributions from the constituent authorities by 4% and use £414k of reserves to underpin the budget. Due mainly to savings on capital financing costs only £93k of the general fund reserve was utilised.

4. ADDITIONAL INFORMATION

The current Treasurer and Section 151 Officer for the Authority, Ken Finch was appointed in January 2017.

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

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 2018.

SIGNED: _____ DATED: _____

Councillor Meirick Lloyd Davies

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 2018.

In preparing the Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

TREASURER'S CERTIFICATE **STATEMENT OF ACCOUNTS 2017/2018**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2018 and its income and expenditure for the year then ended.

SIGNED: _____ DATED: _____

K Finch FCPFA

Treasurer, North Wales Fire and Rescue Authority

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of

- the North Wales Fire & Rescue Authority; and
- the Firefighters Pension Fund Account

for the year ended 31st March 2018 under the Public Audit (Wales) Act 2004.

North Wales Fire & 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 Firefighters' Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the North Wales Fire & Rescue Authority and the Firefighters' Pension Fund as at 31st March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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 Fire & Rescue Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fire & Rescue Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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 2018;
- 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 Fire & Rescue Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the 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;
- 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.

Certificate of completion of audit

I have carried out the audit of the accounts of North Wales Fire and Rescue Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters relating to the Firefighters Pension Fund. I am satisfied that these matters do not have a material effect on the financial statements.

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 set out on page 8, 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 Fire & Rescue 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.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
20 September 2018

24 Cathedral Road
Cardiff
CF11 9LJ

CORE FINANCIAL STATEMENTS

THE COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

2016/17				2017/18			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
20,861		20,861	EMPLOYEES		23,417	0	23,417
1,571		1,571	PREMISES COSTS		1,765	0	1,765
1,156		1,156	TRANSPORT		1,008	0	1,008
4,555		4,555	SUPPLIES & SERVICES		4,523	0	4,523
777		777	SUPPORT SERVICES		828	0	828
2,209		2,209	CAPITAL FINANCING COSTS		4,229	0	4,229
0	(2,737)	(2,737)	INCOME		0	(2,073)	(2,073)
			North Wales Fire & Rescue				
31,129	(2,737)	28,392	Cost of Services		35,770	(2,073)	33,697
3	(20)	(17)	Other Operating Expenditure	9	27	(22)	5
8,206	(6)	8,200	Financing & Investment Income & Expenditure	10	8,443	(3)	8,440
0	(31,886)	(31,886)	Taxation and Non Specific Grant Income	11	0	(33,161)	(33,161)
		4,689	Deficit or (Surplus) on Provision of Services				8,981
		2,670	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets				0
		48,726	Remeasurement of the net defined Benefit Liability				1,415
		51,396	Other Comprehensive (Income) & Expenditure				1,415
		56,085	Total Comprehensive (Income) & Expenditure				10,396

* The Net Cost of Service is now reported in the same format as it is reported to management.

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement for the years ended 31 March 2017 & 2018	Note	General Fund Balance	Earmarked and Grant Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016		2,669	1,161	0	3,830	(231,197)	(227,367)
Movement in Reserves during 2016/17							
Surplus or (Deficit) on the Provision of Services		(4,689)	0	0	(4,689)	0	(4,689)
Other Comprehensive Income & Expenditure		0	0	0	0	(51,397)	(51,397)
Total Comprehensive Income & Expenditure		(4,689)	0	0	(4,689)	(51,397)	(56,086)
Adjustments between accounting basis & fundng basis under regulations	7	4,193	366	(20)	4,539	(4,539)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(496)	366	(20)	(150)	(55,936)	(56,086)
Adjustment		1	0	0	1	0	0
Other Transfers to/(from) Earmarked Reserves		(24)	24	20	20	(20)	0
Increase/(Decrease) in 2016/17	8	(519)	390	0	(129)	(55,956)	(56,086)
Balance as at 31 March 2017		2,150	1,551	0	3,701	(287,153)	(283,453)
Movement in Reserves Statement							
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017		2,150	1,551	0	3,701	(287,153)	(283,453)
Movement in reserves during 2017/18							
Surplus or (deficit) on the provision of services		(8,981)	0	0	(8,981)	0	(8,981)
Other Comprehensive Income & Expenditure		0	0	0	0	(1,415)	(1,415)
Total Comprehensive Income & Expenditure		(8,981)	0	0	(8,981)	(1,415)	(10,396)
Adjustments between accounting basis & fundng basis under regulations	7	8,863	(803)	0	8,060	(8,060)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(118)	(803)	0	(921)	(9,475)	(10,396)
Adjustment		0	0	0	0	1	1
Other Transfers to/(from) Earmarked Reserves		25	(109)	0	(84)	84	0
Increase/(Decrease) in 2017/18	8	(93)	(912)	0	(1,005)	(9,390)	(10,395)
Balance as at 31 March 2018		2,057	639	0	2,696	(296,543)	(293,847)

BALANCE SHEET

31 March 2017		Note	31 March 2018
£'000			£'000
50,431	Property, Plant & Equipment	12	49,988
501	Intangible Assets	12	712
0	Long Term Debtors	3	747
50,932	Long Term Assets		51,447
536	Inventories	15	564
3,214	Debtors	16	5,125
411	Assets Held For Sale	12	0
375	Cash & Cash Equivalents	17	1,455
4,536	Current Assets		7,144
17,388	Short Term Borrowing	13	19,702
0	Provisions	19	180
2,556	Creditors	18	3,548
19,944	Current Liabilities		23,430
304,626	Pension Liability	34	313,110
14,350	Long Term Borrowing	13	15,898
318,976	Long Term Liabilities		329,008
(283,452)	Net Assets		(293,847)
3,701	Usable Reserves	20	2,696
(287,153)	Unusable Reserves	21	(296,543)
(283,452)	Total Reserves		(293,847)

CASH FLOW STATEMENT

2016/17		Note	2017/18
£'000			£'000
4,689	Net (Surplus)/Deficit on the Provision of Services		8,981
(5,365)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	22	(8,763)
(504)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	22	(452)
(1,180)	Net Cash Flows From Operating Activities	22	(234)
2,736	Investing Activities	23	2,564
(1,436)	Financing Activities	24	(3,410)
120	Net (Increase) or Decrease in Cash and Cash Equivalents		(1,080)
(495)	Cash and Cash Equivalents at the beginning of the reporting period		(375)
(375)	Cash and Cash Equivalents at the End of the Reporting Period	17	(1,455)

NOTES TO THE FINANCIAL STATEMENTS

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.

The Authority entered in to a contractual agreement with Welsh Ambulance Services Trust (WAST) and has built a new shared facility at Wrexham. The Authority contributed to the cost of the build and in return have a 50 year lease on the building. The lease is for the part of the building used specifically by the service and also for areas shared with WAST. Following an assessment of the arrangement it has been determined that the contract represents an embedded lease and as a result the part of the facility used by the Service has been valued by the District Valuer and the asset recognised on the Balance Sheet at the valuation amount (£6.1m). The asset will be depreciated over the life of the lease agreement (50 years). The facility opened during 2016-17.

