

North Wales Fire Authority-Statement of Accounts 2016-17

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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 2016-17.

- 2(a). The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code), for the 2016-17 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) 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.

(ii) 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.

(iii) 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.

(iv) 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'.

(v) 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.

(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 7.

(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 2016-17 (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 2016-2017**

Revenue Expenditure 2016-2017

The budget for the year was approved by Members of the Authority at £31,885,843. 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 £760k from reserves would be utilised. The net expenditure was lower than budgeted and was due mainly to savings on staff costs due to the establishment for Retained Duty Firefighters being less than the numbers accounted for in the budget. Given the reduced expenditure only £495k of reserves has been utilised. The variance against budget for Expenditure and Income is due to grants which were not included in the original budget.

	Budget	Actual	Variance
	£000	£000	£000
Revenue			
Expenditure	33,407	36,226	2,819
Income	(761)	(3,845)	(3,084)
Net Expenditure	32,646	32,381	(265)
Earmarked Reserves & Provisions	(760)	(495)	265
Unitary Authority Contributions	(31,886)	(31,886)	0
(Surplus) /Deficit	0	0	0
Capital			
(inc b/f slippage)	6,110	2,942	(3,168)

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 2016-17, the proportions were as follows:

Authority	2016/2017 Contribution £	Proportion %
Conwy County Borough Council	5,277,177	16.55
Anglesey County Council	3,190,812	10.00
Gwynedd Council	5,598,221	17.56
Denbighshire County Council	4,363,962	13.69
Flintshire County Council	7,022,578	22.02
Wrexham County Borough Council	6,433,093	20.18
TOTAL	31,885,843	

The Authority received a number of revenue grants from the Welsh Government during the year to promote various schemes within North Wales. The total value of the grants received was £3.341m (£1.84m 2015-16). Details of the grants received can be found in Note 29 to the accounts.

Revenue Sources of Funding Included in the Management Accounts

2015/16 £'000		2016/17 £'000
31,886	Unitary Authority Contributions	31,886
1,841	Revenue Grants	3,341
7	Interest	6
357	Fees and Charges and Other Income	498

Capital Expenditure 2016-2017

Total capital expenditure in the year amounted to £2.942m. Further details can be found in Note 31 to the accounts.

2015/16 £'000		2016/17 £'000
8,346	Property – Refurbishments, adaptations, new buildings	1,053
1,344	Vehicles and Plant	983
278	Operational and I.C.T. Equipment	906
9,968	Total Capital Expenditure	2,942

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 2016-2017 the capital programme was financed mainly by borrowing (£2,336k), other funding amounted to £606k. 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 19 June 2017 and is available on the Fire service website (www.nwales-ireservice.org.uk).

Pension Liability

In 2016-17, 14 wholetime uniformed staff and 9 retained duty system staff retired. The net cost of the Firefighters' Pension Scheme to the revenue budget decreased compared to last year £2.36m (£2.43m 15/16) this was due to new entrants to the scheme and some transitional costs as Firefighters are transferred to the new scheme. The liability in terms of future pension commitments has increased to £289.45m (£239.19m 15/16) 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 2017 for the Local Government pension scheme was £15.18m (£11.42m 15/16), again the increase was due to a change in actuarial assumptions used, a decrease in the discount rate, has resulted in an increase 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 £3.1m. 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 £510k loan interest and £2,553k 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 2017 was £31.599m.

Reserves

Money was set aside in to a capital reserve, £1.44m, in 2013-14 which was to be used to finance the capital programme in order to reduce the debt charges for future budgets. The reserve has been utilised as follows - 2014-15 £700k, 2015-16 £340k and in 2016-17 £400k. The capital reserve has now been fully utilised.

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 2016-17 but it is envisaged that they will be used in 2017-18.

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

Given the impact of the local government settlement and the reduction in funding to the constituent authorities Members agreed that the priority when setting the budget for 2016-17 was to maintain the current level of service provision with any increases being met by a contribution from reserves. Members agreed to use £760k of reserves to underpin the budget but only £495k was utilised due to underspends against the budget.

4. ADDITIONAL INFORMATION

The Treasurer and Section 151 Officer for the Authority changed during the year with the Deputy Chief Fire Officer, Dawn Docx, undertaking the role up until December 2016 before the appointment of the current Treasurer, Ken Finch.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of North Wales Fire and Rescue Authority as at 31 March 2017.

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 2017.

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 2016/2017**

I certify that the accounts provide a true and fair view of the financial position of the Authority as at 31 March 2017 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**

AWAITING AUDIT OPINION

AWAITING AUDIT OPINION

CORE FINANCIAL STATEMENTS

EXPENDITURE & FUNDING ANALYSIS

2015/16			2016/17			
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
31,245	2,913	34,158	North Wales Fire & Rescue			
			Net Cost of Service	32,381	(3,892)	28,489
			Other Income & Expenditure			
0	8,514	8,514	Other Income & Expenditure Adjustments	0	8,581	8,581
(31,886)	0	(31,886)	Contributions from Constituent Authorities	(31,886)		(31,886)
641	0	641	Contribution to/(from) Reserves	(495)	0	(495)
0	11,427	11,427	Deficit or (Surplus) on Provision of Services	0	4,689	4,689
(1,817)			Opening General Fund Balance			(2,669)
(852)			Transfers from Provisions/Earmarked Reserves			519
(2,669)			Closing General Fund Balance			(2,150)

THE COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

2015/16				2016/17			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			North Wales Fire & Rescue				
36,337	(2,179)	34,158	Cost of Services		32,605	(4,117)	28,488
643	(25)	618	Other Operating Expenditure	9	3	(115)	(112)
8,544	(7)	8,537	Financing & Investment Income & Expenditure	10	8,205	(6)	8,199
0	(31,886)	(31,886)	Contributions from Constituent Authorities	11	0	(31,886)	(31,886)
		11,427	Deficit or (Surplus) on Provision of Services				4,689
		(8,879)	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets	21			2,670
		(36,360)	Remeasurement of the net defined Benefit Liability	21			48,726
		(45,239)	Other Comprehensive (Income) & Expenditure				51,396
		(33,812)	Total Comprehensive (Income) & Expenditure				56,085

