NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

FINAL ACCOUNTS 2010/11

Report of the Treasurer to the Fire and Rescue Authority

Agenda Item No:

Date: 16 September 2011

Purpose of Report:

To present the final accounts of the Nottinghamshire Fire and Rescue Authority to the full Fire Authority for approval.

CONTACT OFFICER

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1. BACKGROUND

1.1 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The full Fire and Rescue Authority must approve the audited Statement of Accounts before 30 September following the financial year end.

1.2 This report is issued as a covering paper to the final accounts which are appended in full as Appendix A.

1.3 At its meeting on 24th June 2011 the Fire Authority received a report setting out that after contributions to Capital Spending the estimated out-turn against the budget would be of the order of £200,000 subject to any accounting adjustments.

1.4 The accounting surplus reported in the accounts is £1.2m which takes account of various accounting adjustments the largest of which were the £630,000 transferred to balances earlier in the year and approximately £200,000 from accruals relating to seconded staff.

2. REPORT

Summary

2.1 The Authority set a revenue budget of £48.1m for 2010/11 and the year end position shows an underspend of £1.161m against this budget (a variance of 2.4%). The Movement in Reserves Statement shows the deficit on provision of services as reported in the Comprehensive Income and Expenditure Statement and then the adjustments required because the statutory amounts required to be charged to the General Fund balance are different from those charged on an accounting basis. The resulting amount is the net increase in the General Fund Balance before transfers to and from Earmarked Reserves, and the total increase in the General Fund Balance after transfers to and from Earmarked Reserves represents the underspend in the year.

2.2 Members will recall that a decision had already been taken earlier in the year for a transfer of £630,000 to balances to reflect anticipated underspends. The balance of £531k making up the total represents further underspends arising since the Autumn.

2.3 During the year a policy decision was made to manage the Authority’s finances by way of achieving underspends and financing capital from revenue to reduce expenditure in future years.

	Budget 2010/11 £000's	Actual 2010/11 £000's	Variance from Budget 2010/11 £000's
Expenditure:			
Net expenditure	48,109	47,690	(419)
Financed By:			
Revenue Support Grant	3,171	3,171	0
Precept from Constituent Authorities	23,100	23,212	(112)
National Non Domestic Rates	21,839	21,839	0
Net	0	(531)	(531)

2.4 Variances against the revenue budget have arisen in the following areas (only significant variances are detailed):

	Overspend £000's	Underspend £000's
Operational Employees – Wholetime		369
Operational Employees – Retained		303
Staff Training		100
Employees Pension Costs		161
Premises Costs	120	
Direct Transport Costs		240
Community Safety Equipment		259
Legal Fees	140	
Revenue Contributions to Capital	2,608	
Capital Financing		269
Contingencies		875
Trading Activities (prior to arms length company)	83	
Other Income		136
Total	2,951	2,712

2.5 Wholetime Operational Pay: underspent by £369k due to an under-establishment of staff throughout the year. This position was managed deliberately pending the outcomes of the Fire Cover Review.

2.6 Retained Pay: underspent by £303k due to a lower number of turnouts than estimated in the budget, coupled with an under-establishment of staff and a level of unavailability in some areas.

2.7 Staff Training: underspent by £100k, mainly in the area of short courses and seminars plus external training tuition fees. These underspends have been addressed in the 2011/12 budget.

2.8 Employees Pension Costs: underspent by £161k, mainly because of the difficulty in predicting numbers of ill health retirements. The budget is based on previous years' experience, but in 2010/11 there have been no ill health retirements.

2.9 Premises Costs: overspent by £120k in total. Much of this was due to increased energy costs, but there was also expenditure of £73k for security and other costs of Dunkirk Fire Station, which is now a surplus asset

2.10 Direct Transport Costs: underspent by £240k. The current vehicle maintenance contract has suffered from poor financial reporting from the supplier, which has in turn made the budget difficult to control. A new contract has been in place since July 2011.

2.11 Community Safety Equipment and Related Costs: underspent by £259k. The main reason for this was that there were a number of vacant posts in the department which prevented projects from progressing. This issue has been addressed in the 2011/12 budget.

2.12 Legal Fees: overspent by £140k due to the ongoing litigation in respect of the sale of Dunkirk Fire Station.

2.13 Revenue Contributions to Capital. There was no budget for this item as revenue contributions were not planned during the formation of the 2010/11 budget. However Members agreed during the year to finance the purchase of a second-hand Aerial Ladder Appliance by way of a Revenue Contribution and also to use a significant part of the overall underspend to finance the general capital programme as a way of achieving ongoing budget savings. In total, there have been Revenue Contributions of £2,608k.

2.14 Contributions to Earmarked Reserves: were not planned within the budget, but it was considered prudent to set aside £500k of the 2010/11 budget underspend to form an earmarked reserve to fund any one-off costs arising from the transition of the Authority towards a significantly lower base budget. Examples of costs which may arise are redundancies and modifications to Fire Stations if required by the Fire Cover Review outcomes.

2.15 Capital Financing: underspent by £269k due to the underspend on the 2009/10 capital programme, which was not known at the time of budget preparation for 2010/11.

2.16 Contingencies: underspent by £875k. Most of this arose from the public sector pay freeze, which was not anticipated when the budget was being prepared. In addition, there was a review of all contingencies in the year, with a number of unspent funds being cut from the base budget for 2011/12.

2.17 Trading Activities: overspent by £83k in the period up to 31 August 2010 after which fire extinguisher maintenance transferred to an arm's-length company.. The Commercial Training Unit was proving to be a non-viable activity and it was discontinued part way through the year. Fire Extinguisher Maintenance also made a lower surplus than that budgeted for during this period, but trading income was still greater than expenditure. The first seven months trading results for the arm's-length company show that a profit has been made.