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

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

The main item in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and, for the Local Government pension Scheme, the expected return on pension fund assets. Actuaries are engaged to provide an assessment of the liabilities.	Relatively small changes in the assumptions made can have a significant impact on the pension net liability. The pension net liability shown in the balance sheet will only become payable over the retirement period of current and retired employees, so adjustments to the liability can be spread over a number of years through changes in employee and employer contributions. Increases in employer contributions have a direct impact on the budget.

EU REFERENDUM	Following the UK's vote to leave the EU some consideration should be given to the impact of the decision on North Wales Fire and Rescue Service. At this point in time the impact is uncertain as it is for most organisations in the UK.	The impact on the economy as a whole and on Local Authority funding is still an unknown.
PROPERTY VALUATIONS	The Authority revalues its assets every 5 years. The last valuation was undertaken in 2015-16. It is possible that property values could fluctuate considerably within this five year timeframe. It bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuers but are still based on estimates.	A fluctuation in property values would impact on the values held in the Balance Sheet and on the corresponding depreciation charge.

3. MATERIAL ITEMS OF NOTE

The Authority in 2017-18 took the decision to pre-pay 3 years of the lump sum due from the employer for the Local Government Pension Scheme, the payment for 2018-19 and 2019-20 amounted to £1.468m and is represented in the accounts as a payment in advance. The third year of the payment is shown under long term assets, £747k, and the second year, £721k, under Debtors. The pre-payment was made to take advantage of the discount received from paying the lump sum early.

4. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts have been authorised for issue by the Treasurer to the Fire Authority as at 18 September 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. EXPENDITURE AND FUNDING ANALYSIS

2016/17			2017/18			
Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income & Exp Statement		Net Expenditure Chargeable to the General Fund	Adjustments Between the funding and Accounting basis	Net Expenditure in the Comprehensive Income & Exp Statement
£'000	£'000	£'000		£'000	£'000	£'000
23,226	(900)	22,326	EMPLOYEES	24,361	(944)	23,417
1,571	0	1,571	PREMISES	1,765	0	1,765
1,156	0	1,156	TRANSPORT	1,008	0	1,008
4,558	(2)	4,556	SUPPLIES & SERVICES	4,550	(27)	4,523
777	0	777	SUPPORT SERVICES	828	0	828
3,063	3,807	6,870	CAPITAL FINANCING COSTS	2,637	1,592	4,229
(2,737)	8	(2,729)	INCOME	(1,869)	(204)	(2,073)
			North Wales Fire & Rescue			
31,614	(3,222)	28,392	Net Cost of Service	33,280	417	33,697
			Other Income & Expenditure			
0	8,159	8,159	Other Income & Expenditure Adjustments	0	8,445	8,445
(31,886)	0	(31,886)	Taxation and Non Specific Grant Income	(33,161)	0	(33,161)
790	(766)	24	Contribution to/(from) reserves	0	0	0
518	4,171	4,689	Deficit or (Surplus) on Provision of Services	119	8,862	8,981
		(2,669)	Opening General Fund Balance			(2,150)
		519	Deficit on General Fund Balance in Year			118
		0	Other Movements Not included above i.e. Earmarked Reserves			(25)
		(2,150)	Closing General Fund Balance			(2,057)

* The Net Cost of Service is now reported in the same format as it is reported to management.

Notes to the expenditure and funding analysis:

2016/17				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£'000		£'000	£'000
EMPLOYEES	0	(2,406)	41	(2,365)
PREMISES	0	0	0	0
TRANSPORT	0	0	0	0
SUPPLIES & SERVICES	0	0	(4)	(4)
SUPPORT SERVICES	0	0	0	0
CAPITAL FINANCING COSTS	(349)	0	(510)	(859)
INCOME	0	0	6	6
Net Cost of Service	(349)	(2,406)	(467)	(3,222)
Other Income & Expenditure				
Other Income & Expenditure Adjustments	(20)	7,694	237	7,911
Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services	(369)	5,288	(230)	4,689
2017/18				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£'000		£'000	£'000
EMPLOYEES	0	(920)	(24)	(944)
PREMISES	0	0	0	0
TRANSPORT	0	0	0	0
SUPPLIES & SERVICES	0	0	(27)	(27)
SUPPORT SERVICES	0	0	0	0
CAPITAL FINANCING COSTS	2,048	0	(455)	1,593
INCOME	(207)	0	3	(204)
Net Cost of Service	1,841	(920)	(503)	418
Other Income & Expenditure				
Other Income & Expenditure Adjustments	(22)	7,989	479	8,446
Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services	1,819	7,069	(24)	8,864

6. DETAILED ANALYSIS OF EXPENDITURE AND INCOME

Management Accounts Summary 2016/17 and 2017/18		
2016/17		2017/18
	EXPENDITURE	
	EMPLOYEE COSTS	
14,137,834	Uniformed Staff - Wholetime	14,511,324
3,193,582	Uniformed Staff - Part time	3,621,412
4,827,886	Support Services Staff	5,090,292
447,058	Training Costs	585,851
19,979	Supplementary Payments to Pension Funds	11,795
456,080	Pension payments	461,913
143,668	Other Staff Costs	78,591
23,226,087	TOTAL EMPLOYEE COSTS	24,361,178
	PREMISES COSTS	
934,787	Utilities & NNDR	1,118,296
448,580	Maintenance	454,461
187,144	Rents	192,122
0	Other	0
1,570,511	TOTAL PREMISES COSTS	1,764,879
	TRANSPORT	
925,347	Maintenance & Running Expenses	546,090
230,226	Travelling Expenses & Lease Car Scheme	461,513
1,155,573	TOTAL TRANSPORT COSTS	1,007,603
	SUPPLIES & SERVICES	
322,101	Equipment	335,880
2,033,777	IT & Communications	1,862,073
1,136,314	Other Supplies & Services	1,337,686
1,065,813	Grant Expenditure	1,014,241
4,558,005	TOTAL SUPPLIES & SERVICES	4,549,880
	SUPPORT SERVICES	
416,982	Agency Payments	429,088
360,303	Support Service Agreements	398,500
777,285	TOTAL SUPPORT SERVICES	827,588
3,063,408	CAPITAL FINANCING COSTS	2,635,882
34,350,869	TOTAL EXPENDITURE	35,147,010
	INCOME	
(337,066)	Sales, Fees & Charges	(339,001)
(167,471)	Other Income	(99,223)
(2,232,228)	Grant Income	(1,429,840)
(2,736,765)	TOTAL INCOME	(1,868,064)
31,614,104	NET OPERATING COSTS	33,278,946
24,000	Contribution to Reserves for Equipment & Vehicles	49,914
766,399	Contribution to/(from) Earmarked Reserves	(74,500)
(518,658)	Contribution to/(from) General Reserve	(93,083)
(31,885,845)	Income From Contributions	(33,161,277)
0	SURPLUS/DEFICIT FOR YEAR	0

Note - The grant expenditure and income reported in the Management accounts last year included the grant income and expenditure for the other Fire Services, an additional £1,874,887. This has now been excluded as the Authority is acting as an agent.

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.