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement for the years ended 31 March 2016 & 2017	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 2015		1,817	1,567	0	3,384	(264,595)	(261,211)
Movement in Reserves during 2015/16							
Surplus or (Deficit) on the Provision of Services		(11,427)	0	0	(11,427)	0	(11,427)
Other Comprehensive Income & Expenditure		0	0	0	0	45,239	45,239
Total Comprehensive Income & Expenditure		(11,427)	0	0	(11,427)	45,239	33,812
Adjustments between accounting basis & funding basis under regulations	7	12,210	(338)	(25)	11,847	(11,847)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		783	(338)	(25)	420	33,392	33,812
Adjustment		0	0	0	0	32	32
Other Transfers to/(from) Earmarked Reserves		69	(68)	25	26	(26)	0
Increase/(Decrease) in 2015/16	8	852	(406)	0	446	33,398	33,844
Balance as at 31 March 2016		2,669	1,161	0	3,830	(231,197)	(227,367)

Movement in Reserves Statement	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 & funding basis under regulations	7	4,193	766	20	4,979	(4,979)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(496)	766	20	290	(56,376)	(56,086)
Adjustment		1	0	0	1	0	0
Other Transfers to/(from) Earmarked Reserves		(24)	(376)	(20)	(420)	420	0
Increase/(Decrease) in 2016/17	8	(519)	390	0	(129)	(55,956)	(56,085)
Balance as at 31 March 2017		2,150	1,551	0	3,701	(287,153)	(283,452)

BALANCE SHEET

31 March 2016		Note	31 March 2017
£'000			£'000
53,461	Property, Plant & Equipment	12	50,932
0	Intangible Assets	12	0
53,461	Long Term Assets		50,932
518	Inventories	15	536
1,179	Debtors	16	3,214
0	Assets Held For Sale	12	411
495	Cash & Cash Equivalents	17	375
2,192	Current Assets		4,536
13,584	Short Term Borrowing	13	17,388
2,608	Creditors	18	2,556
16,192	Current Liabilities		19,944
250,612	Pension Liability	34	304,626
0	Provisions	19	0
16,216	Long Term Borrowing	13	14,350
266,828	Long Term Liabilities		318,976
(227,367)	Net Assets		(283,452)
3,830	Usable Reserves	20	3,701
(231,197)	Unusable Reserves	21	(287,153)
(227,367)	Total Reserves		(283,452)

CASH FLOW STATEMENT

2015/16		Note	2016/17
£'000			£'000
11,395	Net (Surplus)/Deficit on the Provision of Services		4,687
(10,176)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	22	(8,479)
(458)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	22	(504)
761	Net Cash Flows From Operating Activities	22	(4,296)
8,791	Investing Activities	23	2,356
(7,137)	Financing Activities	24	2,060
2,415	Net (Increase) or Decrease in Cash and Cash Equivalents		120
(2,910)	Cash and Cash Equivalents at the beginning of the reporting period		(495)
(495)	Cash and Cash Equivalents at the End of the Reporting Period	17	(375)

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 has entered in to a contractual agreement with Welsh Ambulance Services Trust (WAST) to build a new shared facility at Wrexham. The Authority has 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).

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 2017 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	<p>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.</p> <p>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.</p>	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 INCOME AND EXPENSE

Certain members of the 1992 firefighters' scheme were affected by The Firefighters' Pension (Wales) Scheme (Amendment and Transitional Provisions) Order 2016 effective from 31 December 2016.

There was a requirement to make refunds, £106k, to a number of Members affected by the regulation change. The payments were made through the Firefighters' Pension Fund and the additional costs were reimbursed by the Welsh Government.

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 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2015/16				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£'000		£'000	£'000
EMPLOYEES	0	(217)	57	(160)
PREMISES	0	0	0	0
TRANSPORT	0	0	0	0
SUPPLIES & SERVICES	0	0	(742)	(742)
SUPPORT SERVICES	0	0	0	0
CAPITAL FINANCING COSTS	4,273	0	(466)	3,807
INCOME	0	0	8	8
Net Cost of Service	4,273	(217)	(1,143)	2,913
Other Income & Expenditure Other Income & Expenditure Adjustments	(25)	8,078	461	8,514
Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services	4,248	7,861	(682)	11,427

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	(273)	(273)
SUPPORT SERVICES	0	0	0	0
CAPITAL FINANCING COSTS	(750)	0	(510)	(1,260)
INCOME	0	0	6	6
Net Cost of Service	(750)	(2,406)	(736)	(3,892)
Other Income & Expenditure Other Income & Expenditure Adjustments	(20)	7,694	907	8,581
Difference between General Fund Surplus or deficit and CIES Surplus or deficit on the provision of services	(770)	5,288	171	4,689