2.18 Other Income was in surplus compared to the budget to the tune of £136k. Of this sum £42k related to income from cross-border activity which was budgeted to be a cost to the Authority but was actually net income. In addition the Authority received £73k of income from partnership activities.

Capital

2.19 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 or upgraded (including assets under construction as at 31 March 2010):

	2010/11 £000s
Fire appliances	1,190
Small vehicles	348
Carlton Fire Station	2,521
Tuxford Fire Station	714
Mansfield Fire Station	439

2.20 The Fire Authority had a Capital Programme for 2010/11, 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 £3.0m (budgets carried forward) from 2009/10:

2.21 Significant Variances to the Capital Programme

	Capital Programme 2010/11 £000's	**Actual 2010/11 £000's**	**Variance from Budget 2010/11 £000's**
Property Programme	4,356	4,126	(229)
Transport Programme	2,554	1,538	(1,015)
Equipment Programme	0	17	17
IT and Communications Programme	742	251	(491)
Total	**7,652**	**5,932**	**(1,718)**

2.22 The property capital programme underspent by £229k in total. Where individual projects overspent, the amounts involved were relatively minor, with the exception of the refurbishment of Mansfield Fire Station which overspent by £98k due to unexpected problems uncovered during construction. In addition, the house adjacent to Carlton Fire Station has not yet been sold.

2.23 There is an underspend of £369k showing in respect of the rebuilding of Carlton Fire Station. The project is now complete with the station open, and this underspend will be slipped into 2011/12 to cover retentions, although an overall underspend of around £150k is anticipated for this project.

2.24 A capital grant of £946k was received in the year, which has been used to finance part of the property programme.

2.25 There was an underspend of £1.015m in the transport capital programme, with £990k relating to appliances still under construction. These vehicles are all almost complete and expected to be operational in 2011/12. The small vehicle replacement programme also underspent by £46k, with a number of vehicles delivered early in the 2011/12 financial year. The transport programme underspends will therefore be carried forward into the 2011/12 capital programme.

2.26 An unplanned programme of gym equipment replacement across fire stations was implemented during 2009/10 to address health and safety issues arising from the old equipment. There was £17k of expenditure in 2010/11 relating to the final part of this programme, which will be financed from the revenue contribution.

2.27 The ICT programme underspent by £492k. Some key projects were progressed in the year, but were not completed and will require budget to be slipped forward. These include business continuity and disaster recovery, business process automation, mobile computing and the regional finance system project. The project to replace the HR system has commenced, but is still in the specification stage.

Borrowing

2.28 The Authority borrowed £3m from the Public Works Loans Board (PWLB) during the year, and repaid £55k of debt to the PWLB. The additional borrowing was to help finance the Capital Programme over the period of the Medium Term Financial Strategy.

2.29 The Authority's level of borrowing at the year end was £28m and this compares to net long term assets on the Balance Sheet valued at £50m. The capital financing requirement as at 31 March 2011 is £28.9m, which demonstrates that the current level of borrowing is prudent.

Reserves

2.30 Several earmarked reserves have been created for specific projects which will take place in 2011/12 and beyond. The effect of this will be that these earmarked reserves will support the 2011/12 budget and allow certain non recurrent expenditure to take place.

Grants

2.31 The accounting treatment of grants and contributions has changed with the introduction of International Financial Reporting Standards and unspent grant income is no longer required to be held as Deferred Income on the Balance Sheet. Grant income which has no conditions attached and has not been applied to fund expenditure, is now treated as an earmarked reserve, and the 31 March 2009 and 2010 Balance Sheets have been restated to reflect this change in accounting treatment.

Pensions

2.32 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 £322m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £316m. The total pension scheme liabilities decreased in 2010/11 by £19m, and this significant decrease resulted from the announcement by the Chancellor of the Exchequer in his budget statement on 22 June 2010, that public service pensions would increase in line with the consumer price index (CPI) rather than the retail price index (RPI). It is assumed that the CPI will increase at a slower rate than the RPI, and so pension increases and therefore pension liabilities will be lower. The effect of this change has been treated as a past service gain, and is included in the reported cost of services within the Non Distributed Costs in the Comprehensive Income and Expenditure Statement. The past service gain relating to the Firefighters' Schemes is £22,053k and the past service gain relating to the Local Government Pension Scheme is £2,188k. This single issue has the effect of converting what would have been a net deficit into a net surplus in the Comprehensive Income and Expenditure Statement, and the reversing transaction is shown in Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations.

2.33 The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is paid for mainly by employee contributions and employer contributions. The Department for Communities and Local Government meets 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

2.34 The UK economic situation continued to be challenging during the year and interest rates remained low. The main impact on the Authority was once again in the area of treasury management with continued smaller returns on investment income than in previous years. It was noted during the year that numbers of fires increased in some areas of deprivation and it is possible that an indirect effect of the economic downturn has been an increased risk of fires. Community safety efforts are now being focussed in these areas to try to address the problem.

2.35 The Government is implementing a programme of cutbacks in public sector spending with the aim of achieving a reduction in the Government deficit. During the year, the Authority's managers focussed on preparing options for reducing expenditure in future years, in anticipation of reduced budgets.

Nottinghamshire Fire and Rescue Service (Trading) Ltd

2.36 The Authority established an arms length trading company during the year and this began operating on 1 September 2010. The company is called "Nottinghamshire Fire and Rescue Service (Trading) Limited" and its main activity is to sell fire extinguisher maintenance services to external customers. The financial statements for this company, covering the first seven months of trading, are appended as Appendix B. Within the 2009/10 comparative figures and for the first 5 months of 2010/11, fire extinguisher maintenance activity and commercial training activity are shown as discontinued operations in the Authority's Comprehensive Income and Expenditure Account.

2.37 The Trading Company has made a good start to its operations and although declared profit after taxation is small at only £569, significant contributions have been made to the benefit of the Fire Authority for the company's use of support services. This offsets some of the costs of these services falling on the Fire Authority itself.