2016/17 £'000			2017/18 £'000	
	31,614	Net Expenditure in the Service Analysis		33,279
		Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis		
3,142		Depreciation	3,291	
(186)		Government Grant Released	(596)	
0		Released from Grant Reserve	803	
(2,406)		IAS 19 – Pensions Adjustment (Note 33)	(920)	
1,407		Impairment	671	
41		Accumulated Absences	(24)	
(2,160)		Adjustment CAA/Asset Disposal	(147)	
	(162)	Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement		3,078
(2,553)		Debt Repayment (MRP)	(2,181)	
(510)		Interest Paid	(455)	
6		Interest Received	3	
(3)		Trading Account Deficit	(27)	
	(3,060)			(2,660)
	28,392	Cost of Services in the Comprehensive Income & Expenditure Statement		33,697

7. 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.

2017/18	Useable Reserves				Unusable Reserves
	General Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
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	3,962	0	0	3,962	(3,962)
Revaluation (losses)/Gains on Property, Plant and Equipment	(147)	0	0	(147)	147
Gain on Disposal	(22)	0	0	(22)	22
Capital grants and contributions applied	(596)	0	0	(596)	596
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(2,181)	0	0	(2,181)	2,181
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	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
Adjustment primarily involving the Pensions Reserve					
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,871)	0	0	(7,871)	7,871
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	14,940	0	0	14,940	(14,940)
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Adjustment to Grants reserve	803	(803)	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	(25)	0	0	(25)	25
Total Adjustments	8,863	(803)	0	8,060	(8,060)

Comparative Data

2016/17	Useable Reserves			Unusable Reserves	
	General Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
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	3,142	0	0	3,142	-3,142
Revaluation (losses)/Gains on Property, Plant and Equipment	-753	0	0	-753	753
Amortisation of Intangible assets	-20	0	0	-20	20
Capital grants and contributions applied	-186	-400	0	-586	586
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	-2,553	0	0	-2,553	2,553
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	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	-20	-20	20
Adjustment primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	8,930	0	0	8,930	-8,930
Employer's pensions contributions and direct payments to pensioners payable in the year	-3,642	0	0	-3,642	3,642
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Adjustment to Grant Reserves	-766	766	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	41	0	0	41	-41
Total Adjustments	4,193	366	-20	4,539	-4,539

8. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves from 1 April 2016.

	Balance 1 April 2016	Transfers out 2016/17	Transfers In 2016/17	Balance 31 March 2017	Transfers out 2017/18	Transfers In 2017/18	Balance 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
General Fund	(2,669)	549	(30)	(2,150)	143	(48)	(2,057)
Earmarked and Grant Reserves	(1,161)	430	(820)	(1,551)	912	0	(639)
Total	(3,830)	979	(850)	(3,701)	1,055	(48)	(2,696)

9. OTHER OPERATING EXPENDITURE AND INCOME

2016/17 £000		2017/18 £000
3 (20)	Deficit on Trading Operations Gains on the disposal of non-current assets	27 (22)
(17)	Total	5

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 £000		2017/18 £000
512 (6) 7,694	Interest payable & similar charges Interest Net Interest on the net defined benefit liability	454 (3) 7,989
8,200	Total	8,440

11. TAXATION AND NON SPECIFIC GRANT INCOME

Contributions from the Constituent Authorities are detailed below.

2016/17 Contribution £	Authority	2017/2018 Contribution £
5,277,177	Conwy County Borough Council	5,539,433
3,190,812	Anglesey County Council	3,330,579
5,598,221	Gwynedd Council	5,851,817
4,363,962	Denbighshire County Council	4,524,683
7,022,578	Flintshire County Council	7,339,795
6,433,093	Wrexham County Borough Council	6,574,970
31,885,843	TOTAL	33,161,277

12. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets are valued as outlined in Notes 4 and 17 of Accounting Policies. Details of the value of assets held at 31 March 2018 and comparative figures for 31 March 2017 are shown below, together with details of movement in the year:-

2017-2018	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Assets Under Construction</i>	<i>Property Plant & Equipment</i>	<i>Intangible Assets</i>	<i>Assets Held for Sale</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>Total £'000</i>	<i>Total £'000</i>	<i>Total £'000</i>
Gross Book Value at 1 April 2017	38,428	29,637	260	720	69,045	566	411
Additions	793	2,571	0	0	3,364	366	0
Reclassification Assets under Construction	0	714		(714)	0	0	0
Revaluation Increase / (Decrease)	147	0	0	0	147	0	0
Disposals	(147)	(3,674)	0	0	(3,821)	(192)	(411)
Impairment/Capitalised Under Statute	(581)	(21)	0	0	(602)	(68)	0
Reclassification of Assets	0	(192)	0	0	(192)	192	0
Gross Book Value at 31 March 2018	38,640	29,035	260	6	67,941	864	0
Accumulated Depreciation at 1 April 2017	(1,499)	(16,867)	(248)	0	(18,614)	(65)	0
Revaluation	0	0	0	0	0	0	0
Depreciation for Year	(815)	(2,388)	(1)	0	(3,204)	(87)	0
Reclassification of Assets	0	192	0	0	192	(192)	0
Disposals	0	3,674	0	0	3,674	192	0
Accumulated Depreciation at 31 March 2018	(2,314)	(15,389)	(249)	0	(17,952)	(152)	0
NET BOOK VALUE AT 31 MARCH 2018	36,326	13,646	11	6	49,989	712	0
NET BOOK VALUE AT 31 MARCH 2017	36,929	12,770	12	720	50,431	501	411

2016-2017 COMPARATIVE DATA	<i>Land and Buildings</i>	<i>Vehicles and Equipment</i>	<i>Infra - structure</i>	<i>Assets Under Construction</i>	<i>Property Plant & Equipment Total</i>	<i>Intangible Assets Total</i>	<i>Assets Held For</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross Book Value at 1 April 2016	33,640	29,412	260	6,099	69,411	65	0
Additions	1,050	673	0	718	2,441	501	0
Reclassification Assets under Construction	6,096	0		(6,096)	0	0	0
Revaluation Increase / (Decrease)	(907)	0	0	0	(907)	0	0
Prior Year adjustment	(1)	0	0	(1)	(2)		0
Disposals	0	(448)	0	0	(448)	0	0
Impairment/Capitalised Under Statute	(1,039)	0	0	0	(1,039)	0	0
Assets Held for Sale	(411)	0	0	0	(411)		411
Gross Book Value at 31 March 2017	38,428	29,637	260	720	69,045	566	411
Accumulated Depreciation at 1 April 2016	(714)	(14,990)	(247)	0	(15,951)	(65)	0
Revaluation	30	0	0	0	30	0	0
Depreciation for Year	(815)	(2,325)	(1)	0	(3,141)	0	0
Disposals	0	448	0	0	448	0	0
Accumulated Depreciation at 31 March 2017	(1,499)	(16,867)	(248)	0	(18,614)	(65)	0
NET BOOK VALUE AT 31 MARCH 2017	36,929	12,770	12	720	50,431	501	411
NET BOOK VALUE AT 31 MARCH 2016	32,926	14,422	13	6,099	53,460	0	0

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	0	0	1,425	375
Available-for-sale financial assets	0	0	0	0
Total Investments	0	0	1,425	375
Debtors				
Loans and receivables	0	0	0	0
Financial assets carried at contract amounts	0	0	0	0
Total Debtors	0	0	0	0
Borrowings				
Interest Accrued	0	0	155	139
Financial liabilities at amortised cost	15,898	14,350	19,547	17,249
Total Borrowings	15,898	14,350	19,702	17,388
Creditors				
Financial liabilities carried at contract amount	0	0	886	1,012
Total Creditors	0	0	886	1,012

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 effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Whilst there is no need to produce more detailed information, additional information will however be needed in the following, albeit unlikely circumstances:

- Any unusual movements;
- Reclassification of instruments;
- De-recognition of instruments;
- Collateral;
- Allowance for credit losses; and
- Defaults and breaches.

