NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham Fire Authority

Statement of Accounts 2009/2010

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TREASURER'S FOREWORD

The Nottinghamshire and City of Nottingham Fire Authority was formed as an independent body on 1st April 1998 following Local Government Reorganisation.

The accounting policies adopted by the Fire Authority are explained fully in the notes to the accounts and comply with current recommended accounting practice.

For the purpose of the Statement of Accounts the Authority's expenditure has been categorised in accordance with the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009/2010 Accounts, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The following are included in the Statement of Accounts:

Income and Expenditure Account

This Account summarises the resources that have been generated and consumed in providing services and managing the Fire Authority during 2009/10. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. This account shows how net expenditure was financed from the Precept, Revenue Support Grant and National Non Domestic Rates.

Statement of the Movement on the General Fund Balance

This is a reconciliation statement which summarises the differences between the deficit on the Income and Expenditure Account and the General Fund surplus balance. The detailed breakdown is shown below the statement. The Income and Expenditure Account shows the Authority's actual financial performance for the year measured in terms of the resources consumed and generated over the last 12 months. However the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet

The Balance Sheet sets out the financial position of the Authority as at 31 March 2010. It shows the Authority's balances and reserves and its long term indebtedness, as well as the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The Authority's total liability to pay future retirement benefits to current pension recipients and to current employees who will retire in the future is also represented in the Balance Sheet. Currently there is an expectation that firefighter pension costs will be met by the department for Communities and Local Government.

Cash Flow Statement

This statement summarises all inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Pension Fund Account

This statement shows the income and expenditure relating to the Firefighters' Pension Schemes.

Pension Net Assets Statement

This statement shows the net current assets and liabilities arising from the operation of the Firefighters' Pension Schemes. This statement does not take account of liabilities to pay future pensions and other benefits after the period end. Such liabilities are shown in the Balance Sheet.

Annual Governance Statement

This statement sets out the Authority's responsibilities with regard to corporate governance and gives details of key elements of corporate governance. It also summarises the Authority's review of the effectiveness of its governance framework, measured against the CIPFA / SOLACE framework, and in which issues for action are highlighted.

The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies, and the notes which follow the core financial statements and the pension statements. In addition, there is a glossary of financial terms.

Adjustments to the Previous Year's Accounts

The comparative figures for 2008/09 are shown in the core accounting statements so that comparisons can be made between this year's financial performance and position compared to the previous year. In some instances, these figures differ from those reported in the 2008/09 Statement of Accounts, where an adjustment has been made to the previous accounting period. There are two reasons for making such an adjustment firstly a change in accounting policy which is applied to the previous year to enable meaningful comparisons or secondly the correction of a fundamental error.

<u>Change in Accounting Policies or Change in Estimation Technique Requiring a Prior Period Adjustment</u>

It is now a requirement that the council tax income included in the Income and Expenditure Account is the accrued income for the year. This is a change of accounting policy in accordance with the Statement of Recommended Practice 2009/2010 Accounts and the 2008/09 comparative figures in the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet and the Cashflow Statement have been restated to show how this policy would have affected the 2008/09 Accounts. This effect is shown in the Accounting Policies section on page 14 and in the Notes to the Accounts on page 41

Overheads and support service costs are allocated to services in the Income and Expenditure Account according to best estimates of the benefits received by services. Over time, the use of Fire Stations has changed from being almost exclusively used by staff engaged in fire fighting and rescue to being used by a mix of employees including those working in the area of community fire safety. In 2009/10 the bases for allocating the overheads of premises has therefore changed to reflect the current way of working and the 2008/09 comparative figures in the Income and Expenditure Account have been re-worked to show what they would have been if this way of estimating overheads had been in place in the prior year. The types of overheads involved include energy costs, building cleaning, building depreciation and building revaluation impairments. There is no effect on total Net Operating Expenditure.

Correction of Fundamental Error

It has become apparent from discussions with the Valuation Office that land shown within Fixed Assets on the Balance Sheet had been valued on the basis of market value at 31 March 2009, instead of on the basis of value in existing use, as required by the SORP. A retrospective corrected valuation has been obtained and the Balance Sheet Values as at 31 March 2009 have been restated. This change has affected both the value of Fixed Assets and the Revaluation Reserve on the Balance Sheet, and the charge for impairment of fixed assets within the Income and Expenditure Account and the Statement of Movement on the General Fund Balance. Further detail is given in the Notes to the Accounts on page 42.

Summary of the Year

A summary of the Fire Authority's overall financial results is given in the following paragraphs:

Revenue Income and Expenditure

Revenue expenditure describes the day to day costs of running the Authority and includes items such as employees' pay, running costs of buildings and vehicles and office expenses. The Authority set a revenue budget of £46.3m for 2009/10 and the year end position shows an underspend of £862k against this budget (a variance of 1.9%). The Statement of Movement on the General Fund Balance shows the reconciliation between the net deficit on the Income and Expenditure Account and this underspend against the budget.

	Budget 2009/10	**Actual 2009/10**	**Variance from Budget 2009/10**
	£000's	**£000's**	**£000's**
Expenditure:			
Net expenditure	46,330	45,551	(779)
Financed By:			
Revenue Support Grant	4,504	4,504	0
Precept from Constituent Authorities	22,312	22,395	(83)
National Non Domestic Rates	19,514	19,514	0
Total	0	(862)	(862)

Significant Variances

Variances against the budget have arisen in the following areas (only significant under and overspends are detailed):

	Overspend £000's	Underspend £000's
Operational Employees – Retained	159	
Employees Pension Costs		106
Premises Repairs & Maintenance	209	
Premises - Utilities	156	
Transport Costs		246
Insurance		125
Information and Communication Technology		146
Services from External Providers		51
Community Safety		179
Savings Unallocated		106
Interest Receivable	157	
Other Income		288
Contributions to Earmarked Reserves	705	
Surplus on Collection		72
Contingencies		681
Princes Trust Income		95
Total	1,386	2,095

Throughout most of the year, the Authority was under-established in terms of Wholetime posts, and overtime was used to provide fire cover. This would have created a significant underspend, but Members approved various virements from the pay underspend to other areas of the budget during the year (totalling £638k). By the end of the year, the establishment was virtually filled following an intake of new trainee firefighters.

The overspend of £159k on the Retained Duty System pay budget has arisen because of the creation of a £224k provision to cover compensation due to be paid to Retained firefighters in 2010/11. This has arisen following an employment tribunal concerning test cases under the Part-time Workers (Prevention of Less Favourable Treatment) Regulations. The Authority has received an indication of the tribunal results with further guidance awaited.

The Employees other direct costs budget underspent by £49k as a result of lower spending on recruitment advertising (£36k) and several smaller variances within this category of expenditure. Recruitment advertising underspent due to a low turnover of staff in senior posts where advertising costs tend to be higher.

The budget for other pension costs assumed three upper tier ill health retirements in the year, which was an estimate consistent with historical costs. By the end of the year, only one ill health retirement had occurred, resulting in an underspend of £106k.

The premises repairs and maintenance budget overspend of £209k arose due to several authorised large maintenance projects being completed this year. These included the installation of new fire alarm cabling at Headquarters and the Service Development Centre; the refurbishment of Hucknall Fire Station's kit area and an office refurbishment at Central Fire Station. In addition, security had to be maintained at Dunkirk Fire Station and together with other minor expenses this sum totalled £62k for the year which was unbudgeted.

In total, utilities overspent by £156k in the year. This was a combination of a £50k overspend on electricity and a £101k overspend on gas resulting from both rising prices and a very cold winter period. The energy contract is under review and a contingency sum is included in the 2010/11 budget to cover potential price increases. In addition, automated meter readers are being installed to help monitor usage and ensure regular billing based on actual consumption rather than estimates.

The direct transport costs budget underspent by £173k in the year, with approximately £100k of this relating to the lower cost of fleet maintenance on newer fleet assets. In addition there has been an underspend of £32k in respect of blue light installations pending the introduction of the provided car scheme. The car allowances & travel budget underspent by £49k in the year, largely due to training related travel expenses no longer being reimbursed to trainees and some training being located on Stations as opposed to at the Service Development Centre. The capital financing (transport) budget underspend of £73k was due to the combination of the capital programme being financed by borrowing rather than by leasing, and the slippage in the light vehicle replacement programme.

Insurance premiums underspent in total by £125k due to the delay in the introduction of the provided car scheme and also because the level of uninsured losses in the year was low.

The Information and Communication Technology budget included an estimated sum for radio charges (£385k) relating to the national FireLink project. The delays to the FiReControl project have resulted in the postponement of the FireLink charging regime. Although the Authority is using FireLink radios, the department for Communities and Local Government continues to pay for the costs and this has led to an underspend. The net underspend on the budget is £146k because part of the budget has been transferred to fund other initiatives as agreed by Members during the year.

The legal services budget overspent by £42k mainly because of one ongoing employment tribunal case, which has now completed. Part of the medical services budget is to fund the cost of external medical opinions in respect of ill health retirement cases. As numbers of ill health retirements have been low, this budget has underspent in the year. The budget for consultancy fees tends to remain constant from year to year, but the number of occasions when consultants are engaged to work on projects varies depending on the needs of the Service. This year there is an underspend of £56k on consultancy services.

The work of the Fire Prevention department continued to be affected by vacant posts from the Wholetime establishment, which resulted in projects being delayed or not started and an underspend of £43k on the non pay budget in this area. There were several minor variations within the supplies and services budget heading, but of the total underspend of £137k, the majority relates to delays in implementing community safety initiatives for the reasons referred to above.

The savings unallocated budget underspend of £106k is an amalgamation of budget surpluses arising from efficiency savings in the year.

The current economic climate of low interest rates has resulted in a significant loss of income on the investment of cash surpluses (£157k deficit), which has been reported to Members of the Finance and Resources Committee throughout the year.

The total surplus on the other income budget is £288k. The Authority received a reimbursement of £166k for costs relating to the co-responding legal case from a previous year, which was not budgeted for as it was uncertain as to whether or not it would be received. This budget also contains reimbursements relating to staff seconded to external projects – the related expenditure is elsewhere within the revenue budget.

Members of the Finance and Resources Committee approved transfers to earmarked reserves in January 2010 totalling £559k. In addition, further transfers to earmarked reserves have been made at the end of the year totalling £584k. These are to fund a variety of initiatives and more detail is given on page 9. Members also agreed during that year that any underspend on the Princes Trust programme would be moved to earmarked reserves (this was £95k) and that the On-Fire reserve would be "topped up" to its original balance of £200k (this required a transfer of £118k). Offsetting these transfers to reserves was an amount of £719k, representing the use of earmarked reserves as previously approved.

The total surplus on the Collection Fund notified by billing authorities was £72k.

Of the original £1m held on pay and nonpay contingency budgets, only a net £325k was allocated, resulting in an underspend of £681k. There were several reasons for this: pay awards were settled at lower rates than budgeted for; most of the general non pay contingency was unused; the provided car scheme had not been implemented by the end of the year; general inflation was lower then budgeted for.

The budget for Prince's Trust income achieved more than anticipated mainly because prudent assumptions were made for the budget and the number of students per course. The amount of income per student turned out to be higher than had been assumed. The total income in excess of the budget was £95k and this sum has been transferred into an earmarked reserve.

Capital Expenditure

Capital expenditure describes the purchasing, upgrading and improvement of Fire Authority assets. These assets are known as "fixed assets" and they provide a benefit to the Authority over a longer period of time than the current financial year. During the year, the following major fixed assets were acquired / upgraded (including assets under construction as at 31 March 2009):

	2009/10 £000s
Fire appliances	2,752
Small vehicles	212
East Leake Fire Station	431
Southwell Fire Station	394
Misterton Fire Station	400

One of the Authority's Fire Stations is surplus to requirements and was contracted to be sold in 2008/09. The sale was not completed and the matter is now the subject of litigation. The capital receipt expected from the sale was to be used to partly finance the capital programme, which has now been financed from a combination of internal resources and external borrowing in place of the capital receipt. It is expected that the fire station will be sold after the legal case has completed.

The Fire Authority had a Capital Programme for 2009/10, which detailed the capital expenditure projects to be undertaken in the year. A summary of the Capital Programme and actual expenditure for the year is shown below. The Capital Programme amounts include slippage of £2.1m (budgets carried forward) from 2008/09:

Significant Variances

	Capital Programme 2009/10 £000's	Actual 2009/10 £000's	Variance from Budget 2009/10 £000's
Premises Programme	3,705	2,359	(1,346)
Transport Programme	2,936	2,964	28
Equipment Programme	30	169	139
IT and Communications Programme	1,011	539	(472)
Total	**7,682**	**6,031**	**(1,651)**

The Property capital programme underspent by £1.3m in total. There was an element of re-phasing of projects taking place with the Mansfield former training annex refurbishment slipped to 2010/11 (£292k) but the East Leake refurbishment brought forward into 2009/10 (£431k). Additional expenditure was incurred at Southwell Fire Station to bring drainage systems in line with statutory environmental requirements (£132k). Capital budgets for the major refurbishment at Tuxford Fire Station and the rebuilding of Carlton Fire Station plus professional fees will be slipped forward into 2010/11 (total amount not spent £1,695k). A capital grant of £738k was received in the year, which enabled projects to be accelerated.

There was a net overspend of £28k in the Transport capital programme, with rescue pump appliances overspending by £463k, but the Breathing Apparatus special unit not completing until 2010/11 with £261k slipping forward. The small vehicle replacement programme also experienced delays, with an underspend of £180k slipping into next year.