**6. DETAILED ANALYSIS OF EXPENDITURE AND INCOME
MANAGEMENT ACCOUNTS SUMMARY 2015/16 and 2016/17**

Management Accounts Summary 2015/16 and 2016/17

2015/16		2016/17
	EXPENDITURE	
	EMPLOYEE COSTS	
13,508,238	Uniformed Staff - Wholetime	14,137,834
3,374,670	Uniformed Staff - Part time	3,193,582
4,406,518	Support Services Staff	4,827,886
481,571	Training Costs	447,058
13,042	Supplementary Payments to Pension Funds	19,979
458,621	Pension payments	456,080
98,832	Other Staff Costs	143,668
22,341,491	TOTAL EMPLOYEE COSTS	23,226,087
	PREMISES COSTS	
904,046	Utilities & Taxation	934,787
405,502	Maintenance	448,580
175,306	Rents	187,144
59,873	Other	0
1,544,727	TOTAL PREMISES COSTS	1,570,511
	TRANSPORT	
870,994	Maintenance & Running Expenses	925,347
218,758	Travelling Expenses & Lease Car Scheme	230,226
0	Operating Lease Payments	0
1,089,752	TOTAL TRANSPORT COSTS	1,155,573
	SUPPLIES & SERVICES	
381,477	Equipment	322,101
1,955,661	IT & Communications	2,033,777
1,070,252	Other Supplies & Services	1,136,314
1,424,553	Grant Expenditure	2,940,700
4,831,943	TOTAL SUPPLIES & SERVICES	6,432,892
	SUPPORT SERVICES	
434,971	Agency Payments	416,982
414,644	Support Service Agreements	360,302
849,615	TOTAL SUPPORT SERVICES	777,284
2,822,045	CAPITAL FINANCING COSTS	3,063,408
33,479,574	TOTAL EXPENDITURE	36,225,756
	INCOME	
(323,296)	Sales, Fees & Charges	(337,066)
(1,911,591)	Other Income	(167,471)
	Grant Income	(3,340,716)
(2,234,887)	TOTAL INCOME	(3,845,253)
31,244,687	NET OPERATING COSTS	32,380,503
641,158	Contribution to Capital for Equipment & Vehicles	24,000
0	Contribution to/(from) Provisions and Reserves	(518,658)
(31,885,845)	Income From Contributions	(31,885,845)
0	SURPLUS/DEFICIT FOR YEAR	0

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.

2015/16			2016/17	
£'000			£'000	
	31,245	Net Expenditure in the Service Analysis		32,381
		Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis		
3,028		Depreciation	3,142	
(3)		Government Grant Released	(766)	
(217)		IAS 19 – Pensions Adjustment (Note 33)	(3,642)	
0		IAS19 – Actuarial Adjustment	1,236	
3,604		Impairment	1,407	
57		Accumulated Absences	41	
0		Depreciation Adjustment CAA	(2,160)	
0		Capital Funding	(586)	
	6,469	Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement		(1,328)
(2,356)		Debt Repayment (MRP and VRP)	(2,553)	
(466)		Interest Paid	(510)	
8		Interest Received	6	
(740)		Provisions and Reserves	495	
(2)		Trading Account Deficit	(3)	
	(3,556)			(2,565)
	34,158	Cost of Services in the Comprehensive Income & Expenditure Statement		28,488

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.

2015/16	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	(3,028)	0	0	(3,028)	3,028
Revaluation (losses)/Gains on Property, Plant and Equipment	(3,604)	0	0	(3,604)	3,604
Amortisation of Intangible assets	0	0	0	0	0
Capital grants and contributions applied	841	337	0	1,178	(1,178)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	2,356	0	0	2,356	(2,356)
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	25	25	(25)
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)	(12,409)	0	0	(12,409)	12,409
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	3,577	0	0	3,577	(3,577)
Revaluation (losses)/Gains on Property, Plant and Equipment	57	0	0	57	(57)
Total Adjustments	(12,210)	337	25	(11,848)	11,848

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	(3,568)	0	0	(3,568)	3,568
Amortisation of Intangible assets	0	0	0	0	0
Capital grants and contributions applied	186	0	0	186	(186)
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)
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Adjustment to Grants reserve	(766)	766			
Revaluation (losses)/Gains on Property, Plant and Equipment	0	0	0	0	0
Total Adjustments	4,193	766	20	4,979	(4,979)

8. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the transfers to and from reserves from 1 April 2015.

	Balance 1 April 2015	Transfers out 2015/16	Transfers In 2015/16	Balance 31 March 2016	Transfers out 2016/17	Transfers In 2016/17	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General Fund	(1,817)	0	(852)	(2,669)	549	(30)	(2,150)
Earmarked and Grant Reserves	(1,567)	409	(3)	(1,161)	430	(820)	(1,551)
Total	(3,384)	409	(855)	(3,830)	979	(850)	(3,701)

9. OTHER OPERATING EXPENDITURE AND INCOME

2015/16 £000		2016/17 £000
2	Deficit on Trading Operations	3
(25)	Gains on the disposal of non-current assets	(20)
641	Reserves Contribution	(495)
0	Use of Capital Reserve	400
618	Total	(112)

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £000		2016/17 £000
466	Interest payable & similar charges	511
(7)	Interest	(6)
8,078	Net Interest on the net defined benefit liability	7,694
8,537	Total	8,199

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2015/16 Contribution £	Authority	2016/2017 Contribution £
5,289,893	Conwy County Borough Council	5,277,177
3,200,523	Anglesey County Council	3,190,812
5,602,787	Gwynedd Council	5,598,221
4,360,740	Denbighshire County Council	4,363,962
7,033,548	Flintshire County Council	7,022,578
6,398,354	Wrexham County Borough Council	6,433,093
31,885,845	TOTAL	31,885,843

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 2017 and comparative figures for 31 March 2016 are shown below, together with details of movement in the year:-

2016-2017	<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>In-Tangible Assets Total</i>	<i>Assets Held For Sale</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2016	33,640	29,412	260	6,099	69,411	65	0
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 Decreases	(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
Impairment CIES	0	0	0	0	0	0	0
Impairment Rev Res	0	0	0	0	0	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	13,271	12	720	50,431	501	411
NET BOOK VALUE AT 31 MARCH 2016	32,926	14,422	13	6,099	53,460	0	0