These are explained in more detail below

Financial instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Financial Instruments Gains and Losses				
	2016/17		2017/18	
	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	510		455	
Total expense in Surplus or Deficit on the Provision of Services	510		455	
Interest income		(6)		(3)
Total income in Surplus or Deficit on the Provision of Services		(6)		(3)
Net gain/(loss) for the year	(510)	6	(455)	3

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 loans by maturity. The table below excludes the interest accrual for the year which is shown as part of short term loans on the balance sheet, the interest accrual amounts to £155k for 2017/18 (£139k – 2016/17).

Source of Loan	Interest Rate Payable 2017/18 2016/17 %	Minimum to Maximum approved limits %	Actual % March 2017	Total Outstanding at 31 March 2017 £'000	Actual % March 2018	Total Outstanding at 31 March 2018 £'000
Public Works Loans Board	1.45 – 4.9 1.32 – 4.9			17,599		18,445
Market Loans	0.43 – 0.80 0.49 – 0.59			14,000		17,000
ANALYSIS OF LOANS BY MATURITY						
Within 1 Year		0% - 55%	54.59	17,249	55.15	19,547
Between 1 and 2 years		0% - 50%	7.27	2,299	8.38	2,971
Between 2 and 5 years		0% - 50%	20.35	6,430	21.58	7,648
Between 5 and 10 years		0% - 75%	9.72	3,070	6.36	2,255
Over 10 years		0% - 100%	8.07	2,551	8.53	3,024
TOTAL				31,599		35,445

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

14. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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

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

The fair values calculated are as follows:

	31 March 2017		31 March 2018	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	17,599	19,657	18,445	19,960
Non-PWLB debt	14,000	14,000	17,000	17,000
Total debt	31,599	33,657	35,445	36,960

The fair value has been calculated with direct reference to published price quotations in an active market. In the case of the Fire Authority they are based on premiums that would be payable if PWLB loans were surrendered and provides an estimate of the additional interest payable compared to the same loan at current market rates discounted back to the current period. The carrying amount excludes the accrued interest as per note 13.

15. INVENTORIES

An analysis of the stocks held and the movements during the year as at 31 March 2017 and 31 March 2018 is shown below.

	<i>Main Stores</i>		<i>Transport Van Stock</i>		<i>Totals</i>	
	<i>2016/17 £'000</i>	<i>2017/18 £'000</i>	<i>2016/17 £'000</i>	<i>2017/18 £'000</i>	<i>2016/17 £'000</i>	<i>2017/18 £'000</i>
Balance at start of year	504	510	14	26	518	536
Purchases	315	529	98	30	413	559
Recognised as an Expense in year	(309)	(498)	(86)	(33)	(395)	(531)
Balance outstanding at year end	510	541	26	23	536	564

16. DEBTORS

	31 March 2017 £'000	31 March 2018 £'000
Central Government Bodies	2,923	3,532
Other Local Authorities	80	1,133
NHS Bodies	51	63
Public Corporations and Trading Funds	38	137
Other Entities and Individuals	122	260
TOTAL DEBTORS	3,214	5,125

17. 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 2018. The following table summarises the position:-

	31 March 2017 £'000	31 March 2018 £'000
Bank Call Accounts	375	1,425
Short Term Investments	0	0
Bank Current Accounts	(2)	20
Petty Cash Imprests	2	10
Total Cash and Cash Equivalents	375	1,455

18. CREDITORS

	31 March 2017 £'000	31 March 2018 £'000
Central Government Bodies	193	453
Other Local Authorities	822	1,761
Public Corporations and Trading Funds	144	132
NHS Bodies	33	103
Other Entities and Individuals	1,364	1,099
TOTAL CREDITORS	2,556	3,548

19. PROVISIONS

At 31 March 2018 the Authority held two provisions. A new provision was established in 2017-18 to cover the costs of back pay due to the WDS Rural Firefighters following a review of the payment structure set up for this category of staff. It is estimated that the liability will be in the region of £45k. The costs have been shown against WDS Rural pay in 2017-18. The final settlement for the firefighters' 2017-18 pay award has not been finalised and therefore a provision for an additional 1% has been set aside to cover some of the potential costs, the amount set aside is £135k.

20. USABLE RESERVES**General Reserves**

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

- pay increases;
- underpin the budget for 2018-19; and
- decrease in grant funding.

The balance on the reserve at 31 March 2018 is £2.06m (31 March 2017, £2.15m). The decrease in the reserve is due to the utilisation of the reserve to underpin the revenue budget for 2017-18.

Earmarked Reserves

A number of earmarked reserves have been set up for schemes that the Authority has agreed to fund. Earmarked reserves are held for a number of projects the main ones are to cover transitional costs for the radio project and to cover the reduction in funding for HFSC. These reserves were not utilised in 2017-18 but it is envisaged that they will be used in the future.

	<i>Balance 1 April 16 £'000</i>	<i>Transfers in/(out) 16/17 £'000</i>	<i>Balance 31 March 17 £'000</i>	<i>Transfers in/(out) 17/18 £'000</i>	<i>Balance 31 March 18 £'000</i>
Pension Reserve	100	0	100	(56)	44
Radio Scheme	300	0	300	0	300
HFSC Grant Reduction/Training	225	(30)	195	0	195
Interest Reserve	100	0	100	0	100
Capital Reserve	400	(400)	0	0	0
Vehicle Purchase	0	53	53	(53)	0
Totals	1,125	(377)	748	(109)	639

Grant Reserves

Under IFRS any grants that have been received by the Authority for specific schemes but have not yet been utilised in year are shown under Usable Reserves. Grant expenditure has been fully utilised during 17-18.

<i>31 March 2017 £'000</i>		<i>31 March 2018 £'000</i>
2,150	General Reserve	2,057
748	Earmarked Reserves	639
803	Grant Reserves	0
3,701	Total Usable Reserves	2,696

21. UNUSABLE RESERVES

<i>31 March 2017 £'000</i>		<i>31 March 2018 £'000</i>
9,676	Revaluation Reserve	9,460
8,038	Capital Adjustment Account	7,323
(304,626)	Pensions Reserve	(313,110)
(241)	Accumulated Absences Account	(216)
(287,153)	Total Unusable Reserves	(296,543)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. The movement on the reserve is due to an asset disposal and an adjustment between the Capital Adjustment Account following a review of the accounting entries relating to previous years.

2016/17 £'000	Revaluation Reserve	2017/18 £'000
12,102	Balance at 1 April	9,676
25	Upward revaluation of assets/Remove Depreciation	0
(2,160)	Adjustment from Capital Adjustment Account through CIES	0
439	Adjustment from Capital Adjustment Account	0
(219)	Difference between fair value depreciation and historical cost depreciation	(216)
(511)	Asset Disposal net	0
9,676	Balance at 31 March	9,460

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.