A programme of gym equipment replacement across fire stations was implemented during the year, funded from an earmarked reserve. This totalled £169k

The ICT programme underspent by £472k. Key projects were progressed in the year, but were not completed and will require budget to be slipped forward. These were business continuity and disaster recovery, business process automation and the regional finance system project. The project to replace the HR system has commenced, but is only in its early stages.

Financing of Capital Expenditure

The Authority borrowed £8m from the Public Works Loans Board (PWLB) during the year, and repaid £52k of debt to the PWLB. The additional borrowing was to help finance the Capital Programme and to partly replenish the internal resources used to finance the 2008/09 capital programme due to the delay in the sale of Dunkirk Fire Station.

Change of Accounting Policies

There have been changes in accounting requirements in 2009/10 in the area of council tax (or precept) income. The new accounting policy is shown in the Accounting Policies section of this Statement of Accounts, but the key changes are summarised here.

The policy for recognising council tax income in the accounts has changed. In previous years, the council tax included in the Income and Expenditure Account was the amount received in the year from billing authorities, which is equivalent to the amount required by regulation to be credited to the General Fund. The 2009 SORP requires the agency relationship between billing and precepting authorities to be recognised in the accounts and from 1 April 2009 council tax income included in the Income and Expenditure Account is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account on the Balance Sheet and included as a reconciling item in the Statement of Movement on the General Fund Balance. In addition, the Balance Sheet contains several items relating to council tax debtors and creditors, and these are explained more fully in the Accounting Policies with financial impacts shown in note 1a on page 41.

Movements in Debtors and Creditors

There has been a small increase in debtors on the balance sheet of £88k. The largest debtors at 31 March 2010 were the department of Communities and Local Government - balance owed in respect of firefighters' pension funds - £2,178k (2008/09 £1,799k) and council tax debts to be collected from billing authorities - £1,663k (2008/09 £1,876k).

There has been a decrease in creditors on the balance sheet of £622k. The most significant items within this sum were a decrease in overtime relating to March but paid in April of £72k; a decrease in council tax creditors (Collection Fund) of £96k; creditors at 31 March 2009 included £149k for uniforms and personal protective equipment, £38k for provision of Committee Services, £55k for fleet maintenance charges and £104k for regional management board costs – none of these items were creditors at 31 March 2010.

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2010/11 and beyond. The effect of this will be that these earmarked reserves will support the 2010/11 budget and allow certain non recurrent expenditure to take place. The earmarked reserves as at the year end are as follows:

	31 March 2009	**Net Movement in Year**	**31 March 2010**
	£000's	**£000's**	**£000's**
Personal Protective Equipment	70	0	70
Modernisation	95	0	95
FiReControl / FireLink Transition	200	0	200
Community Fire Safety	26	7	33
On-Fire Fund	171	29	200
ICT Project – Service Desk	20	(20)	0
Local Public Service Agreement Reward Grant	596	(63)	532
Capital and Other One-Off Items	300	(169)	131
Pensions – ill health retirements	230	0	230
Implementation of IFRS & Regional Finance System	86	(13)	73
Training Business Continuity Management & Values	37	(23)	13
Consultancy - Mediation & Employee Survey	20	(12)	8
Flood PPE and Ladders	60	(60)	0
Station remodelling	250	0	250
Mobile battery chargers	35	(35)	0
HQ redecoration	23	(23)	0
ICT Projects – Internet/Intranet/Sharepoint	100	(3)	97
Equality & Diversity – Training and Positive Action	22	(22)	0
Princes Trust	0	95	95

Operational equipment	0	80	80
Consultancy services – Estates projects	0	156	156
Environmental improvements to Estate	0	301	301
Fire Protection initiatives	0	17	17
Fixed Asset system	0	19	19
PA Amplifiers for Stations	0	125	125
e-Recruitment	0	10	10
Audio Visual Equipment in SDC teaching rooms	0	30	30
Minor works – Estates	0	50	50
Backlog maintenance - Estates	0	47	47
Equal pay	0	50	50
Scania flowmeters	0	10	10
Fire Cover Review	0	47	47
Equality Framework	0	10	10
Total	**2,341**	**637**	**2,978**

Pension Funds

Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability of £342m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £329m. The total pension scheme liabilities increased in 2009/10 by £97m, which was a significant increase due to the significant reduction in the yields available on corporate bonds and also the increase in inflation expectations.

The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is funded mainly by employee contributions and employer contributions. The department for Communities and Local Government funds any annual shortfall i.e. if the contributions into the fund do not meet the cost of pensions paid in the year. The Authority is required to continue to show the liability in respect of the Firefighter Pension Schemes in its Balance Sheet and notes to the core financial statements.

Economic Climate

The UK economic recession continued during the year and interest rates remained low. The main impact on the Authority was once again in the area of treasury management with much smaller returns on investment income than in previous years.

Other Published Financial Information

Summarised financial information, which is extracted from this Statement of Accounts, will be published on the Authority's website (www.notts-fire.gov.uk) following completion of the audit and before 30 September 2010. It will also be published in the Annual Report later this year.

Plans for 2010/11

The Fire Authority has published a new Community Safety Plan covering the period 2010 to 2013 and will be undertaking various service developments over the forthcoming year, in line with proposals outlined in this plan.

Continuing improvements will be sought in the areas of response, prevention and education. Several "New Dimensions" vehicles and associated equipment were transferred from CLG (Communities and Local Government) ownership to the Authority's ownership on 1 April 2010.

New Dimensions assets are currently used by Fire and Rescue Services to respond to major disruptive events such as collapsed buildings and flooding. The value of these assets is estimated by CLG to be £970,000 and this will be confirmed during the year.

A major review of Fire Cover commenced in January 2010 and the outcomes will be reported to the Fire Authority in the autumn. The financial impact of decisions made arising from this review will be built into the budgets for 2011/12 onwards.

An arms length trading company, fully owned by the Fire Authority, will start trading on 1 September 2010. The company will be called "Nottinghamshire Fire and Rescue Service (Trading) Limited" and its main activity will be to sell services to external customers in two areas: fire extinguisher maintenance and fire safety training. For 2009/10, these same activities are shown as trading undertakings in the Income and Expenditure Account and in the Notes to the Accounts.

The Authority is continuing to progress towards the transfer of employees to the regional control centre in 2011. There have been only minimal financial transactions between the Authority and East Midlands Fire and Rescue Control Centre Ltd in 2009/10.

The rebuilding of Carlton Fire Station will be progressing over the year and is expected to be complete by the end of 2010/11.

The 2010/11 revenue budget and capital programme provide the financial resources required for the replacement or refurbishment of assets as well as for the day to day running of the service. In addition, earmarked reserves have been created to fund the set up costs associated with some key projects and activities. During the year, the Fire Authority will be preparing for a likely reduction in available financial resources in the future and attention will be focused on maintaining the quality of existing service provision where possible, rather than on expanding or developing new services. The Authority's capital expenditure plans will be financed mainly by a combination of borrowing, finance leasing, operational leasing and capital receipts.

The past financial year, 2009/10, is the final year of accounting under UK Generally Accepted Accounting Practice (UK GAAP). From 1 April 2010, local authority bodies are required to follow International Financial Reporting Standards (IFRS) which means that the 2009/10 core accounting statements will be restated in accordance with IFRS to enable meaningful comparisons between 2009/10 and 2010/11 in the 2010/11 Statement of Accounts. It is anticipated that next year's Accounts will, as a result, be based on different accounting policies in some instances and contain significantly more detail.

Mr P Hurford B.Soc.Sc. CPFA
Treasurer to the Nottinghamshire and City of Nottingham Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

i) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer

ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

iii) approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Treasurer has:

i) selected suitable accounting policies and then applied them consistently;

ii) made judgements and estimates that were reasonable and prudent;

iii) complied with the Code of Practice

The Treasurer has also:

i) kept proper accounting records which were up to date;

ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer to the Authority is Mr P Hurford, B.Soc.Sc. CPFA.

This Statement of Accounts is that upon which the auditor should enter his certificate and opinion. It presents a true and fair view of the position of the Authority at 31 March 2010 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 25 June 2010 by the Treasurer to the Authority. This is the date up to which events have been considered for recognition in the Statement of Accounts.

Signed ________________________________

Mr P Hurford, B.Soc.Sc. CPFA

(Treasurer)

Dated ________________________________

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 25 June 2010

Signed on behalf of the Nottinghamshire and City of Nottingham Fire Authority.

Signed ________________________________

(Chair of the Fire Authority)

Dated ________________________________

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009/2010 Accounts (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of asset.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. In particular:

a) Supplies are recorded as expenditure when they are consumed. Some supplies are carried as stock on the balance sheet, where they are held in Stores prior to being distributed and used.

b) Where goods and services are supplied to or received by the Fire Authority in the financial year, but payment does not occur until the following financial year, a creditor or debtor for the relevant amount is shown on the balance sheet. Exceptions are made to this policy for certain recurring items that cover a specific period, e.g. quarterly energy bills. These items are brought into the accounts in the year they are paid and are not apportioned over the years to which they relate.

c) Fees and charges due from customers are accounted for as income at the date the Fire Authority provides the relevant services. Debts outstanding at the year end are assessed for evidence of uncollectability based on past events. In previous years, where there was evidence of impairment, the balance of debtors was written down and a charge made to revenue for the amounts which may not be received. From 2009/10 the accounting policy has been amended so that a charge is only made to revenue where the total value of debts for which there is evidence of impairment exceeds £5,000 i.e. a de minimis threshold has been set. The effect of this change of accounting policy is that in 2009/10, no bad debt provision has been made in respect of unpaid fees and charges, whereas in 2008/09 the bad debt provision was £1,761. The new policy arose from a review of the bad debt provision policy, which was carried out in accordance with the SORP because debts written off in practice were different from those debts identified as potentially impaired. The review also revealed that debts which are written off tend to be immaterial. This policy applies to debts from unpaid fees and charges – council tax debtors are subject to a different policy (see below).

d) 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 on the basis of cash flows determined by the contract.

Council Tax Income

Council tax is collected from taxpayers by billing authorities, which collect council tax for themselves and substantively act as agents collecting council tax on behalf of precepting authorities and distributing it to them. This authority is a precepting authority and in previous years, the council tax included in the Income and Expenditure Account was the amount received in the year from billing authorities, which is equivalent to the amount required by regulation to be credited to the General Fund.

The 2009 SORP requires the agency relationship between billing and precepting authorities to be recognised in the accounts and this has necessitated a change in accounting policies.

From 1 April 2009 council tax income included in the Income and Expenditure Account is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account on the Balance Sheet and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Billing authorities now prepare a Collection Fund balance sheet for council tax activities, which is disaggregated and shared between the billing authority and its precepting authorities. From 1 April 2009 this authority's Balance Sheet will contain the following items:

a) Council tax arrears apportioned in relation to the following year's precept proportions are included as debtors

b) Impairment allowance for doubtful debts apportioned as for council tax arrears and deducted from council tax arrears debtors

c) Council tax overpayments and prepayments apportioned in relation to the following year's precept proportions are included as creditors

d) Collection Fund surplus / deficit – the reversing entry to the Income and Expenditure Account adjustment is included in the Collection Fund Adjustment Account

e) Collection Fund cash surplus / deficit held on the authority's behalf by the billing authority is included in debtors or creditors

As required by the SORP, the comparative figures for 2008/09 have been restated, and the effect of the change in policy is shown in note 1a on page 41

Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is paid to HM Revenue and Customs and all VAT paid is recoverable from them.

Intangible Fixed Assets

Intangible fixed assets are identifiable, non financial fixed assets which do not have physical substance. This Authority has one type of intangible fixed asset, which is software.

Expenditure on the acquisition of intangible fixed assets is capitalised on an accruals basis, provided that it yields benefits for more than one financial year.

The value of assets shown is subject to a £30,000 de minimis level. Assets with a value less than £30,000 will, however, be capitalised if they form part of a larger asset e.g. an ICT project to implement a new system with both hardware and software.

Software is initially measured at cost and subsequently shown in the Balance Sheet at amortised historic cost. Amortisation is charged to the Income and Expenditure Account over the economic life of the asset.

Tangible Fixed Assets

Tangible fixed assets are assets which have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits for more than one financial year. Expenditure on repairs and maintenance is charged to revenue as it is incurred.

The value of assets shown is subject to a £30,000 de minimis level. Assets with a value less than £30,000 will, however, be capitalised if they form part of a larger asset e.g. a piece of IT equipment which forms part of the IT infrastructure.

Measurement of Tangible Fixed Assets

Assets are initially measured at cost, comprising all expenditure directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

a) **Land and Buildings**
These assets are classified as either operational or non operational. Specialised, operational assets (e.g. Fire Stations) are valued at Depreciated Replacement Cost (DRC), Non operational assets are valued at Market Value. Operational assets which are non-specialised are valued at Existing Use Value (EUV). All assets are revalued every 5 years on a rolling basis by the Nottingham Valuation Office, or more frequently if there have been material changes in value.

b) **Furniture and Fittings**
Furniture and fittings which form part of major refurbishments are classed as fixed assets and are shown in the balance sheet at depreciated historic cost.

c) **Vehicles and Plant**
Some of the Fire Authority's fire appliances were originally financed by operating leases. They have been retrospectively redefined as assets financed by finance leases, according to the requirements of Standard Statement of Accounting Practice (SSAP) 21. Their valuation in the Balance Sheet represents the capital value of the assets less depreciation charged on a straight line basis over the primary lease period.

d) **All other Assets**
All other assets are shown in the Balance Sheet at a valuation which represents their cost less depreciation charged on a straight line basis over the length of their useful lives.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to revenue. Where impairment (reduction) in an asset's value is identified, this is accounted for by:

a) where attributable to the consumption of economic benefits (e.g. damage to an asset or premature obsolescence), the loss is charged to the Income and Expenditure Account.
b) otherwise the loss is written off to the Revaluation Reserve up to the balance of revaluation gains on the Revaluation Reserve specific to that individual asset. The excess impairment above this balance is charged to the Income and Expenditure Account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. This does not impact on council tax and such amounts are adjusted for in the Statement of Movement on the General Fund Balance. Amounts received from disposals are credited to the Usable Capital Receipts Reserve, which will then be used for new capital investment or set aside to reduce the borrowing requirement.