2015-2016 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>In- Tangible Assets Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross Book Value at 1 April 2015	26,884	27,210	260	4,322	58,676	65
VALUE AT 1 APRIL 2015	26,884	27,210	260	4,322	58,676	65
Additions	3,589	1,623	0	4,756	9,968	0
Reclassification Assets Under Construction	2,156	823	0	(2,979)	0	
Revaluation Decreases	(3,152)	0	0	0	(3,152)	
Revaluation Increases	4,583	0	0	0	4,583	
Disposals	0	(244)	0	0	(244)	
Impairment/Capitalised Under Statute	(420)	0	0	0	(420)	
GROSS BOOK VALUE AT 31 MARCH 2016	33,640	29,412	260	6,099	69,411	65
Accumulated Depreciation at 1 April 2014	(4,299)	(12,918)	(245)	0	(17,462)	(65)
Revaluation	4,296	0	0	0	4,296	0
Depreciation for Year	(711)	(2,316)	(2)	0	(3,029)	0
Impairment CIES	0	0	0	0	0	0
Impairment Rev Res	0	0	0	0	0	0
Disposals	0	244	0	0	244	0
Accumulated Depreciation at 31 March 2016	(714)	(14,990)	(247)	0	(15,951)	(65)
NET BOOK VALUE AT 31 MARCH 2016	32,926	14,422	13	6,099	53,460	0
NET BOOK VALUE AT 31 MARCH 2015	22,585	14,292	15	4,322	41,214	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 2017	31 March 2016	31 March 2017	31 March 2016
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	0	0	375	480
Available-for-sale financial assets	0	0	0	0
Total Investments	0	0	375	480
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	139	143
Financial liabilities at amortised cost	14,350	16,216	17,249	13,441
Total Borrowings	14,350	16,216	17,388	13,584
Creditors				
Financial liabilities carried at contract amount	0	0	1,012	1,446

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by:

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

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

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

These are explained in more detail below

Financial instruments Gains/Losses

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

Financial Instruments Gains and Losses				
	2015/16		2016/17	
	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	466		510	
Total expense in Surplus or Deficit on the Provision of Services	466		510	
Interest income		(7)		(6)
Total income in Surplus or Deficit on the Provision of Services		(7)		(6)
Net gain/(loss) for the year	(466)	7	(510)	6

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 £139k for 2016/17 (£143k – 2015/16).

Source of Loan	Interest Rate Payable 2016/17 2015/16 %	Minimum to Maximum approved limits %	Actual % March 2016	Total Outstanding at 31 March 2016 £'000	Actual % March 2017	Total Outstanding at 31 March 2017 £'000
Public Works Loans Board	1.32 – 4.9 1.32 – 4.9			19,657		17,599
Market Loans	0.28 – 0.45 0.49 – 0.59			10,000		14,000
<u>ANALYSIS OF LOANS BY MATURITY</u>						
Within 1 Year		0% - 55%	45.33	13,443	54.59	17,249
Between 1 and 2 years		0% - 50%	10.18	3,018	7.27	2,299
Between 2 and 5 years		0% - 50%	20.31	6,024	20.35	6,430
Between 5 and 10 years		0% - 75%	15.44	4,580	9.72	3,070
Over 10 years		0% - 100%	8.74	2,592	8.07	2,551
TOTAL				29,657		31,599

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 2016		31 March 2017	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	19,657	21,082	17,599	19,657
Non-PWLB debt	10,000	10,000	14,000	14,000
Total debt	29,657	31,082	31,599	33,657

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 2016 and 31 March 2017 is shown below.

	<i>Main Stores</i>		<i>Transport Van Stock</i>		<i>Totals</i>	
	<i>2015/16 £'000</i>	<i>2016/17 £'000</i>	<i>2015/16 £'000</i>	<i>2016/17 £'000</i>	<i>2015/16 £'000</i>	<i>2016/17 £'000</i>
Balance at start of year	457	504	14	14	471	518
Purchases	276	315	37	98	313	413
Recognised as an Expense in year	(229)	(309)	(37)	(86)	(266)	(395)
Balance outstanding at year end	504	510	14	26	518	536

16. DEBTORS

	31 March 2016 £'000	31 March 2017 £'000
Central Government Bodies	847	2,923
Other Local Authorities	188	80
NHS Bodies	35	51
Public Corporations and Trading Funds	56	38
Other Entities and Individuals	53	122
TOTAL DEBTORS	1,179	3,214

17. CASH AND CASH EQUIVALENT

The actual cash in hand represented the cash shown in the Balance Sheet, together with transactions not effected within the cleared bank balance at 31 March 2017. The following table summarises the position:-

	31 March 2016 £'000	31 March 2017 £'000
Bank Call Accounts	480	375
Short Term Investments	0	0
Bank Current Accounts	13	(2)
Petty Cash Imprests	2	2
Total Cash and Cash Equivalents	495	375

18. CREDITORS

	31 March 2016 £'000	31 March 2017 £'000
Central Government Bodies	96	193
Other Local Authorities	184	822
Public Corporations and Trading Funds	61	144
NHS Bodies	1	33
Other Entities and Individuals	2,266	1,364
TOTAL CREDITORS	2,608	2,556

19. PROVISIONS

At 31 March 2017 the Authority held no provisions. Following the closure of the accounts in 2015/16 all Provisions were reviewed and as a consequence of the review it was no longer a requirement for the service to hold any provisions.

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 2017-18; and
- decrease in grant funding.

The balance on the reserve at 31 March 2017 is £2.15m (31 March 2016, £2.669m). The decrease in the reserve is due to the utilisation of the reserve to underpin the revenue budget for 2016-17.

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 2016-17 but it is envisaged that they will be used in 2017-18.

	<i>Balance 1 April 15 £'000</i>	<i>Transfers in/(out) 15/16 £'000</i>	<i>Balance 31 March 16 £'000</i>	<i>Transfers in/(out) 16/17 £'000</i>	<i>Balance 31 March 17 £'000</i>
Pension Reserve	169	(69)	100	0	100
Radio Scheme	300	0	300	0	300
HFSC Grant Reduction/Training	225	0	225	(30)	195
Interest Reserve	100	0	100	0	100
Capital Reserve	740	(340)	400	(400)	0
Vehicle Purchase	0	0	0	53	53
Totals	1,534	(409)	1,125	(377)	748

Grant Reserves

Under IFRS any grants that have been received by the Authority for specific schemes but have not yet been utilised in year are shown under Usable Reserves. The amount carried forward for 2016-17 relates to Flood and Water Rescue Equipment (£723,600), Resilience (£36,512) and Community Assistance Team (£42,799) grants. The balance on the reserve as at 31 March 2017 is £802,911 (31 March 2016 - £36,459- Resilience Grant).