2016/17	Capital Adjustment Account	2017/18
£'000		£'000
7,513	Balance at 1 April	8,037
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(25)	▪ Amount of non current asset written off on disposal or sale as part of the gain/loss on disposal to CIES	(411)
(4,330)	▪ Charges for depreciation & impairment of non-current assets	(3,745)
2,159	▪ Adjustment to the Revaluation Reserve through CIES	0
(439)	▪ Adjusting amounts written out of the Revaluation Reserve	0
(2,635)	Net written out amount of the cost of non-current assets consumed in the year	(4,156)
	Capital financing applied in the year:	
20	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	569
586	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	692
2,553	▪ Statutory provision for the financing of capital investment charged against the General Fund	2,181
524		(714)
8,037	Balance at 31 March	7,323

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.

2016-17	Fixed Asset Statement (Note 12)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(3,142)	(219)	(2,923)	(3,142)
Revaluations & Impairments	(1,946)	(523)	(1,423)	(1,946)
Revaluations Depreciation	12	12	0	12
Removal of Depreciation	0	25	(25)	0
Transfer between accounts	0	(1,721)	1,721	0
Total	(5,076)	(2,426)	(2,650)	(5,076)
2017-18	Fixed Asset Statement (Note 12)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(3,291)	(216)	(3,075)	(3,291)
Impairments	(670)	0	(670)	(670)
Total	(3,961)	(216)	(3,745)	(3,961)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require any benefits earned to be financed as the Authority makes employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 * £'000	MOVEMENTS on PENSION RESERVE	2017/18 £'000
(250,612)	Opening Balance 1 April	(304,626)
(13,715)	Reversal of Items related to retirement benefits debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	(14,940)
8,427	Employer's pensions contributions and direct payments to pensioners payable in the year	7,871
(48,726)	Re-measurement of the net defined benefit liability	(1,415)
(54,014)	MOVEMENT ON PENSION RESERVE	(8,484)
(304,626)	CLOSING BALANCE	(313,110)

**The figures for 2016/17 have been amended as previously the net position excluding the Top Up Grant was shown, (13,715) replaces (8,930) and 8,427 replaces 3,642. The closing balance is the same.*

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2016/17 £'000	Accumulated Absences Account	2017/18 £'000
(200)	Balance at 1 April	(241)
200	Settlement or cancellation of accrual made at the end of the preceding year	241
(241)	Amounts accrued at the end of the current year	(216)
(241)	Balance at 31 March	(216)

22. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2016/17 £'000		2017/18 £'000
4,689	Net (Surplus)/Deficit on the Provision of Services	8,981
	Adjustment to net (surplus)/deficit for non-cash movements	
18	Increase/(decrease) in Inventories	28
2,589	Increase/(Decrease) in Debtors	2,658
(501)	(Increase)/Decrease in Creditors	(992)
(3,142)	Depreciation Charge	(3,291)
0	Contributions Received/Capital Receipts	569
(5,288)	IAS 19 Pension Adjustments	(7,056)
(1,039)	Impairment Charge	(671)
(511)	Removal of Wrexham from Revaluation Reserve	0
(368)	Revaluation loss Wrexham	0
2,159	Revaluation Adjustment Capital Adjustment Account	147
0	Contribution (to)/from Various Provisions	(180)
766	Increase/(Decrease) in Grant Reserve	0
(41)	Accumulated Absences Reserve	25
(7)	Deficit charged/Adjustment	0
(5,365)	Less Total	(8,763)
	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	
(510)	Interest paid	(455)
6	Interest Received	3
(504)	Less Total	(452)
(1,180)	Net Cash Flow From Operating Activity	(234)

23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2016/17 £'000		2017/18 £'000
2,942	Purchase of property, plant and equipment, investment property and intangible assets	3,729
(20)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(569)
(186)	Other receipts from investing activities	(596)
2,736	Net cash flows from investing activities	2,564

24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2016/17 £'000		2017/18 £'000
(28,969)	Cash receipts of short-term and long-term borrowing	(38,490)
27,029	Repayments of short –term and long-term borrowing	34,628
504	Other payments for financing activities	452
(1,436)	Net cash flow from financing activities	(3,410)

25. TRADING OPERATIONS

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

2016/17 £'000		2017/18 £'000
(28)	Turnover	(23)
31	Expenditure	50
3	Deficit	27

26. MEMBERS' ALLOWANCES

During 2017-2018 the sum of £65,677 (£69,280 in 2016-2017) was paid to Members in the form of Members Allowances and travel expenses. The Authority has 28 Members.

2016/17 £		2017/18 £
	<u>Full Year Allowances</u>	
10,400	Chair	10,415
5,400	Vice Chair	5,415
5,400	Chair Audit Committee	5,415
1,700	Member	1,715
63,167	Total of Members' Allowances paid	57,888
6,113	Total of Members' Expenses paid	7,789

There was a reduction in allowances paid during 2017-2018 due to the local elections; payments were suspended from 9 May 2017 to 19 June 2017.

27. OFFICERS' REMUNERATION

SENIOR OFFICERS' EMOLUMENTS 2017-2018 – SALARY BETWEEN £60,000 AND £150,000

POST TITLE	Year	SALARY (inc fees and allowances) £	EXPENSES REIMBURSED £	BENEFIT IN KIND (Provided vehicle) £	TOTAL (excl pension contribu- tions) £	PENSION CONTRIBUT- IONS £	TOTAL REMUNERATION £
Chief Fire Officer	2016/17	122,292	126	6,143	128,561	33,655	162,216
	2017/18	123,515	135	6,757	130,407	36,703	167,110
Deputy Chief Fire Officer	2016/17	100,387	215	4,835	105,437	27,659	133,096
	2017/18	64,802	96	4,507	69,405	19,402	88,807
Assistant Chief Fire Officer	2016/17	88,352	170	5,756	94,278	24,343	118,621
	2017/18	89,235	126	796	90,157	26,516	116,673
Assistant Chief Fire Officer	2016/17	89,035	126	2,942	92,103	22,704	114,807
	2017/18	89,235	245	4,215	93,695	22,755	116,450
Temporary Assistant Chief Fire Officer	2016/17	34,204	53	745	35,002	8,722	43,724
	2017/18	71,514	3	1,600	73,117	18,236	91,353
Assistant Chief Officer	2016/17	0	0	0	0	0	0
	2017/18	19,516	111	0	19,627	5,708	25,335
Treasurer – Section 151 Officer	2016/17	1,809	0	0	1,809	0	1,809
	2017/18	7,236	422	0	7,658	0	7,658

The Authority does not have any employees with a salary in excess of £150k. The temporary Assistant Chief Fire Officer role was in place from November 2016 until February 2018 covering long term sickness, the post holder retired on 9th February 2018. The Deputy Chief Fire Officer left the Service on 3rd December 2017 and this post has not been filled. The Assistant Chief Officer was appointed on 4th December 2017. The Treasurer is part-time and is contracted to work 15 days a year, the actual payment made in 2017/18 included the salary due for 2016/17 (£1,809 plus £7,236).

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.