Basis of Charging for Fixed Assets

Charges to Revenue

The Income and Expenditure Account is charged annually with the following amounts to record the real cost to the Authority of holding fixed assets during the year:

a) depreciation attributable to the assets used
b) impairment losses attributable to the consumption of economic benefits (tangible fixed assets)
c) impairment losses which are not attributable to the clear consumption of economic benefits, where the Revaluation Reserve balance for that asset is insufficient to cover the impairment loss.
d) amortisation of intangible fixed assets

The Authority is not required to raise council tax to cover these charges. It is, however, required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is known as the Minimum Revenue Provision (MRP) and the Authority's accounting policy is to charge an amount of MRP equal to 4% of the Capital Financing Requirement relating to assets purchased on or before 31 March 2007 plus an amount of MRP calculated on the basis of asset lives relating to assets purchased on or after 1 April 2007. The charges listed in a) to d) above are replaced by Minimum Revenue Provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Depreciation

Depreciation is provided for on fixed assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

Buildings: straight line allocation over the remaining useful life as estimated by the Valuation Office

IT and Communications Equipment: straight line allocation over 5 years

Land and non operational buildings: not depreciated

Fire Appliances: straight line allocation over the estimated useful life

Furniture and Fittings: 20% of opening balance

Intangible Fixed Assets (software): amortisation equal to straight line allocation over 5 years

Part year depreciation is charged in the years of acquisition and disposal (calculated to the nearest 3 months). Revaluation gains are also depreciated, with an amount equal to the difference between current value and historic cost depreciation being transferred each year from the Revaluation Reserve to the Capital Adjustment Account

Stocks

Stocks are included in the balance sheet at the lower of cost or net realisable value. Stock issues are charged to revenue on a weighted average basis.

Allocation of Support Service Costs

Support services are provided primarily by the Authority itself although some are purchased directly from the constituent authorities. The provision of a Clerk to the Authority is purchased from Nottingham City Council and some limited financial services are provided by Nottinghamshire County Council. The services of the Authority Treasurer are also provided by the County Council. Overheads are allocated to services on various bases in accordance with the CIPFA Best Value Accounting Code of Practice, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

a) Costs relating to the Fire Authority's status as a democratic organisation and costs relating to the provision of information for public accountability are charged to Corporate and Democratic Core.

b) Costs of discretionary benefits awarded to employees retiring early are charged to Non Distributed Costs.

Provisions

Provisions are made where an event has taken place which gives the Fire 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 revenue account when 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 and a provision may then be reversed and credited back to the revenue account if the requirement has changed.

General Reserves

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Two general reserves are shown on the face of the Balance Sheet. These are:

i) Earmarked Reserve
This reserve contains funds built up to meet expected liabilities. The movement of this reserve is shown in note 25 on page 54.

ii) Revenue Reserve
This reserve is the surplus of income over expenditure in the 2009/10 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 25 on page 54.

Capital Reserves

There are three capital related reserves shown in the Balance Sheet. Of these three reserves the Usable Capital Receipts Reserve is cash backed; the remaining two are non cash backed.

i) The Revaluation Reserve

This represents the total of all fixed asset revaluation gains since 1 April 2007, less any revaluation losses not due to the consumption of economic benefits since 1 April 2007 which have been offset against prior revaluation gains for the same asset.

ii) The Capital Adjustment Account

This account is credited with amounts set aside to finance capital expenditure and absorbs any timing differences between the setting aside of resources and accounting for depreciation and impairment losses. This reserve was created on 1 April 2007, replacing the Capital Financing Account. Its opening balance was an amalgamation of the closing balances as at 31 March 2007 of the Fixed Asset Restatement Account and the Capital Financing Account.

iii) The Usable Capital Receipts Reserve

This reserve is credited with the disposal proceeds when fixed assets are sold. It is ring fenced for supporting new capital expenditure or for reducing the underlying need to borrow against the capital financing requirement.

Movements on these reserves are shown in note 25 on page 54.

Pensions Reserve

This reserve represents the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary assesses the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme.

Finance Leases

The Fire Authority accounts for leases as finance leases when substantially all of the risks and rewards relating to the leased asset transfer to the Authority. Rentals payable are apportioned between:

i) A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and

ii) A finance charge (debited to the Income and Expenditure Account (interest payable) as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies generally applied to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. Finance charges are accounted for on a straight line basis over the term of the lease.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the revenue account on a straight line basis over the term of the lease.

Government Grants and Contributions (Revenue)

Government grants and third party contributions and donations are recognised as income at the date the Authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received, and the expenditure for which the grant is given has been incurred. Revenue grants are matched in the revenue account with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure. Grants and contributions from external bodies, which have been received in advance of related expenditure being incurred, are analysed between income which is expected to be applied to expenditure within 12 months (shown as Deferred Income within the Current Liabilities section of the Balance Sheet), and income which is expected to be applied to expenditure in the longer term (shown as Deferred Income within the Long Term Liabilities section of the Balance Sheet).

Capital Grants

Capital Grants which are identifiable to fixed assets with a finite useful life are credited to the Government Grant Deferred account and amounts are released to the revenue account over the useful economic life of the associated asset in line with the depreciation policy applied to that asset.

Retirement Benefits

Financial Reporting Standard 17 (FRS 17) specifies the accounting treatment of retirement benefits and related transactions and balances. One of its objectives is to ensure that the cost of providing retirement benefits is recognised in the performance statements in the accounting periods in which those benefits are earned by employees.

Further detail on accounting policies is given in the note 26 to the core financial statements.

Financial Instruments: Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. The amortised cost will include any interest accrued and not paid as at 31 March 2010. Where the transaction costs of borrowing are immaterial and there is no premium or discount on borrowing and the interest rate is fixed for the loan term, then the actual interest rate has been used to calculate interest payable as this is the same as the effective interest rate. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

A repurchase of borrowing took place in 2006/07 as part of a restructuring of the loan portfolio. The terms of the replacement loan are substantially different from the terms of the replaced loans, so the discount received on restructuring is amortised to revenue on a straight line basis over the term of the shortest duration replaced loan in accordance with the Capital Finance and Accounting Regulations 2007. The balance of the discount after amortisation is held in the Financial Instruments Adjustment Account.

Financial Instruments: Financial Assets

Loans and receivables (investments) are initially measured at fair value and carried at their amortised cost. The amortised cost will include any interest accrued and not received as at 31 March 2010. Where the interest rate is fixed for the term of the investment then the actual interest rate has been used to calculate interest receivable as this is the same as the effective interest rate. There are no transaction costs relating to investments. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Interests in Companies

The Authority has an interest in East Midlands Fire and Rescue Control Centre Limited (trading as East Midlands Fire and Rescue Control Centre), which is in the early stages of trading. The interest is not considered to be material at this time. This company is treated as a related party, with appropriate disclosures shown in the notes to the core financial statements.

ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

1.1 Nottinghamshire Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, use of its resources and including arrangements for the management of risk and the maintenance of an effective internal control environment.

1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

1.4 This statement sets out how NFRS has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, culture and values, for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is part of an ongoing process designed to identify and prioritise the risks to the achievement of Nottinghamshire Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Authority for a number of years.

3.0 THE GOVERNANCE FRAMEWORK

3.1 Attached to this Annual Governance Statement is the current Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In the attachment, officers have identified against each of the Code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the Code.

3.2 Summarised below are some of the key elements of the systems and processes that underlie the Authority's governance arrangements:

3.3 Identifying and Communicating the Authority's vision and outcomes for citizens and service users:

3.3.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The latest IRMP is incorporated into the Service Plan which covers the period 2010–2013 and the Authority consults with the citizens and other stakeholders to formulate its business plans for each financial year within this plan.

3.3.2 The Authority's vision is "Creating Safer Communities" and it strives to deliver this by developing a set of cohesive business plans and working in partnership with others to provide an excellent, affordable service to all the diverse communities of Nottinghamshire. To deliver this the Authority has established six key corporate objectives:

Prevention – we will

Work with young people to reduce arson, accidental fires and road traffic collisions (RTCs)

Focus on those most at risk from fire and other avoidable injuries

Work with partners to make our communities safer

Use and share data to identify those most at risk

Protection – we will

Maintain a risk based approach to enforce our statutory responsibilities.

Assist and support those responsible for fire safety within businesses

Work to reduce the economic costs of fire

Response – we will

Use our resources to meet the risks within our community

Gather and use risk based information to inform our response

Provide the highest standards of training, PPE, appliances and equipment that we can in order to keep our employees safe

Resilience - we will

Respond to growing risks from the environment

Work with our partners to ensure an effective response and recovery to major events.

Diversity and Workforce - we will

Recruit a workforce that reflects our community

Recruit and develop our employees to the highest standards to maintain and promote high standards of health, safety and wellbeing for all of our employees.

Governance and improvement - we will

Strive to become an excellent authority

Use our resources efficiently an effectively to provide value for money.

3.4 Monitoring the achievement of the Authority's objectives through a comprehensive performance management framework:

The Service operates a system of cascading business plans. The Service Plan is the highest level and from this a series of departmental and functional business plans are produced. Progress against these plans is reported on regularly using a piece of specialist software and the performance management team report on progress and outcomes to the performance committee of the Fire Authority. There are other plans outside the main business plans such as the equalities action plan which are separately reported on.

3.5 The Internal Control Environment:

3.5.1 The Authority's internal control environment comprises many systems, policies, procedures and operations. In reality these split into risk management, internal check/financial control and internal audit. Internal Check and financial control are clearly targeted towards financial matters whereas risk management has a much broader brief and is more associated with the risk of non-achievement of objectives and targets. The system cannot however eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority, where possible will eliminate that risk. If this is not possible then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

3.5.2 Policy and Decision Making Process

The Authority has democratic control over its activities via an approved committee structure with agreed powers and duties that are periodically reviewed. The Authority has a written constitution that sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable. There is a formal briefing process prior to reports being finalised for Committee or Fire Authority meetings thus allowing key Members an opportunity to scrutinise proposed reports in detail The Authority also runs Member away-days, seminars and training sessions to help Members discuss issues in more detail and in a less formal environment.

3.5.3 Management Structure

The Authority has a clear management structure with defined roles and responsibilities, a Corporate Management Board made up of the Chief Fire Officer, Deputy and Assistant Chief Fire Officers and key departmental heads meet on a weekly basis. This board is supported by a number of "steering groups" responsible for areas such as Estates, ICT training etc. as well as the Service Assurance Steering Group which takes the role of a multi disciplinary team dealing with performance management and interdependencies. All steering groups report on a regular basis to the Corporate Management Board.

The Authority has an approved scheme of delegation to officers that is reviewed periodically by the CFO and the Clerk with any changes being approved by the FA.

3.5.4 Established Policies, Procedures & Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations. The Information regarding policies and procedures is held on the intranet, and these are continuingly enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud, fraud response and confidential reporting. The Authority carries out an annual review of financial regulations which clearly define how decisions are taken and the processes and controls required to manage risks. The list below outlines some of the key policies and process in place to enhance the internal control system that are reviewed as and when required:

- Best Value Performance Plan
- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations & Standing Orders
- Scheme of Delegation

- Anti Fraud & Corruption Policy
- Whistleblowing Policy
- Complaints procedure
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Equality and Diversity schemes
- Robust Workforce plan and establishment model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline processes, through to performance development reviews

3.5.5 Internal Audit Function

The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council, and has well-established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws, and regulations within their remit.

3.5.6 Risk Management Strategy

The Authority has a well established and embedded risk management strategy. This is managed on two levels, firstly at the corporate/strategic level by The Finance and Resources Committee. This Committee has delegated responsibility from the Fire Authority as part of the Governance arrangements and is advised by the ACO Finance and Resources on behalf of the CFO. In addition the Service also maintains an approach to Risk via its business plan monitoring which is administered through its Corporate Services Department. This ensures the service's Risk Manager can support departmental heads in robustly assessing the risks to the achievement of the services objectives.

3.5.7 Best Value Duty

The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty and its own Value For Money programme.

3.5.8 Financial Management

Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sale ledger and purchase ledger functions and facilitates good budgetary control.

4.0 REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control, at least annually. The review of effectiveness is informed by the work of the Corporate Management Board and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal audit
- External bodies

4.3 The Authority and Its Committees

4.3.1 The Authority

The Authority reviews the vision and strategic service objectives before the commencement of each financial year when considering the coming year's service plan. At the 26th June 2009 Authority meeting Members re-affirmed the Authority's vision and updated their strategic service objectives following a period of extensive consultation. The revised objectives are contained in the updated Integrated Risk Management Plan. which has been fully revised by the 2010-2013 plan which was approved on 19th February 2010.

During the 2009/2010 year the Strategic Director of Finance and Resources, on behalf of the CFO, reviews and reports to Fire Authority progress against corporate governance against the CIPFA/SOLACE guidance.