2.38 The Company continues to prosper and has begun to expand into other areas of activity as well as diversifying its customer base to minimise the risks emerging from public sector cuts.

Transition to the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS)

2.39 The Statement of Accounts contains financial statements prepared in compliance with International Financial Reporting Standards (IFRSs) for the first time. In previous years, accounts have been prepared in partial compliance with IFRSs plus partial compliance with UK Generally Accepted Accounting Practice (UK GAAP).The transition from UK GAAP to IFRS based accounting has been carried out in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards" and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which details interpretations or adaptations to fit the public sector. The date of transition to IFRS is 1 April 2009 and an opening IFRS statement of financial position (Balance Sheet) at the date of transition is included within this Statement of Accounts. For this year only, 3 Balance Sheets are given: 1 April 2009; 31 March 2010 and 31 March 2011.

2.40 As a result of transition to IFRSs, the Authority's accounting policies used in the opening IFRS Balance Sheet are, in some instances, different from the accounting policies used for the Balance Sheet as at the same date, which was reported in the last Statement of Accounts and accounted for under UK GAAP. The resulting adjustments are recognised in reserves at the date of transition to IFRS and are explained in more detail within the Statement of Accounts itself.

2.41 Where the Code of Practice requires the prospective application of elements of an IFRS, then the date of application is 1 April 2010. This means that the relevant accounting policy will change and the old policy and the new policy will both be shown in the Accounting Policies section of this Statement of Accounts, with a clear indication of the date the policy changed.

Annual Governance Statement

2.42 Members approved the Annual Governance Statement for 2010/11 at the Fire Authority meeting on 24 June 2011 prior to its inclusion within the Statement of Accounts. During the audit of the accounts, the Auditor identified two issues within the Annual Governance Statement, which required amending. The first was that paragraph 4.5.1 referred to the work of Internal Audit during 2009/10 instead of 2010/11. The second was that the document contained no explicit statement that the Authority's system of internal control was in place throughout the whole of 2010/11 – this has been rectified in paragraph 4.5.1 and Members are requested to re-approve the amended Annual Governance Statement.

2.45 The overall position shows that the stewardship of net spending has been achieved within the revenue budget and has continued to support the implementation of the Community Safety Plan. Variances against both capital and revenue budgets have been reported to the Finance and Resources Committee throughout the year.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full in the body of this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no specific human resources and learning and development implications arising from this report.

5. EQUALITY IMPACT ASSESSMENT

There are no equality implications arising from this report of the Authority's financial performance for the 2010/11 financial year and an initial equality impact assessment has not been completed.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

8.1 The production of Final Accounts is fundamental in demonstrating a sound financial position for any organisation. The “snapshot” provided by annual accounts which can be independently audited provides both stakeholders and elected Members with a significant level of assurance in this area.

8.2 The level of working balances and reserves, as shown in the accounts, will enable the position set out in the medium term financial strategy to be sustained.

8.3 Detailed aspects of financial risk management are set out within the body of the report.

9. RECOMMENDATIONS

9.1 That Members approve the amended Annual Governance Statement for 2010/11, which is contained within the Statement of Accounts.

9.2 That Members approve the Statement of Accounts for 2010/11, as attached.

9.3 That Members note the financial results for the first seven months’ trading by Nottinghamshire Fire and Rescue Service (Trading) Limited.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Peter Hurford
TREASURER TO THE FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham Fire Authority

Statement of Accounts 2010/2011

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TREASURER'S FOREWORD TO THE STATEMENT OF ACCOUNTS

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 2010/11, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The following are included in this Statement of Accounts:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority analysed into usable reserves, which can be applied to fund expenditure or reduce local taxation, and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. Adjustments are then made to the Surplus (or Deficit) on the Provision of Services to recognise the fact that the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes are different. The Net Increase (or Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

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

The Balance Sheet shows the value of assets and liabilities as at 31 March 2011, as well as comparative values as at 31 March 2010 and 2009. These comparative figures have been restated to take account of the adoption of International Financial Reporting Standards.

Cash Flow Statement

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

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 Authority's 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.

Nottinghamshire Fire and Rescue Service (Trading) Limited – Financial Statements

This arm's length company started trading on 1 September 2010, and the Comprehensive Income and Expenditure Statement covering the first seven months of trading and the Statement of Financial Position as at 31 March 2011 are included in the Statement of Accounts.

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

Summary of the Year

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

<u>Revenue Income and Expenditure</u>

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 £48.1m for 2010/11 and the year end position shows an underspend of £1,161k against this budget (a variance of 2.4%). The Movement in Reserves Statement shows the deficit on provision of services as reported in the Comprehensive Income and Expenditure Statement and then the adjustments required because the statutory amounts required to be charged to the General Fund balance are different from those charged on an accounting basis. The resulting amount is the net increase in the General Fund Balance before transfers to and from Earmarked Reserves, and the total increase in the General Fund Balance after transfers to and from Earmarked Reserves represents the underspend against the revenue budget in the year.

During the year a policy decision was made to manage the Authority's finances by way of achieving underspends and financing capital from revenue to reduce expenditure in future years. Members of the Finance and Resources Committee approved the transfer of £630k of underspend to the General Reserve during the year. Following this decision, a further £551k underspend accrued during the remainder of the year.

	Budget 2010/11 £000's	**Actual 2010/11 £000's**	**Variance from Budget 2010/11 £000's**
Expenditure:			
Net expenditure	48,109	47,025	(1,084)
Financed By:			
Revenue Support Grant	3,171	3,171	0
Precept from Constituent Authorities	23,100	23,177	(77)
National Non Domestic Rates	21,838	21,838	0
Net	0	(1,161)	(1,161)

Significant Variances

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

	Overspend £000's	**Underspend £000's**
Operational Employees – Wholetime		369
Operational Employees – Retained		303
Staff Training		100
Employees Pension Costs		161
Premises Costs	141	
Direct Transport Costs		240
Community Safety Equipment		259
Legal Fees	140	
Revenue Contributions to Capital	2,608	
Capital Financing		269
Contingencies		875
Trading Activities (prior to arms length company)	83	
Other Income		136
Total	2,972	2,712

Explanation of variances

Wholetime Operational Pay: underspent by £369k due to an under-establishment of staff throughout the year. This position was managed deliberately pending the outcomes of the Fire Cover Review.