For those officers that are members of the Local Government Pension Scheme the employers contribution includes 14.7% 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	2016/17 NUMBER OF EMPLOYEES	2017/18 NUMBER OF EMPLOYEES
£80,000 - £84,999	0	0
£75,000 - £79,999	2	2
£70,000 - £74,999	1	2
£65,000 - £69,999	0	0
£60,000 - £64,999	2	0

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

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

	2016/17 £	2017/18 £
Chief Fire Officer	128,561	130,055
Median	29,638	29,934
Ratio	4.34	4.34

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).

The number of exit packages with total cost per band and total cost of other redundancies are set out in the table below. There were no compulsory redundancies in 2016-17 or 2017-18.

Exit Packages Cost Band (including special payments)	Number of Departures Agreed		Total Cost of Exit Packages in Each Band	
	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	0	0	0	0
£20,000 - £40,000	3	0	79,176	0
Total	3	0	79,176	0

28. EXTERNAL AUDIT COSTS

Fees payable to the statutory auditors equate to £63,671 (2016/17 £62,227) with regard to external audit services received.

	2016/2017 £000	2017/2018 £000
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	62	64

29. GRANTS

The following grants were received by the Authority:-

	2016/17 £'000	2017/18 £'000
Revenue		
Airwave	416	416
Arson Reduction Team	147	157
Community Assistance Team	84	66
Interventions	153	186
NDG Equipment Maintenance	118	99
New Dimensions/All Wales Resilience	315	291
Phoenix	171	162
Resilience Officer	62	53
TOTAL	1,466	1,430
Capital		
Community Assistance Team	69	37
Water Rescue Grant	116	559
TOTAL	185	596

Note - The grants note for 2016-17 included grant income for the other Welsh Fire Services - New Dimensions/All Wales Resilience was £2,000k of this only £315k was for North Wales Fire Service and Phoenix was £361k of which £171k was for North Wales. The table has been amended to only include the grants for North Wales. The service was acting as an Agent on behalf of the Welsh Government so there is no requirement to include the amounts for the other Fire Services in the statements. Capital grants are also now included in the table.

North Wales Fire Service is co-ordinating the New Dimensions and Phoenix grants on behalf of Welsh Government and £3.935m (£1.875m 2016-17) has been allocated to the other two brigades in Wales.

30. AGENCY SERVICES

The Authority acts as an agent on behalf of Welsh Government in administering two grant schemes for all the Fire Services in Wales. The approved grants are paid to North Wales Fire Service who are then responsible for distributing the grants to the other two Fire Services. The grants for the two schemes are as follows:-

	2016/17 £'000	2017/18 £'000
New Dimensions/All Wales Resilience	1,685	3,711
Phoenix	190	224
Total	1,875	3,935

31. 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 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 Authority and brokers Market loans and Investments on behalf of the Authority. The position as at 31 March 2018 was that £17m in Market Loans were brokered by Conwy on behalf of the Fire Service. Conwy also provides Legal Services to the Authority.

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

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

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

	£'000
Flintshire CC – Monitoring Officer	14
Conwy CBC –Financial Services	135
Conwy CBC – Legal Services	4
Carmarthenshire CC – Superannuation Service	43
Welsh Local Government Association	19
North Wales Police – Facilities Management	145
North Wales Police - Procurement	8

There were no balances outstanding at the year end.

Members and senior officers of the Authority were asked to declare any third party transactions during the year. However, the risk associated with the non-disclosure in this case is low. Apart from Member's allowances and expenses no other transactions were identified.

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

32. CAPITAL EXPENDITURE AND FINANCING

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

2016/17 £'000		2017/18 £'000
33,879	Opening Capital Financing Requirement	33,662
0	Prior Year Adjustment	(33)
2,942	Capital Investment in Year	
	- Fixed Assets	3,729
	Sources of Finance	
(186)	- Grants & Contributions	(596)
(2,973)	- Revenue and Other Provisions	(2,846)
33,662	Closing Capital Financing Requirement	33,916
(217)	Change in Capital Financing Requirement	(254)
	Explanation of change:	
(217)	Increase in underlying need to borrow	(254)

Capital Expenditure during the year was as follows:

Scheme	£000
Station Refurbishments	793
Vehicles and Plant	1,698
Operational and ICT Equipment	1,238
Total	3,729

CAPITAL COMMITMENTS 2018-2019 Onwards

There were no capital commitments as at 31 March 2018.

FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

	2016/17 £000	2017/18 £000
External Loans	1,941	2,468
Grant Funding	186	596
Capital Receipts	20	569
Revenue Contribution to Capital	0	96
Internal Borrowing	395	0
Contribution from Capital Reserve	400	0
Total	2,942	3,729

33. LEASES

Finance Leases

The Authority has acquired the new 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 £5.864m. The lease payment for the Wrexham Fire Station is a peppercorn rent so therefore there is no reconciliation between the total of future minimum lease payments and the present value, contingent rents nor total of future sub lease payments expected to be received.

Operating Leases

The Authority had no obligation for operating lease payments as at 31 March 2018 or 31 March 2017. Previous to the introduction of the Prudential Code in 2003 the Authority financed the majority of their short life assets through leasing. Following the introduction of the code the Authority was free to choose the most cost effective way of financing their assets. This has resulted in a move away from leasing as a method of financing to direct purchase. The final lease obligations ended in 2013-14.

34. TERMINATION BENEFITS

There were no terminated contracts during 2017-18 and three in 2016-17. The termination costs in 2016-17 amounted to £79,175 any costs would have been charged within the year with the only future liabilities being in respect of future pensions. The payments in 2016-17 were due to departmental re-structuring exercise. These liabilities would have been contained within pension liabilities under IAS 19 and included within pension disclosure Note 35 below.

35. TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

Pensions

(i) Local Government Services & Control Staff

In 2017-2018 the Authority paid an Employer's Pension contribution of £1,471,000 (2016-2017, £1,287,330) representing 14.7% (2016-2017, 12.8%) of employees' pensionable pay and included a lump sum payment of £695,300 (2016-17, £686,100) 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 2016. Following the review, the employer's contribution is due to remain at 14.7% for 2018-19. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

Pension contributions to be paid in to the scheme for the financial year 2018-19 are estimated to be £1,458,000 for the employer.

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

(ii) Firefighters

The Firefighters' Pension Scheme is an unfunded scheme with defined benefits. In 2017-2018 the Authority paid an Employer's Pension contribution of £1,939,508 (2016-17, £1,966,398). Pensions paid from revenue amounted to £403,815 (2016-2017 £391,793). In 2018-2019 the employer's contribution to the scheme is estimated to be £2,334,866 and the estimate for Pensions paid from revenue is £431,766. The majority of pension payments to retired firefighters is paid from a separate Pension Fund account administered by the Authority, details of the Fund and how it operates can be found on page 45.

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. Mercer were appointed to assess the Local Government Pension scheme and the Government Actuary's Department the firefighters scheme as they relate to past and current employees of North Wales Fire Authority. For the Local Government Pension scheme the actuary assessed that the net liability to the Authority as at 31 March 2018 was £13.290m (31 March 2017, £15.176m) and for the Firefighters scheme the liability was £299.82m as at 31 March 2018 (31 March 2017 £289.45m). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found below.