The Fire Authority at its Annual General meeting reaffirmed the format and structure of its democratic decision process by reviwing and approving the powers and make-up of the following committees:

- The Policy and Strategy Committee
- The Finance & Resources Committee
- The Performance Monitoring Committee
- The Human Resources Committee
- The Community Safety Committee
- The Standards Committee

In addition to the above there are also panels for appointments, Equalities and Personnel matters

Terms of reference and responsibilities for all of these Committees form part of the Authority's Governance arrangements.

4.4 Management Review

4.4.1 Included in the day to day management of the organisation are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems.

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority's management structure and processes. The 2009/10 Service Plan set out the Authority's key objectives for the year and these have been reflected in departmental business plans. These plans are then monitored by the Corporate Services department and managed by the individual departmental management teams. The performance monitoring team will assess achievement against key objectives and local performance indicators which are reported quarterly to the Corporate Management Board and the Performance Monitoring Committee. The External Auditors, as part of the national performance regime for Fire and Rescue Services, in their annual review, had questioned whether the targets being set were challenging enough. This is as a consequence of a history of improved performance against them over a period of five years. As a result a number of targets have been revised And these will be incorporated into revised business plans in line with the 2010-2013 IRMP.

4.4.3 Risk management at the strategic/corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management. In a proactive way this Committee have considered the desirable risk appetite of the organisation and set risk targets for the Service to report against. Risk Management is an integral part of project management and business planning within the Corporate Services department and both this and operational risk management, which is managed within the Risk Response function, are considered strong. The service also maintains a comprehensive approach to health and after Risk Management which i undertaken by the Service's Health and Safety advisor and monitored by the Health Safety and Wellbeing Committee. This group of Officers and representative Bodies reports quarterly to the Corporate Management Board.

4.4.4 The Authority employed appropriate professional staff:

A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year and all relevant laws and regulations have been complied with. The monitoring officer is a qualified provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.

A Responsible Finance Officer has been appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Management Team ensure that the Authority approve a realistic and affordable financial plan for both revenue and capital expenditure which links to the IRMP and the Service Plan. The Authority continued to ensure it had strong arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team managed by the ACO Finance and Resources maintain the correct competencies and ensure that the Strategic Team receive all appropriate information to support the key decisions and objectives of the service.

4.4.5 Budget monitoring remains robust at both strategic and service level via the production of monthly financial monitoring reports for both Capital and Revenue budgets. These reports as well as being scrutinised by budget managers are also reported monthly to the Corporate Management Board and quarterly to the Finance and Resources committee.

4.4.6 Steering groups and functional Heads also exercise a detailed degree of budget monitoring particularly against the capital programme.

4.4.7 The Audit Commission approved an unqualified Statement of Accounts for 2008/9 and it is anticipated this will be repeated in 2009/10. A presentation by the Executive Director of Resources on the final accounts together with a detailed year-end report to the Authority helped communicate the year-end position to Members in a clear and understandable format. Members were fully engaged with the process and asked a number of detailed questions about the accounts.

4.5 Internal Audit

The Authority procured its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2009/10, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to CFO, the ACO Finance & Resources and the relevant managers as appropriate.. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee. Audit reports are also fed into the performance management function within the Corporate Services Department to ensure that recommendations are implemented to agreed timescales.

The Annual Internal Audit Report to the Authority in July 2009 concluded that:

"from work carried out during the 2008/9 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management".

4.6 External Review

4.6.1 External audit services are carried out by the District Auditor on behalf of the Audit Commission. Under the revised Code of Audit Practice, the District Auditor is required to focus on corporate performance management and financial management arrangements, as these form a key part of the system of internal control and comprise the arrangements for:

establishing strategic and operational objectives, determining policy and making decisions;

ensuring compliance with established policies, procedures, laws and regulations including the general duty of best value, where applicable;

identify, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;

managing its financial and other resources, including arrangements to safeguard the financial standing of the Authority;

monitoring and reviewing performance, including arrangements to ensure data quality; and

ensuring that the Authority's affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption.

4.6.2 The District Auditor reported on these matters in the 2008/2009 Annual Governance report and Annual Audit and Inspection Letter. These documents reflect the Auditor's findings and conclusions from auditing the Statement of Accounts and the Use of Resources and Direction of Travel assessments for 2008/09.

5.0 SIGNIFICANT ISSUES FOR GOVERNANCE

5.1 There is an uncertain future for all organisations within the public sector and the pressure to generate savings and minimise the impact upon local taxes can only increase. The major challenge for the authority is to continue to implement the service plan within these new constraints.

5.2 The Authority is carrying out a major review of Fire Cover which has not been done for some time. This review will concentrate on making sure that the correct level of response is available right across the City and County taking into account new developments and shifting patterns of risk.

5.3 The Medium Term Financial Strategy shows that the Authority has a strong and stable financial base from which to deliver against its objectives. Adequate levels of reserves and working balances will allow any changes as a result of grant reductions to be phased in over a period.

5.4 The internal governance of the service is currently under review with issues such as the levels of decision making, delegation profiles and reporting lines being considered. The Corporate Management Board has been extended and the relationship between this board and the underlying steering groups is under review as part of ensuring the arrangements remain fit for purpose..

5.5 Through its business planning processes the service is seeking to strengthen risk management arrangements and the update its current corporate risk profiles.

5.6 During the coming year, the Service will to address the above matters through its current structures and processes to further enhance governance arrangements.

Signed……………………………………	Signed……………………………………
Cllr Darrell Pulk	Frank Swann
CHAIRMAN	CHIEF FIRE OFFICER

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

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CORE ACCOUNTING STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

This Account summarises the resources that have been generated and consumed in providing services and managing the Fire Authority during 2009/10. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year.

2008/09 Net Expenditure		**2009/10 Gross Expenditure**	**2009/10 Gross Income**	**2009/10 Net Expenditure**
£000's		**£000's**	**£000's**	**£000's**
restated				
	Community Fire Safety			
4,627	- Staff	4,424	(84)	4,341
1,830	- Service	1,877	(436)	1,441
6,457		**6,301**	**(520)**	**5,781**
	Fire Fighting and Rescue Operations			
30,144	- Staff	29,082	(694)	28,388
13,140	- Service	11,521	(381)	11,140
43,284		**40,603**	**(1,075)**	**39,528**
276	Fire Service Emergency Planning and Civil Defence	586	(281)	305
555	Corporate and Democratic Core	593	(2)	591
0	Non Distributed Costs	0	0	0
50,572	**Net Cost of Services**	**48,083**	**(1,878)**	**46,205**
(795)	(Gain)/Loss on Disposal of Fixed Assets	6		6
18	(Surpluses) / Deficits on Trading Undertakings	357	(366)	(9)
638	Interest Payable and Similar Charges	821	0	821
(237)	Interest and Investment Income	0	(63)	(63)
17,283	Pensions Interest Cost and Expected Return on Pensions Assets	16,737	0	16,737
(3,774)	Gain re Government Grant payable to the Pension Fund on the Authority's behalf	(5,141)	0	(5,141)
63,705	**Net Operating Expenditure**	**60,863**	**(2,307)**	**58,557**
(21,537)	Precepts		(22,347)	(22,347)
(2,799)	General Government Grants	0	(4,504)	(4,504)
0	Local Public Service Agreement Reward Grant	0	0	0
(20,106)	Non Domestic Rates redistribution		(19,514)	(19,514)
19,263	**(Surplus) / Deficit for the Year**	**60,863**	**(48,671)**	**12,192**

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Authority's actual financial performance for the year measured in terms of the resources consumed and generated over the last 12 months. However the Authority is required to raise council tax on a different accounting basis, the main differences being:
Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.
This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The detailed breakdown is shown below the statement.

2008/09 Net Expenditure		**2009/10 Net Expenditure**
£000's		**£000's**
restated		
19,263	(Surplus) / deficit for the year on the Income and Expenditure Account	12,192
(19,320)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(13,054)
(57)	Increase in General Fund Balance for the year	(862)
(3,444)	General Fund Balance brought forward	(3,502)
(3,501)	**General Fund Balance carried forward**	**(4,364)**

Reconciling Items for the Statement of Movement on the General Fund Balance

2008/09		**2009/10**
£000s restated		**£000s**
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(39)	Amortisation of intangible fixed assets	0
(5,431)	Depreciation and impairment of fixed assets	(4,107)
7	Government Grants Deferred amortisation	39
0	Revenue expenditure to be funded from capital under statute to be financed from capital resources	0
795	Net gain / (loss) on sale of fixed assets	(6)
(9)	Differences between amounts credited to the Income and Expenditure Account and amounts receivable to be recognised under statutory provisions relating to discounts on the early repayment of debt.	(9)
45	Collection Fund adjustment	(48)
(24,806)	Net charges made for retirement benefits in accordance with FRS 17	(21,329)
3,774	Gain re Government Grant payable to the Pension Fund on the Authority's behalf	5,141
(25,664)	**Subtotal**	**(20,320)**
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year	
717	Minimum revenue provision for capital financing	1,070
0	Capital expenditure charged in-year to the General Fund Balance	335
5,687	Employers' contributions payable to the Pension Funds and retirement benefits payable direct to pensioners	5,224
6,403	**Subtotal**	**6,629**
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
(59)	Net transfer to or from earmarked reserves	637
(59)	**Subtotal**	**637**
(19,320)	**Net additional amount required to be credited to the General Fund balance for the year**	**(13,054)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 Net Expenditure		**2009/10 Net Expenditure**
£000's		**£000's**
restated		
19,263	(Surplus) / deficit for the year on the Income and Expenditure Account	12,192
(1,238)	(Surplus) / deficit arising on revaluation of fixed assets	(3,716)
(62,422)	Actuarial (gains) / losses on pension fund assets and liabilities	92,170
(44,397)	**Total recognised (gains) / losses for the year**	**100,646**

Impact of Prior Period Adjustments

The 2008/09 total in the Statement of Total Recognised Gains and Losses has been restated for the impact of prior period adjustments in 2008/09:

(43,319)	Previous published Statement at 31 March 2009
(45)	Additional accrued income from Collection Fund
(70)	Reduction in impairments (land revaluations)
(139)	Increase in upward revaluations 2008/09 (land)
(824)	Decrease in downward revaluations 2008/09 (land)
(44,397)	Restated Statement at 31 March 2009

The prior period adjustments relate to the Collection Fund and the correction of land valuations. These are explained further in notes 1a and 1b.

BALANCE SHEET

The Balance Sheet shows the Authority's balances and reserves and its long term indebtedness, as well as the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

31 March 2009		31 March 2010
£000's		£000's
restated		
	Fixed Assets	
158	**Intangible Fixed Assets**	190
	Tangible Fixed Assets	
	Operational Assets	
31,228	Land and Buildings	34,539
3,500	Vehicles and Plant	5,870
1,724	Equipment / Furniture and Fittings	1,868
	Non Operational Assets	
3,000	Land and Buildings	3,000
1,878	Assets Under Construction	1,652
41,488	**Total Long Term Assets**	**47,119**
	Current Assets	
260	Stocks and Work in Progress	326
3,896	Debtors	3,984
495	Payments in Advance	525
2,035	Investments	5,400
661	Cash and Bank	600
7,347	**Total Current Assets**	**10,836**
	Current Liabilities	
(1,564)	Short Term Borrowing	(103)
(4,799)	Creditors	(4,177)
(685)	Deferred Income	(525)
(63)	Provisions	(294)
(7,111)	**Total Current Liabilities**	**(5,099)**
41,724	**Total Assets less Current Liabilities**	**52,856**
	Long Term Liabilities	
(16,713)	Long Term Borrowing	(24,658)
(195)	Government Grants Deferred	(895)
(475)	Deferred Income	(756)
0	Unapplied Capital Grants	
(1,277)	Deferred Liabilities	(994)
(238,583)	Liability related to Defined Benefit Pension Scheme	(341,717)
(215,519)	**Total Assets less Liabilities**	**(316,164)**
	Financed By:	
7,050	Revaluation Reserve	10,591
9,995	Capital Adjustment Account	7,500
0	Usable Capital Receipts Reserve	0
37	Financial Instruments Adjustment Account	28
(238,583)	Pensions Reserve	(341,717)
3,501	General Fund Balance	4,364
2,341	Earmarked Reserves	2,978
140	Collection Fund Adjustment Account	92
(215,519)	**Total Net Worth**	**(316,164)**

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Note 30 gives further details about the cash flow statement.