Retained Pay: underspent by £303k due to a lower number of turnouts than estimated in the budget, coupled with an under-establishment of staff and a level of unavailability in some areas.

Staff Training: underspent by £100k, mainly in the area of short courses and seminars plus external training tuition fees. These underspends have been addressed in the 2011/12 budget.

Employees Pension Costs: underspent by £161k, mainly because of the difficulty in predicting numbers of ill health retirements. The budget is based on previous years' experience, but in 2010/11 there have been no ill health retirements.

Premises Costs: overspent by £141k in total. Much of this was due to increased energy costs, but there was also expenditure of £73k for security and other costs of Dunkirk Fire Station, which is now a surplus asset.

Direct Transport Costs: underspent by £240k. The current vehicle maintenance contract has suffered from poor financial reporting from the supplier, which has in turn made the budget difficult to control. There will be a new contract in place from July 2011.

Community Safety Equipment and Related Costs: underspent by £259k. The main reason for this was that there were a number of vacant posts in the department which prevented projects from progressing. This issue has been addressed in the 2011/12 budget.

Legal Fees: overspent by £140k due to the ongoing litigation in respect of the sale of Dunkirk Fire Station. Further information about this is within the section “Other Material and Unusual Items” in this foreword.

Revenue Contributions to Capital: there was no budget for this item as revenue contributions were not planned during the formation of the 2010/11 budget. However Members agreed during the year to finance the purchase of a second-hand Aerial Ladder Appliance by way of a Revenue Contribution and also to use a significant part of the overall underspend to finance the general capital programme as a way of achieving ongoing budget savings. In total, there have been Revenue Contributions of £2,608k.

Contributions to Earmarked Reserves: were not planned within the budget, but it was considered prudent to set aside £500k of the 2010/11 budget underspend to form an earmarked reserve to fund any one-off costs arising from the transition of the Authority towards a significantly lower base budget. Examples of costs which may arise are redundancies and modifications to Fire Stations if required by the Fire Cover Review outcomes.

Capital Financing: underspent by £269k due to the underspend on the 2009/10 capital programme, which was not known at the time of budget preparation for 2010/11.

Contingencies: underspent by £875k. Most of this arose from the public sector pay freeze, which was not anticipated when the budget was being prepared. In addition, there was a review of all contingencies in the year, with a number of unspent funds being cut from the base budget for 2011/12.

Trading Activities: overspent by £83k in the period up to 31 August 2010 after which fire extinguisher maintenance transferred to an arm’s-length company.. The Commercial Training Unit was proving to be a non-viable activity and it was discontinued part way through the year. Fire Extinguisher Maintenance also made a lower surplus than that budgeted for during this period, but trading income was still greater than expenditure. The first seven months trading results for the arm’s-length company show that a profit has been made.

Other Income was in surplus compared to the budget to the tune of £136k. Of this sum £42k related to income from cross-border activity which was budgeted to be a cost to the Authority but was actually net income. In addition the Authority received £73k of income from partnership activities.

<u>Capital Expenditure</u>

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 or upgraded (including assets under construction as at 31 March 2010):

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The Fire Authority had a Capital Programme for 2010/11, 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 £3.0m (budgets carried forward) from 2009/10:

Significant Variances

	Capital Programme 2010/11 £000's	Actual 2010/11 £000's	Variance from Budget 2010/11 £000's
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Equipment Programme	0	17	17
IT and Communications Programme	742	251	(491)
Total	**7,652**	**5,932**	**(1,720)**

The property capital programme underspent by £230k in total. Where individual projects overspent, the amounts involved were relatively minor, with the exception of the refurbishment of Mansfield Fire Station which overspent by £98k due to unexpected problems uncovered during construction. In addition, the house adjacent to Carlton Fire Station has not yet been sold. There is an underspend of £369k in respect of the rebuilding of Carlton Fire Station. The project is complete with the station open, and the underspend will be slipped into 2011/12 to cover retentions, although an overall underspend of around £150k is anticipated for this project. A capital grant of £946k was received in the year, which has been used to finance part of the property programme.

There was an underspend of £1.016m in the transport capital programme, with £990k relating to appliances still under construction. These vehicles are all almost complete and expected to be operational in 2011/12. The small vehicle replacement programme also underspent by £46k, with a number of vehicles delivered early in the 2011/12 financial year. The transport programme underspends will therefore be carried forward into the 2011/12 capital programme.

An unplanned programme of gym equipment replacement across fire stations was implemented during 2009/10 to address health and safety issues arising from the old equipment. There was £17k of expenditure in 2010/11 relating to the final part of this programme, which will be financed from the revenue contribution.

The ICT programme underspent by £491k. Some key projects were progressed in the year, but were not completed and will require budget to be slipped forward. These include business continuity and disaster recovery, business process automation, mobile computing and the regional finance system project. The project to replace the HR system has commenced, but is still in the specification stage.

Financing of Capital Expenditure

The Authority borrowed £3m from the Public Works Loans Board (PWLB) during the year, and repaid £55k of debt to the PWLB. The additional borrowing was to help finance the Capital Programme over the period of the Medium Term Financial Strategy.

The Authority's level of borrowing at the year end was £28m and this compares to net long term assets on the Balance Sheet valued at £50m. The capital financing requirement as at 31 March 2011 is £29m, which demonstrates that the current level of borrowing is prudent.