<i>31 March 2016 £'000</i>		<i>31 March 2017 £'000</i>
2,669	General Reserve	2,150
1,125	Earmarked Reserves	748
36	Grant Reserves	803
3,830	Total Usable Reserves	3,701

21. UNUSABLE RESERVES

<i>31 March 2016 £'000</i>		<i>31 March 2017 £'000</i>
12,102	Revaluation Reserve	9,676
7,513	Capital Adjustment Account	8,038
(250,612)	Pensions Reserve	(304,626)
(200)	Accumulated Absences Account	(241)
(231,197)	Total Unusable Reserves	(287,153)

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.

2015/16 £'000	Revaluation Reserve	2016/17 £'000
3,018	Balance at 1 April	12,102
8,879	Upward revaluation of assets/Remove Depreciation	25
458	Adjustment from Capital Adjustment Account through IES	(2,160)
0	Adjustment from Capital Adjustment Account	439
(253)	Difference between fair value depreciation and historical cost depreciation	(219)
0	Asset Disposal net	(511)
12,102	Balance at 31 March	9,676

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.

2015/16	Capital Adjustment Account	2016/17
£'000		£'000
10,784	Balance at 1 April	7,513
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
0	- Removal of depreciation on asset disposal	(25)
(6,346)	▪ Charges for depreciation & impairment of non-current assets	(4,330)
(458)	▪ Adjustment to the Revaluation Reserve through CIES	2,159
	Transfer from the Revaluation Reserve	(439)
(6,804)		(2,635)
(6,804)	Net written out amount of the cost of non-current assets consumed in the year	(2,635)
	Capital financing applied in the year:	
25	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	20
1,152	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	586
2,356	▪ Statutory provision for the financing of capital investment charged against the General Fund	2,553
(3,271)		524
7,513	Balance at 31 March	8,037

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.

2015-16	Fixed Asset Statement (Note 12)	Revaluation Reserve	Capital Adjustment Acct	Totals
Depreciation	(3,028)	(254)	(2,774)	(3,028)
Impairment	(420)	0	(420)	(420)
Revaluations	5,727	8,879	(3,152)	5,727
Revaluations Depreciation	(4,296)	(639)	(3,657)	(4,296)
Removal of Depreciation	4,296	639	3,657	4,296
Transfer between accounts	0	458	(458)	0
Total	2,279	9,083	(6,804)	2,279
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)

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.

2015/16 £'000	MOVEMENTS on PENSION RESERVE	2016/17 £'000
(278,140)	Opening Balance 1 April	(250,612)
(12,409)	Reversal of Items related to retirement benefits debited to the Provision of Service in the Comprehensive Income & Expenditure Statement	(8,930)
3,577	Employer's pensions contributions and direct payments to pensioners payable in the year	3,642
36,360	Re-measurement of the net defined benefit liability	(48,726)
27,528	MOVEMENT ON PENSION RESERVE	(54,014)
(250,612)	CLOSING BALANCE	(304,626)

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.

2015/16 £'000	Accumulated Absences Account	2016/17 £'000
(257)	Balance at 1 April	(200)
257	Settlement or cancellation of accrual made at the end of the preceding year	200
(200)	Amounts accrued at the end of the current year	(241)
(200)	Balance at 31 March	(241)

22. CASH FLOW STATEMENT - OPERATING ACTIVITIES

2015/16 £'000		2016/17 £'000
11,395	Net (Surplus)/Deficit on the Provision of Services	4,687
47	Increase in Stock	18
158	Increase/(Decrease) in Debtors	2,036
207	(Increase)/Decrease in Creditors	54
(3,028)	Depreciation Charge	(3,141)
(195)	Contributions Received/Capital Receipts	0
(7,862)	IAS 19 Pension Adjustments	(8,930)
(420)	Impairment Charge	(1,039)
0	Revaluation CAA	523
0	Revaluation RR	(368)
0	Revaluation Adjustment Capital Adjustment Account	2,159
11	Contribution (to)/from Various Provisions	0
0	Depreciation Reversal	(25)
(3)	(Decrease)/Increase in Grant Reserve	766
852	Transfers to/(from) Reserves	(495)
57	Accumulated Absences Reserve	(40)
0	Deficit charged	3
(10,176)	Less Total Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	(8,479)
(466)	Interest paid	(510)
8	Interest Received	6
(458)	Less Total	(504)
761	Net Cash Flow From Operating Activity	(4,296)

23. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2015/16 £'000		2016/17 £'000
9,968	Purchase of property, plant and equipment, investment property and intangible assets	2,942
(25)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(1,152)	Other receipts from investing activities	(586)
8,791	Net cash flows from investing activities	2,356

24. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2015/16 £'000		2016/17 £'000
(30,314)	Cash receipts of short-term and long-term borrowing	(27,029)
25,592	Repayments of short –term and long-term borrowing	28,969
(2,415)	(Decrease)/Increase in call accounts and short –term investments (Note 15) less interest due	(120)
0	Other payments for financing activities	0
(7,137)	Net cash flow from financing activities	1,820

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.

2015/16 £'000		2016/17 £'000
(33)	Turnover	(28)
35	Expenditure	31
2	Deficit	3

26. MEMBERS' ALLOWANCES

During 2016-2017 the sum of £70,016 (£69,971 in 2015-2016) was paid to Members in the form of Members Allowances and travel expenses. The Authority has 28 Members.