2008/09 £000's restated		2009/10 £000's	2009/10 £000's
	Revenue Activities		
	Cash Outflows		
39,265	Cash paid to and on behalf of employees	40,269	
9,301	Other operating cash payments	10,183	50,452
	Cash Inflows		
(2,799)	Revenue Support Grant	(4,504)	
(21,492)	Council Tax Receipts	(22,395)	
(20,106)	National non domestic rate receipts from national pool	(19,514)	
(2,358)	Other Government Grants	(5,397)	
(452)	Cash received for goods and services	(472)	
(901)	Other Income	(1,543)	(53,825)
459	**Net Cash (Inflow) / Outflow from Revenue Activities**		**(3,373)**
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
522	Interest paid	736	
151	Interest element of finance lease rental payments	86	822
	Cash Inflows		
(218)	Interest received		(98)
454	**Net Cash (Inflow) / Outflow from Servicing of Finance**		**724**
	Capital Activities		
	Cash Outflows		
11,358	Purchase of fixed assets		6,225
	Cash Inflows		
(1,351)	Sale of fixed assets		(4)
0	Capital grants received		(738)
10,008	**Net Cash (Inflow) / Outflow from Capital Activities**		**5,483**
10,920	**Total Net Cash (Inflow) / Outflow before Financing**		**2,834**
	Management of Liquid Resources		
(3,513)	Net increase / decrease in short term deposits		3,400
	Financing		
	Cash Outflows		
49	Repayments of amounts borrowed	3,552	
533	Capital element of finance lease rental payments	276	3,828
	Cash Inflows		
(7,000)	New loans raised	(8,000)	
(1,500)	New short term loans	(2,000)	(10,000)
(11,430)	**Net cash inflow / outflow from Management of Liquid Resources and Financing**		**(2,772)**
(510)	**Net (Increase) / Decrease in Cash**		**62**

INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS

NOTES TO THE CORE ACCOUNTING STATEMENTS

1a. Prior Period Adjustments

The change in accounting policy in respect of council tax income (Collection Fund) is as a result of new requirements in the SORP 2009. The 2008/09 comparatives have been restated to reflect the new policy as though it had existed in 2008/09. The following items were not recognised in the 2008/09 Statement of Accounts, but are now included in the restated 2008/09 comparative figures:

Core Accounting Statement	Heading	2008/09	Adjustment for Collection Fund	Restated 2008/09
		£000s	£000s	£000s
Income and Expenditure Account:	Precepts (Accrued Income, rather than Cash Basis)	(21,492)	(45)	(21,537)
Statement of Movement on the General Fund Balance:	Collection Fund Adjustment (Reversal of I&E Account entry)	N/A	45	45
Balance Sheet:	Debtors (Council Tax Arrears)		1,793	
	Debtors (Impairment for Doubtful Debts)		(979)	
	Debtors (Collection Fund Cash Deficit)		83	
	Subtotal (all Debtors)	**2998**	**898**	**3,896**
	Creditors (Council Tax Overpayments & Prepayments)		(332)	
	Creditors (Cash paid in advance of receipt from council tax payers)		(424)	
	Subtotal (all Creditors)	**(4,041)**	**(758)**	**(4,799)**
	Collection Fund Adjustment Account (Collection Fund Surplus / (Deficit)	n/a	140	140

1b. Prior Period Adjustments (continued)

The land valuations in the 2008/09 Statement of Accounts were at market value, which was incorrect. They have since been revalued on the basis of value in existing use as at 31 March 2008 and at 31 March 2009 and the appropriate 2008/09 comparative figures have been restated. At the same time, a correction was made in respect of the difference between historical cost depreciation and current value depreciation, which is charged to the Revaluation Reserve with a balancing entry to the Capital Adjustment Account. This was omitted in error in 2008/09.

Core Accounting Statement	Heading	Reason for Restatement	Original 2008/09	Adjustment	Restated 2008/09
			£000s	£000s	£000s
Income and Expenditure Account:	Net Operating Expenditure	Reduction in permanent impairments 08/09	63,775	(70)	63,705
Statement of Movement on the General Fund Balance:	Depreciation and Impairment of Fixed Assets	Reversal of I&E Charge	(5,501)	70	(5,431)
Balance Sheet:	Fixed Assets: Land & Buildings	Reduction in upward revaluations 07/08		(1,704)	
		Increase in downward revaluations 07/08		(3,958)	
		Increase in upward revaluations 08/09		139	
		Decrease in downward revaluations 08/09 (charged to Revaluation Reserve)		824	
		Decrease in downward revaluations 08/09 (charged to I&E Account)		70	
	Subtotal		**35,857**	**(4,629)**	**31,228**
	Revaluation Reserve	Reduction in upward revaluations 07/08		1,704	
		Increase in upward revaluations 08/09		(139)	
		Decrease in downward revaluations 08/09 (charged to Revaluation Reserve)		(824)	
		Difference between historic and current cost depreciation 08/09		207	
	Subtotal		**(7,998)**	**948**	**(7,050)**
	Capital Adjustment Account	Increase in downward revaluations 07/08		3,958	
		Decrease in downward revaluations 08/09 (charged to I&E Account)		(70)	
		Difference between historic and current cost depreciation 08/09		(207)	
	Subtotal		**(13,676)**	**3,681**	**(9,995)**

2. Authorisation of Accounts for Issue

The financial statements have been authorised for issue on 25 June 2010 by the Treasurer to the Fire Authority. Events arising after this date will not have been recognised in the Statement of Accounts, even if they would have a material effect on these accounts.

3. Trading Operations

The Authority runs two trading operations: Fire Extinguisher Maintenance and a Commercial Training Unit. At the end of the year, after support service charge allocations under the Best Value Accounting Code of Practice, the financial results for the two trading operations were as follows. The comparative figures for 2008/09 are stated before support service charge allocations but these are not material:

	Income 2009/10	**Expenditure 2009/10**	**(Surplus) / Deficit 2009/10**	**(Surplus) / Deficit 2008/09**
	£000s	£000s	£000s	£000s
Fire Extinguisher Maintenance	285	232	(53)	(68)
Commercial Training Unit	81	125	44	0
Total	**366**	**357**	**(9)**	**(68)**

4. Members' Allowances

Allowances paid to Members of the Authority were as follows:

	2009/10	**2008/09**
	£000s	**£000s**
Members' allowances	107	109

5a. Officers' Remuneration

The table below shows the number of employees whose remuneration was £50,000 or more in bands of £10,000 (remuneration is defined as pay, expense allowances chargeable to tax and the monetary value of any benefits such as a provided car but excluding employer pension contributions). The numbers for 2008/09 have been restated to exclude travel expenses not chargeable to tax, which were included in error in 2008/09.

	2009/10	**2008/09**
Remuneration Bands	**Number**	**Number**
		Restated
£50,000 – £54,999	16	16
£55,000 - £59,999	10	6
£60,000 - £64,499	4	3
£65,000 - £69,999	5	4
£70,000 - £74,999		1
£75,000 - £79,999		
£80,000 - £84,499	1	
£85,000 - £89,999		1
£90,000 - £94.999		1
£95,000 - £99,999	1	
£100,000 - £104.999	2	1
£105,000 - £109,999	1	1
£110,000 - £114,999		
£115,000 - £119,999		
£120,000 – 124,999		
£125,000 - £129,999		
£130,000 - £134,999		1
£135,000 - £139,999		
£140,000 - £144,999		
£145,000 - £149,999		
£150,000 - £154,999	1	
£155,000 - £159,999		
£160,000 - £164,999		
£165,000 - £169,999		1
Total	**41**	**36**

The following table sets out the remuneration disclosures for senior officers whose salary is less than £150,000 but equal to or more than £50,000 per year. Benefits in Kind includes taxable benefits e.g. removal expenses, car allowances and health care scheme. The table includes 4 employees in 2009/10 (1 in 2008/09) who had dual contracts of employment i.e. a post in the wholetime duty system plus a post in the retained duty system.

5b. Remuneration for Senior Employees 2009/10

Post Title	Salary £	Expense Allowances £	Benefits in Kind £	Total Remuneration exc. Pension Contributions £	Pension Contributions £	Total Remuneration inc. Pension Contributions £
Chief Fire Officer (CFO)	135,073	0	15,588	**150,661**	28,770	**179,431**
Deputy Chief Fire Officer	109,138	0	52	**109,190**	23,204	**132,394**
Assistant Chief Fire Officer 1	101,424	895	52	**102,371**	21,581	**123,952**
Assistant Chief Fire Officer 2	101,410	0	52	**101,462**	21,578	**123,040**
Assistant Chief Officer	93,622	0	3,897	**97,519**	15,073	**112,592**
CFO on Secondment	78,210	0	4,085	**82,295**	14,250	**96,545**
Area Manager 1	66,684	1,159	52	**67,895**	14,181	**82,076**
Area Manager 2 on secondment	65,693	1,290	52	**67,035**	13,964	**80,999**
Area Manager 3	65,558	1,303	52	**66,913**	13,964	**80,877**
Area Manager 4	65,665	303	52	**66,019**	13,964	**79,983**
Area Manager 5	65,665	221	52	**65,938**	13,964	**79,902**
Total	948,141	5,171	23,986	**977,298**	194,492	**1,171,790**

Remuneration for Senior Employees 2008/09

Post Title	Salary £	Expense Allowances £	Benefits in Kind £	Total Remuneration exc. Pension Contributions £	Pension Contributions £	Total Remuneration inc. Pension Contributions £
Chief Fire Officer on Secondment	131,715	0	9,533	**141,248**	28,079	**169,327**
Chief Fire Officer	131,451	0	52	**131,503**	28,079	**159,582**
Assistant Chief Fire Officer 2	106,398	0	52	**106,450**	22,639	**129,088**
Deputy Fire Officer	101,507	0	52	**101,559**	21,585	**123,145**
Assistant Chief Fire Officer 1	94,584	158	52	**94,794**	20,124	**114,918**
Assistant Chief Officer	85,311	0	3,897	**89,208**	13,795	**99,159**
Area Manager 3	68,947	1,206	52	**70,205**	14,686	**84,891**
Area Manager 1	68,920	297	52	**69,269**	13,652	**82,921**
Area Manager 4	64,667	970	52	**65,689**	13,751	**79,440**
Area Manager 2	64,861	295	52	**65,208**	13,751	**78,959**
Area Manager 5	64,728	281	52	**65,061**	13,751	**78,812**
Total	1,003,54	3,207	13.898	**1,020,649**	203,893	**1,224,542**

6. Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers of these accounts to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

All Officers and Members of the Fire Authority have submitted a return in respect of related party transactions. These returns confirmed that there were no such transactions during the financial year ended 31 March 2010 other than those detailed below.

The Fire Authority is made up of 12 Members from the Nottinghamshire County Council and 6 Members from the Nottingham City Council. Some of these Members serve on the Regional Management Board or are Directors of East Midlands Fire and Rescue Control Centre Ltd. Therefore transactions with these 4 bodies are considered to be with related parties and are summarised below.

	2009/10 **£000s**	**2008/09 restated** **£000s**
Nottinghamshire County Council:		
Treasury, Payroll, Pensions & Internal Audit	141	147
Other Income and Expenditure	962	919
Nottingham City Council:		
Committee Services	40	38
Other Income and Expenditure	113	101
Regional Management Board:		
Contributions towards regional costs	111	104
Reimbursement of regional costs	(75)	(88)
East Midlands Fire and Rescue Control Centre Ltd:		
Provision of a Communications Adviser	(7)	(7)
Provision of staff & other services re FiReControl project	(28)	0

Some of the 2008/09 amounts have been restated, to correct an error. Transactions with Nottingham City Council relating to council tax are not included in the figures above. Details of Government Grants are shown in note 29.

The Balance Sheet contains amounts within both debtors and creditors for sums due to or from related parties. These amounts are detailed below.

	2009/10 **£000s**	**2008/09** **£000s**
Amounts Included Within Debtors:		
Nottinghamshire County Council	31	0
Nottingham City Council	969	0
Regional Management Board	57	22
East Midlands Regional Control Centre Ltd	14	7
Amounts Included Within Creditors:		
Nottinghamshire County Council	288	82
Nottingham City Council	514	130
Regional Management Board	0	104

7. Audit Fees
The Authority incurred fees relating to external audit and inspection in accordance with the Audit Commission Act 1998 and the Local Government Act 1999.

	2009/10 £000s	2008/09 £000s
Fees payable to the Audit Commission re external audit services	71	66
Fees payable to the Audit Commission re statutory inspection	0	0
Fees payable to the Audit Commission re certification of grant claims and returns	0	0
Total	71	66

8. Finance Leases
Vehicles: The authority uses vehicles (fire appliances) financed under the terms of finance leases. The rentals paid under these arrangements in 2009/10 were £387k (2008/09 £575k), with £104k charged to the Income and Expenditure Account as finance costs (debited to interest payable), and £283k charged to deferred liabilities on the Balance Sheet thus writing down the obligations to the lessor.

The following values of assets are held under finance leases by the Authority, accounted for as part of Tangible Fixed Assets:

	Vehicles £000s
Value at 1 April 2009	1,277
Additions	0
Revaluations	0
Depreciation	(283)
Disposals	0
Value at 31 March 2010	**994**

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010, accounted for as Deferred Liabilities within Long Term Liabilities:

	Vehicles £000s
Obligations payable in 2010/11	273
Obligations payable between 2011/12 and 2015/16	681
Obligations payable after 2015/16	40
Total liabilities at 31 March 2010	**994**

There are no commitments existing as at 31 March 2010 in respect of finance leases which have been entered into but whose inceptions occur after the year end.

9. Operating Leases
Vehicles: The authority uses vehicles financed under the terms of operating leases. The rentals paid under these arrangements in 2009/10 were £156k (2008/09 £146k), charged to the Income and Expenditure Account.

Plant and Equipment: The authority has IT equipment and specialist operational equipment financed under the terms of operating leases. The rentals paid under these arrangements in 2009/10 were £0k (2008/09 £17k), charged to the Income and Expenditure Account.

Commitments under operating leases – the Authority was committed at 31 March 2010 to making payments of £75k under operating leases in 2010/11, comprising the following elements:

	Vehicles £000s
Leases expiring in 2010/11	75
Leases expiring between 2011/12 and 2015/16	0

Leases expiring after 2015/16	0

10. Interest Relating to Financial Instruments

Interest receivable for financial assets (loans and receivables) has been credited to the Income and Expenditure Account (within Interest and Investment Income) and was negligible (less than £1,000) in 2009/10 (£35k in 2008/09).

Interest payable for financial liabilities has been charged to the Income and Expenditure Account (within Interest Payable and Similar Charges) and was £48k in 2009/10 (£12k in 2008/09).