Movements in Debtors and Creditors

There has been a small decrease in debtors on the Balance Sheet of £263k. The main items contributing to this change were: the amount due from Her Majesty's Revenue and Customs decreased by £151k from 31 March 2010 and Sales Ledger debts reduced by £146k over the year. Council Tax arrears to be collected by Billing Authorities increased by £163k, which may be due to the current economic climate.

Creditors reduced by £960k from 2009/10 to 2010/11. The primary reasons for this were: purchase ledger creditors at 31 March 2010 included £439k for insurance premiums, £274k relating to a pension transfer, £80k for lease charges and a number of other creditors totalling £242k which were not in existence at 31 March 2011. Other sundry creditors increased by £367k – this included legal fees of £101k and a number of low value invoices totalling £220k.

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2011/12 and beyond. The effect of this will be that these earmarked reserves will support the 2011/12 budget and allow certain non recurrent expenditure to take place.

The accounting treatment of grants and contributions has changed with the introduction of International Financial Reporting Standards and unspent grant income is no longer required to be held as Deferred Income on the Balance Sheet. Grant income which has no conditions attached and has not been applied to fund expenditure, is now treated as an earmarked reserve, and the 31 March 2009 and 2010 Balance Sheets have been restated to reflect this change in accounting treatment.

The earmarked reserves held by the Authority are shown in note 9.

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 £322m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £316m. The total pension scheme liabilities decreased in 2010/11 by £19m, and this significant decrease resulted from the announcement by the Chancellor of the Exchequer in his budget statement on 22 June 2010, that public service pensions would increase in line with the consumer price index (CPI) rather than the retail price index (RPI). It is assumed that the CPI will increase at a slower rate than the RPI, and so pension increases and therefore pension liabilities will be lower. The effect of this change is £27,241k and this has been treated as a past service gain, and is included in the reported cost of services as an exceptional item in the Comprehensive Income and Expenditure Statement. The past service gain relating to the Firefighters' Schemes is £25,053k and the past service gain relating to the Local Government Pension Scheme is £2,188k. This single issue has the effect of converting what would have been a net deficit into a net surplus in the Comprehensive Income and Expenditure Statement, and the reversing transaction is shown in Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations.

The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is paid for mainly by employee contributions and employer contributions. The Department for Communities and Local Government meets 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.

Other Material and Unusual Items

An earmarked reserve of £500k was created from the revenue budget underspend in the year, to be used to fund any one-off costs arising from the Authority's transition to a significantly lower revenue budget level over the next four years.

The Authority is engaged in litigation concerning the contract for sale of Dunkirk Fire Station. The court case commenced during the year and is continuing into 2011/12. The Authority has continued to pay for necessary expenditure relating to the building, such as business rates, and has also had to procure the services of a security company to ensure that the vacant building remains secure. These premises costs totalled £74k in 2010/11. Legal fees in respect of the court case were £219k during the year.

Dunkirk Fire Station had been held as a non operational asset on the Balance Sheet, and had been valued at market value since 2008/09 when the property had been marketed for sale. Due to the ongoing litigation referred to in the above paragraph, the fire station has now been reclassified as a surplus asset because it no longer meets all of the criteria of an asset "held for sale". This treatment has been backdated to 1 April 2009. The Valuation Office has retrospectively revalued the fire station on the basis of existing use value as at 31 March 2009, 2010 and 2011, in accordance with the of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the value has reduced from £3,000k (market value) as at 31 March 2009 to £923.7k as at 31 March 2009, £758k as at 31 March 2010 and £643.2k as at 31 March 2011.

On 1 April 2010, the Department for Communities and Local Government (DCLG) transferred 3 vehicles and related items of equipment into the Authority's ownership. These vehicles form part of the national infrastructure to deal with large scale major emergencies, which is known as New Dimensions. The Authority was not required to pay any consideration for these assets but is required to maintain them for the future, and will receive a grant from DCLG to fund the maintenance. The financial statements include these assets within Property, Plant and Equipment on the Balance Sheet, at a value of £866k as at the date of transfer.

The rebuilding of Carlton Fire Station was completed during the year and fire crews and other staff are now working in the new building.

Economic Climate

The UK economic situation continued to be challenging during the year and interest rates remained low. The main impact on the Authority was once again in the area of treasury management with continued smaller returns on investment income than in previous years. It was noted during the year that numbers of fires increased in some areas of deprivation and it is possible that an indirect effect of the economic downturn has been an increased risk of fires. Community safety efforts are now being focussed in these areas to try to address the problem.

The Government is implementing a programme of cutbacks in public sector spending with the aim of achieving a reduction in the Government deficit. During the year, the Authority's managers focussed on preparing options for reducing expenditure in future years, in anticipation of reduced budgets.

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 2011. It will also be published in the Annual Report later this year. In addition, details of all transactions over £500 in value are published on the Authority's website, in line with the Government's transparency agenda for public bodies.

Cessation of the FiReControl Project

In December 2010, the Department for Communities and Local Government announced that the national FiReControl Project was to cease. The East Midlands Regional Control Centre Limited company, which is owned by the five Fire and Rescue Authorities in the East Midlands region, continues to operate on a smaller scale whilst the project winds down. A surplus number of posts had been appointed at the request of Central Government to cover the transition to the Regional Control Centre and in April 2011, 11 of these posts were deleted with 6 of the postholders being made redundant and a further 2 of the postholders redeployed into other roles within the Authority. The costs of redundancies have been accrued for in the 2010/11 financial year and have been funded by New Burdens grant from the Department for Communities and Local Government.