The format of the table below has been updated to provide a more detailed breakdown of the data included which is in line with the Code. Some of the figures for 2016/17 have been amended due to incorrect disclosures as follows – *Return on Plan Assets (£2,942k) replaces £1,133k, Movement in Reserves Statement (£1,485k) replaces £8,930k.*

Transactions relating to Retirement benefits recognised in the accounts

	<i>Funded</i>		<i>Unfunded</i>	
	<i>2016/17</i>	<i>2017/18</i>	<i>2016/17</i>	<i>2017/18</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<u>Comprehensive Income & Expenditure Statement</u>				
Net Cost of Service				
Current Service Cost	1,044	1,624	3,660	4,960
Past Service Costs	0	0	110	180
Administration Expenses	54	57	0	0
Financing & Investment Income & Expenditure				
Net Interest Expense	387	329	8,440	7,660
Transfers in/(out) to scheme	0	0	20	130
Total Defined Benefit Charged to Provision of Service	1,485	2,010	12,230	12,930
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)	(2,942)	(451)	0	0
*Actuarial (Gains)/Losses arising on Changes in Demographic Assumptions (B)	(709)	0	(3,930)	(8,710)
*Actuarial (Gains)/Losses arising on Changes in Financial Assumptions (C)	7,842	(1,974)	51,570	8,580
*Other (D)	(625)	0	(2,480)	3,970
Total Pension Costs Charged to the Comprehensive Income & Expenditure Statement	3,566	(2,425)	45,160	3,840
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	(1,485)	(2,010)	(12,230)	(12,930)
Actual Amounts charged to the General Fund for pensions in the year				
Total Employer Contributions	1,297	1,471	2,358	2,357
Fire Fighters Pensions Top Up Grant	0	0	4,685	4,043

* A + B + C + D = Re-measurement of the Net Defined Benefit Liability/(Asset) as quoted in the Comprehensive Income & Expenditure Statement: £1,415k 2017/18; £48,726k 2016/17

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

Adjustment to Net Cost of Service	2016/17	2017/18
	£'000	£'000
Current Service Costs	4,704	6,584
Past Service Costs	110	180
Administration Expenses	54	57
Employer's Contributions	(3,655)	(3,828)
Top Up Grant	(4,685)	(4,043)
Actuarial Adjustment/Curtailment	1,234	260
Transfer values	(168)	(130)
Adjustment to Net cost of Service	(2,406)	(920)

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

	31 March	
	2017 £'000	2018 £'000
Estimated Present value of the defined benefit obligation in the Firefighters' Pension Scheme	289,450	299,820
Estimated Present value of the defined benefit obligation in the Clwyd Pension Fund	40,030	40,275
Total Estimated share of liabilities	329,480	340,095
Estimated Share of assets in Clwyd Pension Fund	(24,854)	(26,985)
Net Pensions Deficit	304,626	313,110

Assets and Liabilities in Relation to Post-employment Benefits

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

Liabilities	2016/17	2016/17	2017/18	2017/18
	£'000 Clwyd	£'000 Firefighters	£'000 Clwyd	£'000 Firefighters
Balance as at 1 April	31,660	239,190	40,030	289,450
Current Service Cost	1,044	3,660	1,624	4,960
Transfer Values	0	20	0	130
Interest	1,133	8,440	1,035	7,660
Actuarial Loss/Gain	6,508	45,160	(1,974)	3,840
Benefits paid	(635)	(8,550)	(779)	(8,010)
Member contribution	320	1,410	339	1,610
Past Service Cost *	0	120	0	180
Net Pension Liabilities at Year End	40,030	289,450	40,275	299,820

* this line was omitted from the table in 2016/17 in error

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

Assets	2016/17 £'000	2017/18 £'000
Balance 1 April	(20,238)	(24,854)
Interest on Plan Assets	(746)	(706)
Remeasurements (Assets)	(2,942)	(451)
Administration Expenses	54	57
Employer Contributions	(1,297)	(1,471)
Member Contributions	(320)	(339)
Benefits Paid	635	779
Net Pension Assets at Year End	(24,854)	(26,985)

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 March 2017 £'000	31 March 2017 %	31 March 2018 £'000	31 March 2018 %
Equity Securities					
Global Quoted	Y	1,914	8	2,213	8
Emerging Markets	Y	1,541	6	1,889	7
Bonds					
Overseas Other	Y	2,958	12	3,076	11
LDI	Y	5,791	23	6,099	23
Property					
UK	Y	1,118	4	1,376	5
Overseas	Y	572	2	351	1
Alternatives					
Hedge Funds/Private Equity/ Commodities/GTAA	Y	10,736	43	11,657	43
Cash & Cash Equivalents					
All	Y	224	1	324	1
Totals	0	24,854	100	26,985	100

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

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

Sensitivity Analysis

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

	LGPS % Change	LGPS Impact £ Million	Firefighters % Change	Firefighters Impact £Million
Rate of Discounting	+0.1	(0.837)	-0.5	(28)
Rate of Increase in Salaries	+0.1	0.204	+0.5	5
Rate of Increase in Inflation	+0.1	0.855	+0.5	22
Life Expectancy + 1 Year	1	0.755	1	6

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	
	2017 %	2018 %	2017 %	2018 %
Rate of Inflation	2.35	2.30	2.3	2.1
Rate of Increase in Salaries	4.35	4.30	3.55	3.35
Rate of Increase in Pensions	2.35	2.30	2.3	2.2
Rate of Discounting Scheme Liabilities	2.65	2.55	2.6	2.7
	Life Expectancies			
	Estimated as at 31 March 2018			
Life Expectancy at 65	Males	Females	Males	Females
Current Pensioners	21.9	21.9	23.1	25.6
Future Pensioners	23.9	23.9	25.7	28.3

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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Credit Risk

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

Liquidity Risk

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

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

Market Risk

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

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

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

37. CONTINGENT ASSETS

North Wales Fire and Rescue Service purchased a number of smoke alarm units from a specific supplier. Of the units purchased a number were found to be defective and the service have instructed external solicitors to progress a claim against the company. It is expected that the amount that could be recovered could be in excess of £150k. The funding for the units was supplied by the Welsh Government and it is expected that any money recovered will not be recouped by Welsh Government but will be available to spend by the service subject to conditions laid down by the funding body.

38. 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:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Authority's financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Authority does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Authority does not have activities which would require additional disclosure.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

The various changes covered by the Annual Improvements to IFRSs 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.

THE FIREFIGHTERS' PENSION FUND ACCOUNT

<i>Fund Account</i>	2016/17 £000	2017/18 £000
INCOME		
Contributions Receivable:		
Employer normal contributions	(1,966)	(1,940)
Employer Ill Health Charge	(55)	(56)
Members normal contributions	(1,402)	(1,430)
Members backdated contributions	(170)	(75)
Transfers In	(126)	(131)
TOTAL	(3,719)	(3,632)
EXPENDITURE		
Benefits Payable:		
Pension Payments	6,586	6,609
Commutation of Pensions and Lump Sum benefits	1,694	1,066
Backdated Commutation Payments	106	0
Payments to and on Behalf of Leavers:		
Transfers out	18	0
TOTAL	8,404	7,675
NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT	4,685	4,043
Top Up grant receivable from WG	(4,685)	(4,043)
Top Up grant paid by HM Treasury on behalf of the Pension Fund	0	0
NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR	0	0

<i>Net Assets Statement</i>	2016/17 £000	2017/18 £000
Net Current Assets and Liabilities:		
Prepayment to Pensioners	(574)	(599)
Top Up payable (from)/to WG	(1,435)	(1,143)
Amount owed (from)/to the General Fund	2,009	1,742
Net Assets at year end	0	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 WG and subject to triennial revaluation by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by Top Up Grant from WG.