11. Movements in Intangible Fixed Assets

	Software £000s
Cost or Valuation	
As at 1 April 2009	222
Additions	87
Revaluations	0
Reclassifications	0
Disposals	0
As at 31 March 2010	310
Amortisation and Impairments	
As at 1 April 2009	(64)
Amortisation Charge	(55)
As at 31 March 20109	(119)
Balance Sheet Amount as at 31 March 2010	190
Balance Sheet Amount as at 1 April 2009	158
Nature of Asset Holding	
Owned	190
Finance Lease	0
Total	190

12. Movements in Tangible Fixed Assets
The movements in operational and non operational fixed assets during the year were as follows:

	Operational Assets				Non Operational Assets			
	Land & Buildings	Vehicles	Equipment, Furniture & Fittings	Total	Surplus Land & Buildings Held for Disposal	Vehicles Under Construction	IT Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
As at 1 April 2009	37,707	10,811	4,525	53,043	3,000	1,879	0	4,879
Additions	2,359	1,292	649	4,299	0	1,576	76	1,652
Revaluations	2,129	0	0	2,129	0	0	0	0
Reclassifications	0	1,879	0	1,879	0	(1,879)	0	(1,879)
Disposals	0	(10)	(7)	(17)	0	0	0	0
As at 31 March 2010	42,195	13,972	5,167	61,334	3,000	1,576	76	4,652
Depreciation and Impairments								
As at 1 April 2009	(6,480)	(7,311)	(2,801)	(16,592)	0	0	0	0
Depreciation Charge	(1,176)	(790)	(499)	(2,465)	0	0	0	0
Disposals	0	0	0		0	0	0	0
As at 31 March 2010	(7,656)	(8,101)	(3,300)	(19,057)	0	0	0	0
Balance Sheet Amount as at 31 March 2010	34,539	5,871	1,867	42,278	3,000	1,576	76	4,652
Balance Sheet Amount as at 1 April 2009 (restated)	31,227	3,500	1,724	36,451	3,000	1,879	0	4,879

Nature of Asset Holding								
Owned	34,539	4,876	1,867	41,284	3,000	1,576	76	1,652
Finance Lease	0	994	0	994	0	0	0	0
Total	34,539	5,870	1,867	42,278	3,000	1,576	76	1,652

Note: Revaluations of buildings took place on 31 March, so there is no impact on depreciation in respect of revaluations.

13. Depreciation

The methods of depreciation and the depreciation rates used for each class of tangible fixed asset are given in the Accounting Policies section.

14. Capital Expenditure and Financing

The capital financing requirement is the sum of money required from external sources to fund capital expenditure. The movement in the year is shown below:

	2009/10 £000s	**2008/09 £000s**
Opening Capital Financing Requirement	24,170	14,858
Capital Investment		
Operational assets	4,387	11,023
Non operational assets	1,652	350
Sources of Finance		
Capital receipts	(10)	(1,345)
Government grants and other contributions	(738)	0
Revenue contributions used to finance capital costs	(335)	0
Government grants deferred	0	0
Minimum revenue provision – 4% of opening CFR	(381)	(396)
Minimum revenue provision – based on asset lives	(689)	(320)
Closing Capital Financing Requirement	28,056	24,170

	2009/10 £000s	**2008/09 £000s**
Explanation of Movements in the Year		
Increase in underlying need to borrow (supported by Government financial assistance)	1,130	948
Increase in underlying need to borrow (unsupported by Government financial assistance)	2,756	8,365
Increase in Capital Financing Requirement	3,886	9,313

15. Commitments under Capital Contracts

There were commitments for capital expenditure in 2010/11 for which the Authority had contractual obligations as at 31 March 2010. The sum is £6,458k in respect of the following significant projects and is expected to be spent in 2010/11:

	Commitments £000s
Fire appliances	1,743
Light Vehicles	233
Carlton Fire Station	2,800
Tuxford Fire Station	810
Retentions re Estates projects	218
Property refurbishments (total)	568
IT Systems	86
Total	**6,458**

16. Analysis of Fixed Assets

The significant fixed assets of the Authority are shown below. Less significant assets such as small vehicles and IT equipment are not shown.

	31 March 2010 Number	31 March 2009 Number
Fire Stations	25	25
Community Safety Office	1	1
Training School	1	1
Administrative Headquarters	1	1
Houses	3	3
Large & Medium Vehicles, including Fire Appliances	97	100

17. Valuation of Fixed Assets

The Valuation Office carries out valuations of all properties over a 5 year rolling programme. The last valuation took place on 31 March 2010, covering 7 properties and was carried out by John Murray MRICS.

The basis of valuation for various types of property is given in the Accounting Policies section.

The following table shows the progress of the Authority's rolling programme for the revaluation of fixed assets.

		Land and Buildings £000s	Plant and Equipment £000s	Total £000s
Revalued in	2005/06	2,485	0	2,485
"	2006/07	8,148	0	8,148
"	2007/08 restated	25,887	0	31,549
"	2008/09 restated	39,553	15	38,535
"	2009/10	15,360	0	15,360

18. Interests in Companies

The Authority, together with Derbyshire, Leicestershire, Lincolnshire and Northamptonshire Fire and Rescue Authorities, owns East Midlands Fire and Rescue Control Centre Limited (trading as East Midlands Fire and Rescue Control Centre). The principal activity of the company will be to provide a regional control centre to serve this Authority and the other four Fire and Rescue Authorities in the East Midlands region. The company is progressing towards provision of this service in line with the national timetable set by Central Government. The company was formed on 17 November 2006 and has prepared accounts for the period ending 31 December 2009.

There are ten Directors of the company, who are all elected Members of the five Fire and Rescue Authorities in the region. This Authority holds one fifth of the voting rights (represented by two out of the ten Directors).

The company has exercised the options available to small sized companies under the Companies Act 2006 and is therefore exempt from the requirement to be audited for the financial period ended 31 December 2009.

The Authority has made no financial investment in the company and has received no dividends. Group accounts have not been prepared on the basis that the transactions and balances are not material.

Key Financial Information for East Midlands Fire and Rescue Control Centre Limited:

For the Year Ended 31 December 2009	31/12/09 £000s	31/12/08 £000s
Turnover	1,820	1,720
Profit on ordinary activities before taxation	0	0
Profit on ordinary activities after taxation	0	0

As At:	31/12/09 £000s	31/12/08 £000s
Net Assets	0	0

Indebtedness between Nottinghamshire Fire and Rescue Service and East Midlands Fire and Rescue Control Centre Limited was as follows.

The East Midlands Fire and Rescue Control Centre Limited owed the sum of £14k to Nottinghamshire Fire and Rescue Service in respect of the provision of a Communications Adviser to the company. This sum is included within Debtors.

The accounts of the company can be obtained from:

Leicestershire Fire and Rescue Service
Headquarters
Anstey Frith
Leicester Road
Glenfield
Leicester LE3 8HD

19. Gain / Loss on Disposal of Fixed Assets
The following fixed assets were sold in 2009/10, with either gains or losses on disposal as shown:

	Gain / (Loss) on Disposal £000s
IT Equipment	(6)
Total	**(6)**

20. Debtors
Significant debtors (over £50k) within the total sum shown are as follows:

Debtor	Re	£000s
Derby College	Princes Trust Teams (09/10)	113
Billing Authorities	Collection Fund Restatement	1,664
Leicestershire Fire and Rescue Service	Recharge for FireControl	100
Department of Communities and Local Government	Secondment Of Staff	71
Inland Revenue	VAT	484

21. Creditors
Significant creditors (over £50k) within the total sum shown are as follows:

Creditor	Re	£000s
Nottinghamshire County Council	Workshop Charges	86
Nottinghamshire County Council	Superannuation Payovers	94
Inland Revenue	Employees & Employers Tax and NI Contributions	743
Nottingham City Council	Provision of Committee Services etc	52
Corona Energy	Gas	51
Royscot Leasing/Lombard	Leasing Contract	81

Investor Group Financial	Pension Transfer	274
Browne Jacobson	Legal Fees	56
Department of Communities and Local Government	Grant Paid in Error	206
Nottingham City Council	Guildhall Charges	81
Nottinghamshire County Council	Officers Car Leasing	52

22. Analysis of Borrowing Repayable over a Period in Excess of 12 Months
The following long term borrowings were outstanding at the financial year end.

Analysis of Loans by Maturity	**2009/10 £000s**	**2008/09 £000s**
Between 1 and 2 years	112	55
Between 2 and 5 years	7,192	5,183
Between 5 and 10 years	6,896	2,376
Between 10 and 15 years	1,612	199
Over 15 years	8,900	8,900
Total	**24,712**	**16,713**

23. Provisions
A new provision has been created in the year for the payment of compensation to Retained Duty System firefighters. This liability arises from an employment tribunal test case relating to the "Part Time Workers (Prevention of Less Favourable Treatment) Regulations. The liability is agreed in principle, but is subject to a formal agreement expected to be finalised during 2010/11.

Movement on the existing insurance provision is shown below. The provision has increased by £7k following a review of liabilities in respect of employees and public liability claims which are on file and expected to be settled in the forthcoming financial year.

	Balance 31 March 2009 £000s	**Increase/(Decrease) in Provision 2009/10 £000s**	**Provision Used 2009/10 £000s**	**Balance 31 March 2010 £000s**
Insurance	63	7	0	70
Retained Duty System (part time workers)	N/A	224	0	224

24. Deferred Income
Grants and contributions from external bodies, which have been received in advance of related expenditure being incurred, have been analysed between income which is expected to be applied to expenditure within 12 months (shown within Creditors) and income which is expected to be applied to expenditure in the longer term (shown within Deferred Income). A list of the significant sums included within Deferred Income is shown:

	Deferred Income 31 March 2010 £000s	**Deferred Income 31 March 2009 £000s**
Arson Task Force	125	105
New Burdens Grant	298	141
New Dimensions Grant	27	59
Safe as Houses Grant	22	14
Enhanced Command Support Grant	101	0
Fire Prevention	133	123
Fire Setters	18	8
Community Fire Safety Innovation Fund	11	15

25. Movements on Reserves

The Authority holds a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are required to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2009	Net Movement in Year	Balance 31 March 2010	Purpose of Reserve	Further Details
	£000s	£000s	£000s		Reference to further information
Revaluation Reserve	7,050 (restated)	(3,541)	10,591	Gains on revaluation of fixed assets	
Capital Adjustment Account	9,995 (restated)	(2,495)	7,500	Capital resources set aside to meet past expenditure	
Financial Instruments Adjustment Account	37	(9)	28	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Pensions Reserve	(238,583)	(103,134)	(341,717)	Balancing account to allow inclusion of pensions liability in the Balance Sheet	Note 26, page 55
Collection Fund Adjustment Account	140 (restated)	(48)	92	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax income	Note 1a, page 41
General Fund (Revenue Reserve)	3,501	863	4,364	Resources available to meet future running costs for the Service	Statement of Movement on the General Fund Balance page 36
Earmarked Reserves (Revenue)	2,341	637	2,978	Resources set aside to meet future project costs	Treasurer's Foreword page 2
Total	**(215,519) restated**	**(100,645)**	**(316,164)**		

26. Retirement Benefits

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits are not actually payable until the employees retire, the Authority has a commitment to make these payments in the future. This commitment needs to be disclosed at the time that the employees earn their future entitlement.

The Authority participates in four pension schemes, all of which are defined benefit schemes:

- The Local Government Pension Scheme (LGPS) is for administrative, support and Control employees and is administered by Nottinghamshire County Council. This is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets.
- The Firefighters' Pension Scheme 1992 (1992 FPS) is an unfunded pension scheme. This scheme has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters.
- The Firefighters' Pension Scheme 2006 (2006 NFPS) is also an unfunded pension scheme. This scheme came into being with effect from April 2006 and its members are retained firefighters and wholetime firefighters.
- The Firefighters' Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. The Firefighter Compensation Scheme (FFCS) is an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

As the 1992 FPS, the 2006 NFPS and the Firefighters' Compensation Scheme are unfunded, there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. These schemes are statutory, and the arrangements are determined by the department for Communities and Local Government.

Transactions Relating to Retirement Benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. This cost is known as the Current Service Cost. However, the charge against council tax is based on the cash payable in the year, so the Statement of Movement in the General Fund shows a reversal of the current service cost and the inclusion of payments by the employer instead. The Net Operating Expenditure section of the Income and Expenditure account contains the Pensions Interest Cost, which is the expected increase during the year in the present value of the scheme liabilities arising because the benefits are one year closer to settlement. Again, this is reversed in the Statement of Movement in the General Fund, as it is not chargeable against council tax.