Nottinghamshire Fire and Rescue Service (Trading) Limited

The Authority established an arms length trading company during the year and this began operating on 1 September 2010. The company is called "Nottinghamshire Fire and Rescue Service (Trading) Limited" and its main activity is to sell fire extinguisher maintenance services to external customers. The financial statements for this company, covering the first seven months of trading, are available on request. Within the 2009/10 comparative figures and for the first 5 months of 2010/11, fire extinguisher maintenance activity and commercial training activity are shown as discontinued operations in the Authority's Comprehensive Income and Expenditure Account.

Transition to the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS)

This Statement of Accounts contains financial statements prepared in compliance with International Financial Reporting Standards (IFRSs) for the first time. In previous years, accounts have been prepared in partial compliance with IFRSs plus partial compliance with UK Generally Accepted Accounting Practice (UK GAAP).

The transition from UK GAAP to IFRS based accounting has been carried out in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards" and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which details interpretations or adaptations to fit the public sector. The date of transition to IFRS is 1 April 2009 and an opening IFRS statement of financial position (Balance Sheet) at the date of transition is included within this Statement of Accounts. For this year only, 3 Balance Sheets are given: 1 April 2009; 31 March 2010 and 31 March 2011.

As a result of transition to IFRSs, the Authority's accounting policies used in the opening IFRS Balance Sheet are, in some instances, different from the accounting policies used for the Balance Sheet as at the same date, which was reported in the last Statement of Accounts and accounted for under UK GAAP. The resulting adjustments are recognised in reserves at the date of transition to IFRS.

Where the Code of Practice requires the prospective application of elements of an IFRS, then the date of application is 1 April 2010. This means that the relevant accounting policy will change and the old policy and the new policy will both be shown in the Accounting Policies section of this Statement of Accounts, with a clear indication of the date the policy changed.

Accounting Policies under UK GAAP, which were shown in the previous Statement of Accounts, but which are now obsolete, are not included within this Statement of Accounts. However the most significant changes to accounting policies as a result of transition to IFRSs are summarised below.

- Government Grants and Contributions: for both revenue and capital expenditure must now be credited to the Comprehensive Income and Expenditure Statement unless the grant has a condition which has not been satisfied. Where grants and contributions have not yet been applied to expenditure, the Authority has created an earmarked reserve equivalent to the unspent grant amount to allow the funds to be held on the Balance Sheet until required to be spent in a future year. The previous accounting policy allowed unspent grant income to be held as deferred income on the Balance Sheet without crediting the Income and Expenditure Account.

- Non Current Assets: where a non current asset has been revalued downwards in a prior year, with the revaluation loss charged to the Comprehensive Income and Expenditure Statement and then in the current year the same asset is revalued upwards, the Surplus or Deficit on Provision of Services is credited in the current year to the extent that the current year upward revaluation matches the prior year downward revaluation. The balance of the revaluation increase is then credited to the revaluation reserve. The previous accounting policy credited the whole of the current year upward revaluation to the revaluation reserve.

- Benefits Payable During Employment: such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. Prior to IFRS implementation, no accruals for holiday entitlements were made.

Plans for 2011/12

Elected Members of the Fire Authority approved a council tax for 2011/12, which was the same as in 2010/11 and this decision enabled he Authority to benefit from a Government "Council Tax Freeze" grant. The budget for 2011/12 has nevertheless been reduced by £1.7m as a result of a reduction in Revenue Support Grant from Central Government and substantial cuts to the 2011/12 budget have therefore been made. The implementation of measures to achieve these budget cuts will take place during the course of the year, with a planned contribution from surplus reserves helping to support the budget whilst the transition to a lower level of spending is made. Central Government announced a two year Revenue Support Grant settlement covering 2011/12 and 2012/13 and the Authority therefore faces uncertainty over the level of Central Government support beyond 2012/13. The budget planning work which will take place during the year will continue to seek further savings and the Authority will be facing up to the challenge of continuing to provide high quality services in accordance with the Community Safety Plan with a reduced amount of resource. Financial and non financial performance management will play a crucial role during the foreseeable future.

The Fire Authority has a 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.

A major review of Fire Cover was completed during the year and the results have been considered by elected Members of the Fire Authority. During 2011/12 the public will be consulted on proposals for changing fire cover arrangements and the arrangements then agreed by elected members following the consultation period will be implemented. The budget for 2012/13 assumes that a certain level of savings will be made when new fire cover arrangements are in place, and there is a risk to the Authority that if these savings are not realised then an alternative savings strategy will need to be pursued.

Following the cessation of the national FiReControl Project, the Department for Communities and Local Government is consulting on future fire control arrangements and the results of this consultation will inform decision making on the future of fire control for this Authority during 2011/12.

The 2011/12 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. The Authority's capital expenditure plans are, in part, dependent upon the outcomes of the fire cover review consultation and final decision. Capital expenditure in 2011/12 will be financed mainly by a combination of borrowing, government grant and revenue contributions.

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 secure that one of its officers has the 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).

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 local authority Code

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 financial position of the Authority at 31 March 2011 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 30 June 2011 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 16 September 2011.

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

Signed ________________________________
(Chair of the Fire Authority)

Dated ________________________________

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY 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(4) of the Accounts and Audit (England) Regulations 2011 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 The Authority is committed to carrying out its duties and responsibilities under the current Code of Corporate Governance. This document can be found on the Authority's website www.notts-fire.gov.uk. Within the Code, 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 and effectively to provide value for money.

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

3.4.1 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:

- 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, sales 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 2010/2011 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 reviewing 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 2010/13 Service Plan set out the Authority's key objectives for the year and these have been reflected in annual 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 have been 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 safety which is 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 solicitor 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 against the capital programme.

4.4.7 The Audit Commission approved an unqualified Statement of Accounts for 2009/10 and it is anticipated this will be repeated in 2010/11. 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

4.5.1 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 2010/11, 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 Internal Audit Annual Report 2010/11 concluded that:

> “From the work carried out during the 2010/11 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”.

Internal Audit did not identify any significant weaknesses in the internal controls during the course of their audits, which gives assurance that the internal control system was in place throughout 2010/11.