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

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

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

In 2017-18 the estimate for the Top Up Grant due was £3.659m and the actual was £4.04m. At the year end the WG owed £1.143m to the Authority.

The accounting policies for the Pension Fund Account are consistent with the accounting policies in Appendix 1.

Contribution Rates

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

Pensionable Pay Band	2017-18 Contribution Rate %
Up to and including £27,543	10.5
More than £27,544 and up to and including £51,005	12.7
More than £51,006 and up to and including £142,500	13.5
More than £142,501	14.5

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

Pensionable Pay Band	2017-18 Contribution Rate %
Up to and including £15,454	8.5
More than £15,454 and up to and including £21,636	9.4
More than £21,636 and up to and including £30,909	10.4
More than £30,909 and up to and including £41,212	10.9
More than £41,212 and up to and including £51,515	11.2
More than £51,515 and up to and including £61,818	11.3
More than £61,818 and up to and including £103,030	11.7
More than £103,030 and up to and including £123,636	12.1
More than £123,636	12.5

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

Pensionable Pay Band	2017-18 Contribution Rate %
Up to and including £15,454	11.0
More than £15,454 and up to and including £21,636	12.2
More than £21,636 and up to and including £30,909	14.2
More than £30,909 and up to and including £41,212	14.7
More than £41,212 and up to and including £51,515	15.2
More than £51,515 and up to and including £61,818	15.5
More than £61,818 and up to and including £103,030	16.0
More than £103,030 and up to and including £123,636	16.5
More than £123,636	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 (2018 - £299.82m, 2017 - £289.45m).

Additional Note to the Firefighters' Pension Fund Account

The Firefighters' Pension (Wales) Scheme (Amendment) Order 2014 came into force on 31 December 2014 with an effective date of 1 July 2013. The Order included an amendment to the pension regulations which introduced new powers for the Authority to make certain temporary allowances and emoluments pensionable under an Additional Pension Benefit (APB) arrangement.

During November 2017 it became apparent that Welsh Fire and Rescue Services had not implemented the Order and temporary allowances had been treated in accordance with previous regulations. On 19 March 2018 the Authority approved a report to implement the requirements of the Order with an effective date to be agreed with representative bodies. This was subsequently agreed as 1 July 2018.

As a consequence of the delays in implementing the Order a small number of retirees have received pension settlements which are not in accordance with the relevant regulations. Whilst the Authority is satisfied that the amounts are not material, work is currently in progress to address any residual issues around the legality and funding of these payments and to agree any remedial actions necessary.

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The Statement of Accounts summarises the Authority's transactions for the 2017-18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The key change to accounting policies in the Code of Practice for 2016-17 has been to change the way in which the Comprehensive Income and Expenditure Statement (CIES) is reported. In previous years this has been reported in accordance with the CIPFA Service Reporting Code of Practice but from 2016-17 the CIES is reported on a service basis so there is just one line for the cost of services. There is also a new statement for 2016-17 called the Expenditure and Funding Analysis which reconciles the management accounts to the CIES.

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

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

2. INCOME AND EXPENDITURE

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

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

3. **CASH AND CASH EQUIVALENTS**

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

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

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

Depreciation is provided for vehicles on a straight-line basis, with acquisitions being depreciated in the year following purchase.

Buildings have been depreciated on a straight-line basis over the estimated useful life of the assets, as supplied by Wilks Head and Eve, Chartered Surveyors. The Beacon Approach is used where 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 a straight line depreciation percentage. For Fire Stations the percentage used is 2.45% and for Office Buildings 2.21%.

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

Assets are being depreciated using the straight-line method over the following periods or using a percentage of the opening values:-

Buildings	2.21% to 2.45%
Infrastructure	10-20 years
Vehicles, Plant and Equipment	3-20 years
Intangible Assets	5-15 years

Leased buildings that are recognised in the balance sheet under Property Plant and Equipment are depreciated over the term of the lease.

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

5. **EMPLOYEE BENEFITS**

Benefits payable during employment

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

Termination Benefits

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

6. POST EMPLOYMENT BENEFITS

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

Firefighter Pension Scheme (FPS)

The Firefighters' pension scheme is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the 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 Notes 21, 34 and the Firefighters' Pension Fund Account on page 45 for more detail. It is through the pension fund that the Authority discharges its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the scheme.

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

Support and Control Room Staff

This is a funded scheme with pensions paid from the underlying investment funds managed by Flintshire County Council pension fund (the 'fund') which is part of the Local Government Pension Scheme (LGPS). Actuaries determine the employer's contribution rate. Further costs, which arise in respect of certain pensions paid to retired employees, are paid on an unfunded basis. Please see Note 34 for more detail.

7. EVENTS AFTER THE REPORTING PERIOD

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

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

8. EXCEPTIONAL ITEMS

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

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

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

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

10. FINANCIAL INSTRUMENTS

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

11. INVESTMENTS

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

12. FOREIGN CURRENCY TRANSACTIONS

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

13. ACCOUNTING FOR GOVERNMENT GRANTS

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

14. INVENTORIES

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

15. LEASES

Finance leases

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

Operating Leases

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

16. ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES

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

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

17. PROPERTY PLANT AND EQUIPMENT

Recognition

Property, Plant and Equipment is capitalised where:

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

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

Useful Economic Life of Assets

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

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

Non-Specialised Operational and Non-Operational Assets

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

Assets of a Specialised Nature

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

Land and Buildings

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

Assets Under Construction

Assets under construction have been valued at historic cost.

Surplus Assets

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

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

Component Accounting

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

Revaluation

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

Revaluation Losses

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

The latest full property valuation was carried out by Wilks Head and Eve, a firm of valuers based in London, on 1 April 2015. Office accommodation has been valued at existing use value and fire stations at depreciated replacement cost. To comply with the Code of Practice the valuer estimated residual lives for all the Authority’s buildings. 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. The weighted average method is then used to determine a straight line depreciation percentage. For Fire Stations the percentage used is 2.45% and for Office Buildings 2.21%. Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

Impairment

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

18. CAPITAL RECEIPTS

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

19. RESERVES & PROVISIONS

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

20. CONTINGENT LIABILITIES

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

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

21. VALUE ADDED TAX

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

22. INTANGIBLE ASSETS

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

23. MINIMUM REVENUE PROVISION POLICY

Regulations require that the Fire Authority approve an MRP statement in advance of each year. In 2017/18 Members approved a revised policy in December 2017 which was applied to the set aside provision for expenditure incurred before 1 April 2018. 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. Expenditure incurred on the new Wrexham Fire station be re-paid over the life of the lease held with the Wales Ambulance Service Trust (50 years).

24. 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.