The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme £000s		**Firefighters' Pension Schemes £000s**	
	2009/10	**2008/09**	**2009/10**	**2008/09**
Income & Expenditure Account				
Net Cost of Services				
Current Service Cost	417	630	4,175	6,893
Past Service Cost	0	0	0	0
Net Operating Expenditure				
Interest on Pension Liabilities	1,105	1,149	16,269	16,921
Expected Return on Assets	(637)	(787)	n/a	n/a

Net Charge to Income & Expenditure Account	885	992	20,444	23,814
Statement of Movement on the General Fund Balance				
Reversal of net charges for retirements benefits in accordance with FRS17	(885)	(992)	(20,444)	(23,814)
Actual amount charged against the General Fund balance for pensions in the year (employers contributions re LGPS/retirement benefits payable re FPS)	794	758	9,571	8,703

Further Analysis of Firefighters' Pension Schemes:

	Firefighters' Pension Scheme 1992 £000s		**Firefighters' Pension Scheme 2006 £000s**		**Firefighters' Compensation Scheme £000s**	
	2009/10	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**
Income & Expenditure Account						
Net Cost of Services						
Current Service Cost	3,193	5,374	488	855	494	664
Past Service Cost	0	0	0	0	0	0
Net Operating Expenditure						
Interest on Pension Liabilities	15,034	15,675	159	131	1,076	1,115
Expected Return on Assets	n/a	n/a	n/a	n/a	n/a	n/a
Net Charge to Income & Expenditure Account	18,227	21,049	647	986	1,570	1,779
Statement of Movement on the General Fund Balance						
Reversal of net charges for retirements benefits in accordance with FRS17	(18,277)	(21,049)	(647)	(986)	(1,570)	(1,779)
Actual amount charged against the General Fund balance for pensions in the year (retirement benefits payable re FPS)	9,400	8,633	(408)	(514)	579	584

In addition to the recognised gains and losses included in the Income and Expenditure Account, net actuarial losses of £5,697k for the Local Government Pension Scheme and £86,473k for the Firefighters' Pension Schemes and Compensation Scheme have been included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of the present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme £000s		Unfunded Liabilities: Firefighters' Pension Scheme 1992 £000s		Unfunded Liabilities: Firefighters' Pension Scheme 2006 £000s		Unfunded Liabilities: Firefighters' Compensation Scheme £000s	
	2009/10	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**
1 April	(16,249)	(18,744)	(214,852)	(258,596)	(1,786)	(1,464)	(15,202)	(18,231)
Current service cost	(417)	(630)	(3,193)	(5,374)	(488)	(855)	(494)	(664)
Interest cost	(1,105)	(1,149)	(15,034)	(15,675)	(159)	(131)	(1,076)	(1,115)
Contributions by scheme participants	(316)	(298)	(1,647)	(1,716)	(351)	(288)	0	0
Actuarial gains/(losses)	(8,346)	3,844	(78,133)	56,160	(2,435)	1,178	(5,905)	4,224
Benefits paid (net of transfers in)	215	709	11,047	10,349	(57)	(226)	579	584
Past service costs	0	0	0	0	0	0	0	0
Unfunded pension payments (LGPS only)	20	19	n/a	n/a	n/a	n/a	n/a	n/a
31 March	(26,198)	(16,249)	(301,812)	(214,852)	(5,276)	(1,786)	(22,098)	(15,202)

Reconciliation of fair value of the Local Government Pension Scheme's assets:

	Local Government Pension Scheme £000's	
	2009/10	2008/09
1 April	9,506	11,261
Expected return	637	787
Actuarial gains/(losses)	2,649	(2,870)
Employer contributions (including unfunded benefits)	774	758
Contributions paid by scheme participants	316	298
Estimated benefits paid (including unfunded benefits)	(215)	(729)
31 March	13,667	9,506

The expected return on assets is a measure of the return on the investment assets held by the scheme. It is not intended to reflect the actual realised return by the scheme, but a longer-term measure, based on the value at the beginning of the year. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

There has been considerable volatility of asset values during the past 24 months. A typical fund may have experienced a return of between -20% and -25% in the 12 months to 31 March 2009 and then a return of +30% to +40% in the 12 months to 31 March 2010. The actual return on the Local Government Pension Scheme's assets in the year was £3,286k, compared with a negative return of £2,083k the previous year.

Scheme History

	2009/10	2008/09	2007/08	2006/07	2005/06
Present value of Liabilities:					
Local Government Pension Scheme	(26,198)	(16,249)	(18,744)	(15,524)	(14,697)
Firefighters' Pension Scheme 1992	(301,812)	(214,852)	(258,596)	-	-
Firefighters' Pension Scheme 2006	(5,276)	(1,786)	(1,464)	-	-
Firefighters' Compensation Scheme	(22,098)	(15,202)	(18,231)	-	-
Firefighters' Schemes Total (prior to 07/08)*	-	-	-	(242,579)	(250,511)
Fair value of assets in the Local Government Pension Scheme	13,667	9,506	11,261	10,185	8,552
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(12,531)	(6,743)	(7,483)	(5,339)	(6,145)
Firefighters' Pension Scheme 1992	(301,812)	(214,852)	(258,596)	-	-
Firefighters' Pension Scheme 2006	(5,276)	(1,786)	(1,464)	-	-
Firefighters' Compensation Scheme	(22,098)	(15,202)	(18,231)	-	-
Firefighters' Schemes Total (prior to 07/08)*	-	-	-	(242,579)	(250,511)
Total	**(341,717)**	**(238,583)**	**(285,774)**	**(247,918)**	**(256,656)**

* Directly comparative figures for the financial years 2004/05 to 2006/07 are unavailable, as prior to 2007/08 combined actuarial valuations were carried out for the Firefighters' Pension Schemes and the Compensation Scheme.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £342m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The net liability on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The figures in the above table represent the Fire Authority's share of the liabilities in the County Council Fund.

- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid and any shortfalls are currently met by the department for Communities and Local Government.
- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2009/10 was £587k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2011 is £811k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £9.2m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities of the Local Government Pension Scheme and the Firefighters' Schemes have been assessed by Barnett Waddingham Public Sector Consulting and Mercers Human Resource Consulting respectively, both of whom are an independent firm of actuaries. The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' Schemes were carried out on 31 March 2007 and 31 March 2008 respectively. In updating the net liability figure as at 31 March 2010 both firms of actuaries have adopted the roll-forward approach. This approach takes into account the cashflows paid into and out of each scheme before taking into consideration any changes in the financial assumptions since 31 March 2009.

The main assumptions used by the actuaries in their calculations for FRS17 purposes were:

	Local Government Pension Scheme		**Firefighters' Schemes**	
	2009/10	**2008/09**	**2009/10**	**2008/09**
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.4%	6.9%	-	-
Gilts	4.5%	4.0%	-	-
Other Bonds	5.5%	6.5%	-	-
Other	6.4%	5.7%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):				
Men	20.30	20.30	25.0	25.0
Women	23.91	23.91	28.8	28.8
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):				
Men	21.22	21.22	26.1	26.1
Women	24.91	24.91	29.8	29.8
Rate of inflation	3.9%	3.0%	3.5%	3.3%
Rate of increase in salaries	5.4%	4.5%	5.0%	4.8%
Rate of increase in pensions	3.9%	3.0%	3.5%	3.3%
Rate for discounting scheme liabilities	5.5%	6.7%	5.7%	7.1%

Liability values do not depend on market returns but on yields from corporate bonds and inflation expectations. These are the elements used to calculate the relevant discount rate.

The financial assumptions used by the actuary when calculating the FRS17 liability for the Firefighter's Schemes as at 31 March 2010 are more conservative than those used the previous year. This change has been driven by the significant reduction in the yields available on corporate bonds and also the increase in inflation expectations. The result of these changes has been an increase in

FRS17 liabilities of around 35%-40% across the three schemes, when measured as a proportion of the liabilities at the start of the year. Similarly, changes to the assumptions used by the actuary when calculating the FRS17 liability for the Local Government Scheme have also resulted in a significant increase in the liability, despite high positive returns on assets. Again, this is due to significant reductions in bond yields. The impacts of these increases in FRS17 liabilities are most noticeably reflected in the high levels of actuarial losses.

Neither the Firefighters' Pension Schemes nor the Firefighters' Compensation Scheme have assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2009/10	**2008/09**
Equity investments	68%	59%
Gilts	9%	15%
Other Bonds	6%	6%
Other assets	17%	20%
Total	**100%**	**100%**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March:

Local Government Pension Scheme	**2009/10 (31 March 2010) %**	**2008/09 (31 March 2009) %**	**2007/08 (31 March 2008) %**	**2006/07 (31 March 2007) %**	**2005/06 (31 March 2006) %**
Differences between the expected and actual return on assets	19.4	(30.2)	(4.9)	2.0	12.8
Experience gains and losses on liabilities	0.0	0.0	(2.6)	0.0	(10.0)

Firefighters' Pension Schemes and Compensation Scheme	Firefighters' Pension Scheme 1992			Firefighters' Pension Scheme 2006			Firefighters' Compensation Scheme		
	2009/10 (31 March 2010) %	2008/09 (31 March 2009) %	2007/08 (31 March 2008) %	2009/10 (31 March 2010) %	2008/09 (31 March 2009) %	2007/08 (31 March 2008) %	2009/10 (31 March 2010) %	2008/09 (31 March 2009) %	2007/08 (31 March 2008) %
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	0.0	0.0	(2.8)	0.0	0.0	5.7	0.0	0.0	(0.7)

Directly comparative figures for the financial years 2005/06 and 2006/07 are unavailable for the Firefighters' Pension Schemes and the Firefighters' Compensation Scheme, as prior to 2007/08 combined actuarial valuations were carried out for all three schemes. Previous years' combined figures are as follows:

Firefighters' Pension Schemes	2006/07	2005/06
	%	%
Differences between the expected and actual return on assets	n/a	n/a
Experience gains and losses on liabilities	3.1	1.0

27. Financial Instruments: Measurement and Valuation

The investments and borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2010 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2009 £000s
Loans and Receivables	0	0	5,400	2,691
Financial Liabilities at Amortised Cost	24,658	16,765	103	1,512

The following table gives a comparison of the carrying amounts and fair values of financial instruments held:

	31 March 2010		31 March 2009	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Loans and Receivables	5,400	5,399	2,696	2,725
Financial Liabilities at Amortised Cost	24,761	25,098	18,277	18,339

The fair value of financial instruments shown above has been determined by calculating the net present value (NPV) of future cashflows. The discount rates used in the NPV calculations are equivalent to the current rates in relation to the same or similar instruments of the same remaining duration from comparable lenders on the date of valuation i.e. market rates. For loans from the Public Works Loans Board (PWLB) the interest rate for comparable new loans has been used as the discount rate. The fair value of the Authority's PWLB loans included in the above table under Financial Liabilities is £20,568k. The alternative method of calculating the fair value would be to use the interest rate for the early repayment of loans as the discount rate. This alternative method would give a fair value of £21,324k for PWLB loans.

For financial liabilities, the fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to pay interest above current market rates increases the amount that the Authority would have to pay if the lender agreed to early repayment of those loans.

The fair value of trade debtors and other receivables is taken to be the invoiced amount.

28. Financial Instruments: Exposure to Risk

The Authority's activities expose it to a variety of financial risks:
Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
Market risk – the possibility that financial loss might arise as a result of changes in, for example, interest rates.

The Authority has a small team of employees engaged in treasury management activities and is advised by Sector Treasury Services. The CIPFA Treasury Management Code of Practice and Cross Sectoral Guidance Notes has been adopted by the Authority and a Treasury Management Strategy is approved by the Finance and Resources Committee each year. In this way, the risks are actively managed.

Credit Risk

Credit risk arises from deposits with financial institutions and from providing chargeable services to customers. The Authority has a list of approved banks and financial institutions to which it will lend surplus cash. The list is based on independent Fitch ratings and only includes organisations with a minimum rating of A+ (long term), F1 (short term), B (overall soundness) and 2 (financial support). The Authority is advised of ratings changes by Sector and the list is updated accordingly on an ongoing basis. During the year, the Authority restricted lending to the extent that only UK institutions on the list were used as counterparties due to concerns about the likelihood of financial support for overseas institutions experiencing difficulties repaying debt in the current economic climate.

Invoices to customers for chargeable services are usually of relatively low value. The Authority actively pursues outstanding debts and the Debt Recovery Policy provides for non emergency services to be ceased to non paying customers.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on actual experience in terms of deposits and the percentage of debt which has been written off as unrecoverable over the last 3 years in terms of debtors. There were four deposits as at 31 March 2010 showing on the Balance Sheet and, of these, three were repaid to the Authority before the date this Statement of Accounts was authorised for issue. The fourth is a deposit of £1.9m with an English local authority which is due to be repaid on 30 July 2010.

	Amount at 31 March 2010 £000s	**Estimated Maximum Exposure to Credit Risk £000s**	**Historical Experience of Default**
Deposits with Banks and Financial Institutions	5,400	0	0%
Customers	403	1	0.187%
Total	**5,803**	**1**	

Of the £403k shown in the above table as due from customers, £352k was not yet due for payment as at 31 March 2010 and £51k was past its due date for payment. The past due amount is analysed by age as follows:

	£000s
Less than 1 month overdue	19
1 to 2 months overdue	23
2 to 5 months overdue	5
More than 5 months overdue	4
Total	**51**

Liquidity Risk

The Authority is able to access borrowings from the Public Works Loan Board so there is no significant risk that it will be unable to raise funds in order to meet its commitments relating to financial liabilities. The risk to which the Authority is exposed is that it will need to replenish its borrowings when interest rates are unfavourable. The Authority's strategy is to place limits on the percentage of borrowings due to mature within 10 years, as follows: maturing within 12 months – less than 20%; maturing 12 months to 5 years – less than 30%; maturing 5 years to 10 years – less than 75%. Up to 100% of borrowings may fall due for repayment after 10 years and this strategy allows the Authority time to restructure debt when interest rates are favourable. The Authority has borrowed £4m under a "Lender Option Borrower Option" instrument and the assumption has been made that the loan will be repaid on the maturity date rather than the option date which falls in 2012/13. The maturity analysis of borrowings is shown in note 22.

The Authority's strategy is to maintain sufficient cash balances to meet daily revenue requirements without recourse to borrowing other than short term borrowing to deal with temporary cash flow deficits.

All trade and other payables are due to be repaid within one year.

Market Risk

The Authority has no investments in equity shares and therefore has no exposure to loss arising from movements in share prices.