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 2009/2010 Annual Governance report and Annual Audit and Inspection Letter. These documents reflect the Auditor’s findings and conclusions from auditing the Statement of Accounts.

5.0 SIGNIFICANT ISSUES FOR GOVERNANCE

5.1 Noticeable reductions in central government grant will mean the Authority will have to make significant savings over the next three to four years whilst continuing to maintain a service which meets public expectations.

5.2 A major review of fire cover, the first for over 20 years, has identified some significant changes to the service delivery model across the county. With public sensitivities high in relation to the Fire Service, some difficult and potentially controversial decisions may have to be made.

5.3 The Authority’s prudent financial management, as shown in the MTFS, will allow it to phase in the impact of budget reductions and the implementation of its FCR. This should help to provide continuous stability during a period of immense transition.

5.4 The Authority will be undertaking a fundamental review of its governance framework in 2011. Approved by the Corporate Management Board and the Fire Authority, the Financial Regulations, Scheme of Delegation, Standing Orders and Code of Conduct will all be reviewed and updated to ensure the Authority continues to meet its statutory and moral obligations.

5.5 Accommodating new Members of the Fire Authority following recent elections and during a period of operational and financial transition will be a key challenge for the Authority. The Members training programmes and seminar sessions will be key to ensuring all remain appraised of up-to-date information to enhance the formal decision making process.

5.6 During the coming year, the Service will 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 MEMBERS OF NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

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CORE ACCOUNTING STATEMENTS

Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2009	3,500	3,422	0	0	6,922	(223,477)	(216,554)
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	(10,096)	0	0	0	(10,096)	0	(10,096)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(89,807)	(89,807)
Total Comprehensive Income and Expenditure	(10,096)	0	0	0	(10,096)	(89,807)	(99,903)
Adjustments between accounting basis & funding basis under regulations (Note 8)	11,765	0	0	0	11,765	(11,765)	0

Net Increase/Decrease before Transfers to Earmarked Reserves	1,669	0	0	0	1,669	(101,572)	(99,903)
Transfers to/from Earmarked Reserves (Note 9)	(806)	806	0	0	0	0	0
Transfers to/from Other Reserves	0	0	0	0	0	0	0
Increase/Decrease in 2009/10	863	806	0	0	1,669	(101,572)	(99,903)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Balance at 31 March 2010	4,363	4,228	0	0	8,591	(325,048)	(316,457)
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	13,849	0	0	0	13,849	0	13,849
Other Comprehensive Income and Expenditure	0	0	0	0	0	11,222	11,222
Total Comprehensive Income and Expenditure	**13,849**	**0**	**0**	**0**	**13,849**	**11,222**	**25,071**

Adjustments between accounting basis & funding basis under regulations (Note 8)	(12,745)	0	25	0	(12,720)	12,720	0
Net Increase/Decrease before Transfers to Earmarked Reserves	1,104	0	25	0	1,129	23,942	25,071
Transfers to/from Other Reserves	0	0	0	0	0	0	0
Transfers to/from Earmarked Reserves (Note 9)	57	(57)	0	0	0	0	0
Increase/Decrease in 2010/11	**1,161**	**(57)**	**25**	**0**	**1,129**	**23,942**	**25,071**
Balance at 31 March 2011 carried forward	5,524	4,171	25	0	9,720	(301,106)	(291,386)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Restated					2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,911	-506	4,405	Community Safety		5,779	-410	5,369
35,690	-1,054	34,636	Firefighting and Rescue Operations		38,024	-936	37,089
470	-447	23	Fire Service Emergency Planning		540	-222	319
0	0	0	Exceptional past service gains relating to changes to the calculation of pension increases	6/35	0	-27,241	-27,241
593	-2	591	Corporate and democratic core		629	-26	603
51	0	51	Non distributed costs		101	-218	-117
41,715	**-2,009**	**39,706**	**Cost of Services**		**45,074**	**-29.052**	**16,022**
6	0	6	Other operating expenditure	10	30	-38	-8
17,558	-63	17,495	Financing and investment income and expenditure	11	21,223	-1,064	20,160
357	-366	-9	(Surplus) or deficit on discontinued operations	24	154	-176	-22
0	-47,103	-47,103	Taxation and non-specific grant income	12	0	-49,999	-49,999
59,636	**-49,541**	**10,096**	**(Surplus) or Deficit on Provision of Services**				**-13,849**
		-2,363	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				-1,832
		92,170	Actuarial (gains)/losses on pension assets/liabilities	35			-9,390
		89,807	**Other Comprehensive Income and Expenditure**				**-11,222**
		99,904	**Total Comprehensive Income and Expenditure**				**-25,070**

Balance Sheet

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

Balance Sheet

1 April 2009* £000 Restated	31 March 2,010 £000 Restated		Notes	31 March 2011 £000
		Property, Plant & Equipment	13	
31,227	34,539	- Land & Buildings		39,214
5,224	7,738	- Vehicles, Plant & Equipment	13	8,847
1,878	1,652	- Assets Under Construction		1,599
924	757	Surplus Assets	13	643
158	190	Intangible Assets	14	150
0	0	Assets Held for Sale	20	0
0	0	Long Term Investments	15	0
0	0	Long Term Debtors	15	0
39,412	**44,877**	**Long Term Assets**		**50,454**
2,035	5,400	Short Term Investments	15	7,055
260	326	Inventories	16	308
4,521	4,557	Short Term Debtor	17	4,294
661	600	Cash and Cash Equivalents	18	1,199
7,478	**10,884**	**Current Assets**		**12,856**
(1,564)	(103)	Short Term Borrowing	15	(107)
(5,244)	(4,451)	Short Term Creditors	19	(3,491)
0	(224)	Provisions	20	(261)
(6,808)	**(4,778)**	**Current Liabilities**		**(3,858)**
63	(70)	Provisions	20	(60)
(16,713)	(24,658)	Long Term Borrowing	15	(27,600)
		Other Long Term Liabilities		
(1,277)	(994)	- Finance Leases	15	(721)
(238,583)	(341,717)	- Pension Liabilities	35	(322,457)
(256,636)	**(367,439)**	**Long Term Liabilities**		**(350,839)**
(216,554)	**(316,457)**	**Net Assets**		**(291,386)**
		Usable Reserves	21	
3,500	4,363	- General Fund Balance		5,524
3,422	4,229	- Earmarked Reserves		4,172
0	0	- Capital Receipts Reserve		25
		Unusable Reserves	22	
10,208	9,615	- Capital Adjustment Account		12,687
4,956	7,128	- Revaluation Reserve		8,736
(238,583)	(341,717)	- Pension Reserve		(322,457)
37	28	- Financial Instruments Adjustment Account		19
140	92	- Collection Fund Adjustment Account		58
(235)	(195)	- Accumulated Absences Adjustment Account		(149)
(216,554)	**(316,457)**	**Total Reserves**		**(291,386)**