2015/16 £		2016/17 £
	<u>Full Year Allowances</u>	
10,400	Chair	10,400
5,400	Vice Chair	5,400
5,400	Chair Audit Committee	5,400
1,700	Member	1,700
63,694	Total of Members' Allowances paid	63,167
6,277	Total of Members' Expenses paid	6,113

27. OFFICERS' REMUNERATION

SENIOR OFFICERS' EMOLUMENTS 2016-2017 – SALARY BETWEEN £60,000 AND £150,000

POST TITLE	Year	SALARY (inc fees and allowance s)	EXPENSES RE- IMBURSED	BENEFIT IN KIND (Provided vehicle)	TOTAL (excl pension contribu- tions)	PENSION CONTRIBUT -IONS	TOTAL REMUNERA- TION
		£	£	£	£	£	£
Chief Fire Officer	2015/16	121,081	126	6,652	127,859	0	127,859
	2016/17	122,292	126	6,143	128,561	33,655	162,216
Deputy Chief Fire Officer	2015/16	95,232	150	4,446	99,828	25,066	124,894
	2016/17	100,387	215	4,835	105,437	27,659	133,096
Assistant Chief Fire Officer	2015/16	87,477	148	4,602	92,227	23,027	115,254
	2016/17	88,352	170	5,756	94,278	24,343	118,621
Assistant Chief Fire Officer	2015/16	84,366	169	3,093	87,628	21,505	109,133
	2016/17	89,035	126	2,942	92,103	22,704	114,807
Temporary Assistant Chief Fire Officer	2015/16	0	0	0	0	0	0
	2016/17	34,204	53	745	35,002	8,722	43,724
Treasurer – Section 151 Officer	2015/6	0	0	0	0	0	0
	2016/17	1,809	0	0	1,809	0	1,809

The Authority does not have any employees with a salary in excess of £150k. The temporary Assistant Chief Fire Officer role has been in place from November 2016 (until further notice) and is currently covering long term sickness. This post is also noted in the table below, as the substantive rate of pay falls in the remuneration band of £75,000 to £79,999.

The increase in pay for the Deputy Chief Fire Officer was for additional duties undertaken as the Section 151 officer for the period up to December 2016, the additional payment amounted to £5,409.

The Treasurer was appointed in January 2017 and the first payment was made in May 2017. The amount included in the table is the amount due for the period January to March 2017. In previous years the Treasurer was provided by Conwy County Borough Council as part of a Service Level Agreement so was not an employee of the Fire Service and would not have been included in the above table.

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.

The salaries for the Senior Officers (excluding the Treasurer) represents actual payments made in 2016/17 which will include some elements of back pay that relate to 2015/16. This year the total of back pay was £1,655 for salaries relating to January to March 2016.

For those officers that are members of the Local Government Pension Scheme the employers contribution includes 12.8% 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	2015/16 NUMBER OF EMPLOYEES	2016/17 NUMBER OF EMPLOYEES
£80,000 - £84,999	0	0
£75,000 - £79,999	0	2
£70,000 - £74,999	4	1
£65,000 - £69,999	0	0
£60,000 - £64,999	0	2

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:

	2015/16 £	2016/17 £
Chief Fire Officer	127,859	128,561
Median	29,345	29,638
Ratio	4.36	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 2015-16 or 2016-17.

Exit Packages Cost Band (including special payments)	Number of Departures Agreed		Total Cost of Exit Packages in Each Band	
	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	1	0	5,685	0
£20,000 - £40,000	0	3	0	79,176
Total	1	3	5,685	79,176

28. EXTERNAL AUDIT COSTS

Fees payable to the statutory auditors equate to £62,227 (2015/16 £65,300) with regard to external audit services received.

	2015/2016 £000	2016/2017 £000
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	65	62

29. GRANTS

The following revenue grants were received by the Authority:-

	2015/16 £'000	2016/17 £'000
Airwave	416	416
Arson Reduction Team	192	147
Community Assistance Team	0	84
Defibrillators -Co-responding Equipment	148	0
HFSC Partnership Development	25	0
Interventions	127	153
NDG Equipment Maintenance	102	118
New Dimensions/All Wales Resilience	264	2,000
Phoenix	396	361
Resilience Officer	53	62
RTC Initiatives	107	0
Third Sector Co-ordinator	11	0
TOTAL	1,841	3,341

30. 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 2017 was that £14m 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	112
Conwy CBC – Legal Services	10
Carmarthenshire CC – Superannuation Service	40
Welsh Local Government Association	19
North Wales Police – Facilities Management	141
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. 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.

31. CAPITAL EXPENDITURE AND FINANCING

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

2015/16 £'000		2016/17 £'000
27,444	Opening Capital Financing Requirement	33,879
9,968	Capital Investment in Year	
	• Fixed Assets	2,942
	Sources of Finance	
(170)	• Grants & Contributions	(186)
(3,363)	• Revenue and Other Provisions	(2,973)
33,879	Closing Capital Financing Requirement	33,662
6,435	Change in Capital Financing Requirement	(217)
6,435	Explanation of change: Increase in underlying need to borrow	(217)

Capital Expenditure during the year was as follows:

Scheme	£000
Station Refurbishments	1,053
Vehicles and Plant	983
Operational and ICT Equipment	906
Total	2,942

CAPITAL COMMITMENTS 2016-2017 Onwards

The capital commitments entered into as at 31 March 2017 were for the upgrade for the Command and Control system and Water Tenders. The combined value of the contracts let is £1.48m.

FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

	2015/16 £000	2016/17 £000
External Loans	4,708	1,941
Grant Funding	170	186
Capital Receipts	25	20
Internal Borrowing	4,083	395
Contribution from Capital Reserve	982	400
Total	9,968	2,942

32. 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 £5.98m

Operating Lease

The Authority had no obligation for operating lease payments as at 31 March 2017 or 31 March 2016. 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.

33. TERMINATION BENEFITS

The Authority terminated three contracts in 2016-17 and one in 2015-16. The termination costs were payable in 2016-17 and amounted to £79,175 (£5,686 in 2015-16) any costs would have been charged within the year with the only future liabilities being in respect of future pensions. All payments 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 34 below.

34. TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

Pensions

(i) Local Government Services & Control Staff

In 2016-2017 the Authority paid an Employer's Pension contribution of £1,287,330 (2015-2016, £1,134,204) representing 12.8% (2015-2016, 11.9%) of employees' pensionable pay and included a lump sum payment of £686,100 (2015-16, £613,900) 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 set to rise incrementally from 12.8% to 14.7% by 2017-18. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

During 2016-2017 added years benefits and early retirement costs due to redundancies of £17,156 (2015-2016, £10,248) were paid to employees which represents 0.37% (2015-2016, 0.24%) of employees' pensionable pay. Pension contributions to be paid in to the scheme for the financial year 2017-18 are estimated to be £2,856,000 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 2016-2017 the Authority paid an Employer's Pension contribution of £1,966,398 (2015-16, £1,978,280). Pensions paid from revenue amounted to £391,793 (2015-2016 £454,955). In 2017-2018 the employer's contribution to the scheme is estimated to be £2,003,000 and the estimate for Pensions paid from revenue is £423,300. 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 full time Firefighters which is unfunded, and the Local Government Pension Scheme (Clwyd Pension Fund) for other employees which is administered by Flintshire County Council. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

To comply with IAS19 the Authority appoints actuaries on an annual basis to assess the assets and liabilities of both schemes. Mercer were appointed to assess the Local Government Pension scheme and the Government Actuary's Department the firefighters scheme as they relate to past and current employees of North Wales Fire Authority. For the Local Government Pension scheme the actuary assessed that the net liability to the Authority as at 31 March 2017 was £15.176m (31 March 2016, £11.422m) and for the Firefighters scheme the liability was £289.45m as at 31 March 2017 (31 March 2016 £239.19m). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found below.

Transactions relating to Retirement benefits recognised in the accounts

	<i>Funded</i>		<i>Unfunded</i>	
	<i>2015/16</i>	<i>2016/17</i>	<i>2015/16</i>	<i>2016/17</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Comprehensive Income & Expenditure Account				
Net Cost of Service				
Current Service Cost	(1,060)	(1,044)	(5,220)	(3,660)
Past Service Cost & Admin Expenses	0	(54)	0	(110)
Financing & Investment Income & Expenditure	(436)	(387)	(8,750)	(8,440)
Net Interest				
Transfers (in)/ out to scheme	0	0	(550)	(20)
Total Defined Benefit Charged to Provision of Service	(1,496)	(1,485)	(14,520)	(12,230)
Other Pension Costs Charged to the Comprehensive Income & Expenditure Statement				
Return on Assets (excluding Interest)	1,086	1,133	0	0
Remeasurements	1,720	(3,566)	34,640	(45,160)
Total Pension Costs Charged to the Comprehensive Income & Expenditure Statement	1,310	(3,918)	20,120	(57,390)
Movement in Reserves Statement				
Reversal of Charges in accordance with the code	12,409	(8,930)		
Actual Amounts charged to the General Fund in the year				
Employer Contributions	3,577	3,655		
Adjustment for the Top Up Grant	3,002	4,685		

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

<i>Adjustment to Net Cost of Service</i>	<i>2015/16</i>	<i>2016/17</i>
	<i>£'000</i>	<i>£'000</i>
Current Service Costs	6,280	4,704
Past Service Costs and Admin costs	0	164
Employer's Contributions	(3,577)	(3,655)
Top Up Grant	(3,002)	(4,685)
Actuarial Adjustment/Curtailment	15	1,234
Transfer values	0	(168)
Adjustment to Net cost of Service	(284)	(2,406)

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	
	2016 £'000	2017 £'000
Estimated Present value of the defined benefit obligation in the Firefighters' Pension Scheme	239,190	289,450
Estimated Present value of the defined benefit obligation in the Clwyd Pension Fund	31,660	40,030
Total Estimated share of liabilities	270,850	329,480
Estimated Share of assets in Clwyd Pension Fund	(20,238)	(24,854)
Net Pensions Deficit	250,612	304,626

Assets and Liabilities in Relation to Post-employment Benefits

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

Liabilities	2015/16 £'000 Clwyd	2015/16 £'000 Firefighters	2016/17 £'000 Clwyd	2016/17 £'000 Firefighters
Balance as at 1 April	(32,249)	(265,350)	(31,660)	(239,190)
Current Service Cost	(1,060)	(5,220)	(1,044)	(3,660)
Transfer Values	0	(550)	0	(20)
Interest	(1,086)	(8,750)	(1,133)	(8,440)
Curtailements	0	0	0	0
Actuarial Loss/Gain	2,193	34,640	(6,508)	(45,160)
Benefits paid	810	7,410	635	8,540
Member contribution	(268)	(1,370)	(320)	(1,410)
Net Pension Liabilities at Year End	(31,660)	(239,190)	(40,030)	(289,340)

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	2015/16 £'000	2016/17 £'000
Balance 1 April	19,459	20,238
Interest on Plan Assets	672	746
Remeasurements/Admin	(495)	2,888
Employer Contributions	1,144	1,297
Member Contributions	268	320
Benefits Paid	(810)	(635)
Net Pension Assets at Year End	20,238	24,854

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 2016	31 March 2016	31 March 2017	31 March 2017	
		£'000	%	£'000	%	
Asset Category	Quoted Prices in Active Markets	31 March 2016	31 March 2016	31 March 2017	31 March 2017	
		£'000	%	£'000	%	
Equity Securities						
Global Quoted	Y	1,437	7.1	1,914	7.7	
Global Unquoted	N	-	0.0	-	0.0	
Emerging Markets	Y	1,154	5.7	1,541	6.2	
Frontier	Y	385	1.9	0	0.0	
Bonds						
Overseas Other	N	2,489	12.3	2,958	11.9	
LDI	Y	4,614	22.8	5,791	23.3	
Property						
UK	Y	607	3.0	1,118	4.5	
Overseas	N	992	4.9	572	2.3	
Alternatives						
Hedge Funds/Private Equity/				-		
Commodities/GTAA	Y	8,358	41.3	10,736	43.2	
Cash & Cash Equivalents						
All	Y	202	1.0	224	0.9	
Totals		0	20,238	100	24,854	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	(0.832)	-0.5	(26.5)
Rate of Increase in Salaries	+0.1	0.26	+0.5	3.2
Rate of Increase in Inflation	+0.1	0.85	+0.5	24.6
Life Expectancy + 1 Year	1	0.75	1	8.1