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

The Authority is exposed to risk in terms of interest rate movements on borrowings and investments. The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

Investments and borrowings are not carried at fair value in the Balance Sheet, so nominal gains or losses arising from interest rate movements are not reflected in the Income and Expenditure Account or in the Balance Sheet. Fair values are disclosed in note 27. If, as at 31 March 2010, interest rates had been 1% higher with all other variables held constant, the effect on fair values would have been:

	£000s
Decrease in fair value of fixed rate investments	8
Decrease in fair value of fixed rate borrowings	2,444

The impact of a 1% fall in interest rates would be an equivalent increase in fair value.

29. Cashflow

Reconciliation of net deficit on the Income & Expenditure Account to the net cash inflow from revenue activities on the Cashflow Statement

2008/09 £000s restated		**2009/10 £000s**
19,263	Deficit on Income and Expenditure Account	12,192
	Non cash items included in the Income & Expenditure Account	
(5,470)	Depreciation and Impairments	(4,107)
7	Government grant deferred amortisation	39
(15,345)	FRS 17 adjustments	(10,964)
(546)	Disposal of fixed assets	(16)
	Movement in Assets & Liabilities	
3,543	Increase/(decrease) in debtors	412
(1,953)	(Increase)/decrease in creditors	39
34	Increase/(decrease) in stock	66
(15)	(Increase)/decrease in provision	(231)
	Items included in the Income & Expenditure Account, shown elsewhere on the Cashflow Statement	
237	Interest earned	63
(638)	Interest paid	(876)
1,341	Proceeds from the sale of fixed assets	10
459	Net Cash Inflow from Revenue Activities	(3,373)

Movement in Cash

	Balance 1 April 2009 £000s	Balance 31 March 2010 £000s	Movement In Year £000s
Bank Balance	660	598	62
Cash in Hand	1	2	1
	661	600	62

Reconciliation between Movement in Cash and Movement in Net Debt

2008/09 £000s		2009/10 £000s
510	Increase / (Decrease) in cash	(62)
(3,513)	Short term investments	3,400
49	Cash Outflow from loan repayments	3,552
(8,500)	Cash inflow from increase in debt	(10,000)
(11,453)	Change in Net Debt resulting from Cash Flows	(3,110)
(4,150)	Net debt as at 1 April 2009	(15,603)
(15,603)	Net debt as at 31 March 2010	(18,713)
(11,453)		(3,110)

Reconciliation of items included in Financing & Management of Liquid Resources to the Balance Sheet

	Balance 1 April 2009 £000s	Balance 31 March 2010 £000s	Movement 2009/10 £000s
Financing			
Borrowing repayable within 12 months	(1,552)	(54)	1,497
Long term borrowing	(16,713)	(24,659)	(7,945)
	(18,265)	(24,713)	(6,448)
Management of Liquid Resources			
Temporary Investments	2,000	5,400	3,400
Cash / Bank	661	600	(62)
Net cash (inflow) / outflow	(15,603)	(18,713)	(3,110)

Liquid Resources

Liquid resources are current asset investments that are readily convertible into cash without curtailing or disrupting the Authority's activities. Temporary investments are comprised of short term cash surpluses which are invested in accordance with the Authority's Treasury Management Strategy.

Analysis of Government Grants

Grant	Source of Funding	2009/10 £000s	2008/09 £000s
FiReControl Implementation Funding Grant	CLG	122	182
Local Public Service Agreement Reward Grant	CLG	0	141
Enhanced Command Support Grant	CLG	128	41
Incident Response Unit Grant	CLG	36	36
Pension Fund Top-up Grant	CLG	5,066	1,958
Migration Impacts Fund	CLG	35	0
High Volume Pump Grant	CLG	10	0
Capital Grant	CLG	738	0
Total		**6,135**	**2,358**

The £5,066k Pension Top-up Fund Grant received from the Department for Communities and Local Government includes an overpayment of £206k which the Authority will repay.

30. Contingent Asset and Contingent Liabilities

Two former employees have made legal claims against the Authority, concerning matters of employment, which may result in payment of compensation. Tribunal dates have not yet been set and an estimate of the possible financial effects of this contingent liability is not disclosed as this might prejudice the Authority's position regarding the claims.

The contract for the sale of Dunkirk Fire Station was not completed and this matter is the subject of legal proceedings which will be carried out in 2010/11. If the Authority wins the case, then the sale of the property will complete and the Authority will receive £4.2m. If the Authority loses the case then it will have to pay legal costs (amount not known), then re-market the Fire Station for sale.

31. Events after the Balance Sheet date

On 1 April 2010 the department for Communities and Local Government (CLG) transferred ownership of several major vehicles and items of equipment to the Authority (seven in total). These items are known as "New Dimensions Assets" and were originally purchased by CLG as part of national preparedness for major incidents. The Authority has had the use of these assets since they were purchased, and will now take over responsibility for insuring and maintaining the vehicles under the terms of a contract with CLG. The assets have been transferred for nil consideration, and the total value of them is estimated by CLG to be £970,000.

PENSION STATEMENTS

PENSION FUND ACCOUNT

2008/09		2009/10
£000's		£000's
	Contributions Receivable	
	Fire Authority:	
(3,685)	Contributions in relation to pensionable pay	(3,637)
0	Early retirements	0
(448)	Other (Ill Health Retirements)	(207)
(2,003)	Firefighters' contributions	(1,999)
(6,136)	Total	(5,843)
	Transfers in from other authorities	
(506)	Individual transfers in from other schemes	(224)
	Other Income	
0	Central Government funding for special commutation payments	(416)
	Benefits Payable	
7,620	Pensions	8,418
2,698	Commutations and lump sum retirement benefits	2,414
82	Lump sum death benefits	0
0	Interest relating to special commutation payments	54
10,401	Total	10,886
	Payments to and on account of Leavers	
0	Refunds of contributions	0
16	Transfers out to other authorities	287
0	Other	0
16	Total	287
3,774	**Net Amount payable for the year before top-up grant from Communities & Local Government**	4,690
(2,571)	**Top-up grant received from Communities & Local Government**	(3,240)
(1,203)	**Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government**	(1,450)
0		0

PENSION NET ASSETS STATEMENT

The net current assets and liabilities arising from the operation of the pension fund are shown in this statement. This statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the core accounting statements and are explained in more detail in the notes to the core accounting statements.

2008/09		2009/10
£000's		£000's
	Current Assets	
17	Contributions due from employer	11
41	Contributions due from members	9
683	Prepaid Pensions	708
1,203	Pension top-up grant receivable from CLG	1,450
1,944	Total	2,178
	Current Liabilities	
(145)	Unpaid pension benefits due	0
(145)	Total	0
(1,799)	Amount owing (to)/from General Fund	(2,178)
0	**Net current assets**	0

NOTES TO THE PENSIONS STATEMENTS

1. The Firefighters' Pension Fund

The Firefighters' Pension Fund was established for Fire Authorities in England under the Firefighters' Pension Scheme (Amendment) (England) Order 2006 (SI 2006 No 1810). There are two separate pension schemes for firefighters: the 1992 scheme and the 2006 scheme. Both schemes are unfunded and consequently the fund holds no investment assets. Benefits are payable to pensioners under the provisions of the Amendment Order. Benefits payable are funded by contributions from employees and from the Authority, and any deficit in the funding required is met by a top-up grant from the Department for Communities and Local Government. If the amounts receivable exceed the amounts payable then the surplus is paid over to the Department for Communities and Local Government. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Department for Communities and Local Government and subject to triennial revaluation by the Government Actuary's Department.

The fund is administered by the Authority in accordance with the regulations set out in the 2006 Amendment Order. The primary objective of the Pension Fund Statements is to demonstrate the balance of transactions taking place over the year in order to identify the amount of top-up grant payable from Government.

2. Accounting Policies for the Pension Fund

General Principles

The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009/2010 Accounts.

Accruals

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. Accruals are shown as debtors and creditors in the Net Assets Statement. Further details relating to the debtors and creditors are shown in note 4 below. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements.

Administration Costs

The cost of managing pension activities, which includes part of the costs of Personnel, Payroll and Finance staff as well as part of the cost of Pension Services provided by the County Council and the cost of actuarial services, are not accounted for within the Pension Fund but are included in the Authority's Income and Expenditure Account under Net Cost of Services.

3. The Liability to Pay Pensions

The Authority has a liability to pay future retirement benefits to current members of the Firefighters' Pension Schemes. The value of this liability has been assessed by an independent firm of actuaries and is shown in the Authority's Balance Sheet and explained further in note 26 to the core financial statements. The Pension Fund Account and Net Assets Statement do not take account of this liability.

4. Accruals Within the Pension Fund and Net Assets Statement

Prepaid Pensions

Retirement benefits are paid to members monthly in advance. The payments made in March 2010 relate to April 2010 and have been treated as prepayments.

Transfers Between Pension Schemes

The Pension Regulations state that where members transfer between Fire Authority Schemes within England, no transfer of accrued pension benefits will take place. However, where members transfer to/from the Fire Authority Scheme to/from another Fire Authority in Scotland, Wales or Northern Ireland or to/from a non Fire Authority organisation, they can opt to transfer their accrued benefits. As at 31 March 2010, transfers into the Fire Authority Scheme which had been requested but not actioned have been calculated. Values can take a considerable amount of time to determine and amounts can vary depending upon the date of settlement, therefore transfers values are not accrued for unless they have been settled. As at 31 March 2010, 8 transfers into the Firefighters' Pension Schemes with a provisional total value of £90.4k had been agreed but not settled, or were under negotiation. One transfer out of the Firefighters' Schemes was awaiting settlement, and this had a provisional value of £40.7k.

Pension Commutations
Retiring members can opt to exchange part of their ongoing entitlement to pension payments for a one-off payment of benefit on retirement. This is known as a pension commutation. As at 31 March 2010, all requests for commutations had been actioned.

The value of the commutation payment is calculated using factors prepared by the Government Actuary Department. New factors were introduced in 2008, and were introduced with backdated effect to 1 October 2007. Following a Judicial Review of a decision made by the Home Office regarding the backdating of revised commutation factors for the Police Pension Scheme, the Department for Communities and Local Government took the decision to further backdate the revised commutation factors for the Firefighter's Pension Schemes to 22 August 2006. As a result of this decision the Authority paid additional 'Special Commutation' amounts totalling £362k plus £54k of interest to pensioners who had retired between 22 August 2006 and 30 September 2007. The total cost of these payments was reimbursed by the Department for Communities and Local Government by way of a special pension grant payment of £416k.

Pension Top-Up Grant Payable
The amount required to be paid to Communities and Local Government in order to balance the Pension Fund to nil has been calculated and accrued for.

Contributions Payable
Retained firefighters are paid one month in arrears, therefore employee and employer contributions relating to March 2010 were still outstanding at 31 March 2010. These outstanding contributions have been calculated and accrued for.

5. Financing of the Pension Fund

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority's main bank account. These amounts are shown as "Amounts owing from the General Fund". Top-up grant received from the department for Communities and Local Government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable by Communities and Local Government to the Authority is £1,450k. The difference between the grant payable and the cash deficit of £2,178k as at 31 March 2010 is the total of the accruals included in the Pension Fund.

GLOSSARY OF TERMS

1. Accruals

The concept that income and expenditure are recognised as they as earned or incurred, not as money is received or paid.

2. Budget

A statement of the policy of the Authority expressed in financial terms. The budget is the financial element of a range of plans adopted by the Authority which include the Medium Term Financial Strategy and the Community Safety Plan.

3. Capital Expenditure

Expenditure on the acquisition of assets or expenditure which adds to, and not merely maintains, the value of existing assets.

4. Capital Receipts

Income derived from the sale of capital assets.

5. Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with Local Authority and Public Sector finance.

6. Contingent Liability

A possible obligation arising from past events whose existence will be confirmed by the occurrence of an uncertain future event not wholly within the Authority's control. It can also be a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or where the amount of the obligation is uncertain.

7. Creditors

Amounts owed by the Authority for which no payment has been made at the end of the financial year.

8. Debtors

Amounts due to the Authority for which no payment has been received at the end of the financial year.

9. Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of an asset during an accounting period.

10. Finance Leasing

A method of financing the acquisition of assets. Legally the assets are owned by the lessor, although the risks and rewards of ownership of the asset pass to the lessee. The assets are shown on the Balance Sheet of the Authority.

11. Financial Instrument

Any contract which gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments are: trade payables, borrowings, bank deposits, trade receivables and investments.

12. Fixed Assets

Tangible or intangible assets which yield benefits to the Authority for a period of more than one year. Tangible assets would include land and buildings and certain specialist vehicles and equipment. Intangible assets include software.

13. Impairment

A reduction in the value of an asset, which is additional to the expected depreciation of that asset. Impairment may be a result of, for example, physical damage or reducing prices.

14. Non-Distributed Costs

These are defined in the Best Value Accounting Code of Practice as the costs of sharing unused assets or facilities and the non current service pension costs of defined benefit pension schemes.

15. Operating Leasing

A method of financing the acquisition of assets, notably vehicles, plant and equipment which involves the payment of an annual rental for a period which is usually less than the useful life of the asset.

16. Provision

A liability or loss which is likely or certain to be incurred but where the date and precise amount are uncertain.

17. Reserve

An amount set aside for purposes outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for general contingencies.

18. Revenue Contribution to Capital Outlay

A fixed asset purchased directly from revenue contributions.

19. Revenue Expenditure and Income

That expenditure and income which relates to the day to day activities of the Authority.

20. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred in the year that may be capitalised under statutory provisions and is funded by way of a capital grant. Such expenditure is charged to revenue in the year along with the related grant.