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:

	<i>Firefighters' Scheme</i>		<i>Clwyd Pension Fund</i>	
	<i>2016</i> %	<i>2017</i> %	<i>2016</i> %	<i>2017</i> %
Rate of Inflation	2.2	2.35	2.0	2.3
Rate of Increase in Salaries	4.2	4.35	3.5	3.55
Rate of Increase in Pensions	2.2	2.35	2.0	2.3
Rate of Discounting Scheme Liabilities	3.55	2.65	3.6	2.6
	Life Expectancies Estimated as at 31 March 2017			
	Males	Females	Males	Females
Life Expectancy at 65	22.4	22.4	23	25.5
Current Pensioners	24.7	24.7	25.6	28.2
Future Pensioners				

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.

35. 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 as detailed above. In the current market the Authority only invests short term, up to a maximum of 3 months, with institutions that are on the Authority's counterparty list. On a daily basis the Authority is updated with any changes to the credit status of institutions on the counterparty list and if any institutions are 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.

36. 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.

THE FIREFIGHTERS' PENSION FUND ACCOUNT

<i>Fund Account</i>	<i>2015/16 £000</i>	<i>2016/17 £000</i>
INCOME		
Contributions Receivable:		
Employer normal contributions	(1,978)	(1,966)
Employer Ill Health Charge	(67)	(55)
Members normal contributions	(1,370)	(1,402)
Members backdated contributions	(209)	(170)
Transfers In	(546)	(126)
TOTAL	(4,170)	(3,719)
EXPENDITURE		
Benefits Payable:		
Pension Payments	6,190	6,586
Commutation of Pensions and Lump Sum benefits	982	1,694
Backdated Commutation Payments	1,340	106
Payments to and on Behalf of Leavers:		
Transfers out	0	18
TOTAL	8,512	8,404
NET AMOUNT (PAYABLE)/RECEIVABLE BEFORE TOP UP GRANT	4,342	4,685
Top Up grant receivable from WG	(3,806)	(4,685)
Top Up grant paid by HM Treasury on behalf of the Pension Fund	(536)	0
NET AMOUNT (PAYABLE)/RECEIVABLE FOR YEAR	0	0

<i>Net Assets Statement</i>	<i>2015/16 £000</i>	<i>2016/17 £000</i>
Net Current Assets and Liabilities:		
Top Up payable (from)/to WG	40	(1,435)
Amount owed (from)/to the General Fund	(40)	1,435
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.

Certain members of the 1992 firefighters' scheme were affected by The Firefighters' Pension (Wales) Scheme (Amendment and Transitional Provisions) Order 2016 effective from 31 December 2016.

There was a requirement to make refunds, £106k, to a number of Members affected by the regulation change. The payments were made through the Firefighters' Pension Fund and the additional costs were reimbursed by the Welsh Government.

In 2016-17 the estimate for the Top Up Grant due was £4.06m and the actual was £4.68m. At the year end the WG owed £1.4m 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	2016-17 Contribution Rate %
Up to and including £27,270	10.0
More than £27,271 and up to and including £50,500	12.5
More than £50,501 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	2016-17 Contribution Rate %
Up to and including £15,301	8.5
More than £15,301 and up to and including £21,422	9.4
More than £21,422 and up to and including £30,603	10.4
More than £30,603 and up to and including £40,804	10.9
More than £40,804 and up to and including £51,005	11.2
More than £51,005 and up to and including £61,206	11.3
More than £61,206 and up to and including £102,010	11.7
More than £102,010 and up to and including £122,412	12.1
More than £122,412	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	2016-17 Contribution Rate %
Up to and including £15,301	11.0
More than £15,301 and up to and including £21,422	12.2
More than £21,422 and up to and including £30,603	14.2
More than £30,603 and up to and including £40,804	14.7
More than £40,804 and up to and including £51,005	15.2
More than £51,005 and up to and including £61,206	15.5
More than £61,206 and up to and including £102,010	16.0
More than £102,010 and up to and including £122,412	16.5
More than £122,412	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 (2017 - £289.45m, 2016 - £239.19m).

STATEMENT OF ACCOUNTING POLICIES

1. **GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. 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 2016-17 (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 following year following purchase.

Buildings have been depreciated on a straight-line basis over the estimated useful life of the assets, as supplied by Wilks Head and Eve, Chartered Surveyors. 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

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.

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. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code. The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

- IFRS 15 Revenue from Contracts with Customers 01/01/2018
- IFRS 16 Leases 01/01/2019
- IFRS 9 Financial Instruments 01/01/2018
- IAS 7 Statement of Cash Flows 01/01/2017
- IAS 40 Investment Property 01/01/2018
- Annual improvements to IFRS
- IFRS 7 Financial Instrument Disclosures 01/01/2016
- IFRS 12 Disclosure of Interest in Other Entities 01/01/2017

Some changes may need to be adopted retrospectively meaning that on adoption 2016-17 information included within these accounts could be restated in the 2017-18 accounts to reflect the new reporting requirements. This note sets out the impact that would have been seen if the new standards had already been in force.

IFRS 15 introduces a five step model when considering and reporting contracts with customers. This standard provides guidance on when revenue should be recognised and identifying performance obligations, contract modifications and reflecting time value for money.

IFRS 16 will bring most leases on balance sheet including operating leases thereby removing the distinction between finance and operating leases. IFRS 16 supersedes IAS 17 early adoption is permitted if IFRS 15 is also applied. This is applicable for when the authority is the lessee.

IFRS 9 introduces a single classification approach for financial assets with cash flow characteristics and how instruments are managed. A forward looking expected loss model for impairments rather than the current IAS 39 incurred loss approach.

IAS 7 Statement of Cash Flows amendments shall provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financial activities.

IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of change of use. A change of use occurs only if property meets the definition of an investment property.

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.