Cash Flow Statement

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

2009/10 £000's Restated		**2010/11 £000's**	**2010/11 £000's**
	Operating activities		
	Cash inflows:		
-22,395	Council tax receipts	-23,212	
-19,514	National non domestic rate receipts from national pool	-21,839	
-4,504	Revenue Support Grant	-3,171	
-5,191	Other grants	-5,238	
-1,912	Sales of goods and rendering of services	-1,491	
-98	Interest received	-61	
-629	Other receipts from operating activities	-589	
-54,243	Total cash inflows generated from operating activities		**-55,601**
	Cash outflows:		
27,327	Cash paid to and on behalf of employees	27,322	
10,107	Cash paid to suppliers of goods and services	8,770	
822	Interest paid	1,103	
13,336	Other payments for operating activities	13,748	
51,592	Total cash outflows generated from operating activities		**50,943**
-2,651	Net cash flow from operating activities		**-4,658**
	Investing activities		
6,225	Purchase of property, plant and equipment and intangible assets	6,029	
39,400	Purchase of short-term (not considered to be cash equivalents) and long-term investments	55,355	
-4	Proceeds from the sale of property, plant and equipment and intangible assets	-25	
-36,000	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-53,700	
-738	Other receipts from investing activities	-946	
8,883	Net cash flows from investing activities		**6,713**
	Financing activities		
-10,000	Cash receipts of short- and long-term borrowing	-3,000	
276	Cash payments for the reduction of the outstanding liability relating to finance leases	289	
3,552	Repayments of short- and long- term borrowing	55	
-6,172	Net cash flows from financing activities		**-2,656**
61	**Net (increase) / decrease in cash**		**-599**

INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 (the Code) and the Best Value Accounting Code of Practice 2010/11 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Expenditure and Income

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 Inventories 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 Short Term Creditor or Short Term 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 recognised 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 and a charge is made to revenue where the total value of debts for which there is evidence of impairment exceeds a £5,000 de minimis threshold. 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.

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.

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11, 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) Non Distributed Costs, which includes past service costs relating to retirement benefits; impairment losses relating to surplus non current assets; revenue expenditure involved in holding surplus assets.

These two cost categories are defined in the CIPFA Best Value Accounting Code of Practice (BVACOP) and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Cost of Services.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred in connection with the borrowing of funds to finance the acquisition, creation or enhancement of fixed assets.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Examples of non current assets likely to be classified as cash equivalents are Money Market Fund investments and deposits in "call accounts" repayable immediately without penalty. Fixed Term Deposits are not likely to be classified as cash equivalents because they are not readily convertible to cash, instead they are likely to be classified as Short Term or Long Term Investments.

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

Contingent Liabilities and Contingent Assets

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

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

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 council tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement 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 shown within the Movement in Reserves Statement.

Billing authorities prepare a Collection Fund balance sheet for council tax activities, which is disaggregated and shared between the billing authority and its precepting authorities. This Authority's Balance Sheet contains the following items:

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

d) Collection Fund surplus / deficit – the reversing entry to the Comprehensive 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 Short Term Debtors or Short Term Creditors

Discontinued Operations

The Fire Authority may determine, from time to time, that activities should be discontinued, or operations may transfer to another body under machinery of government arrangements. Where this occurs, details of discontinued operations are disclosed in the notes to the accounts, together with any outstanding liabilities from those operations.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post Employment 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.

Funding of and Accounting for Pension Schemes

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.

International Accounting Standard 19 (IAS 19) 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 35 to the core financial statements.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional Items

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

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and 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 2011. 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 the Comprehensive Income and Expenditure Statement 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 on the Balance Sheet.

Financial Assets

Loans and receivables (investments) are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and 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 2011. 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Government Grants and Contributions (Revenue)

Grants and contributions relating to revenue expenditure are accounted for on an accruals basis, when there is reasonable assurance that the grant or contribution will be received, and they are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

A condition requires the grant funder or donor to have a right to the return of their monies (or asset or similar equivalent compensation) if the Authority fails to meet a stipulation under the terms of the transfer. If there are conditions attached to grants and contributions:

> where there is no reasonable assurance that the conditions will be met, the grant or contribution received is recorded in Cash and held on the Balance Sheet as a Creditor.
>
> where there is reasonable assurance that the conditions will be met but this has not yet occurred, the grant or contribution is held in the Grants Receipts in Advance account as a liability on the Balance Sheet and recorded in Cash (if received) or Debtors (if receivable). When the conditions have been satisfied, the income will be credited to the Comprehensive Income and Expenditure Statement.

Revenue grants are matched in the Comprehensive Income and Expenditure Statement with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to Taxation and Non-Specific grant income within the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions (Capital)

Grants and contributions relating to capital expenditure are accounted for on an accruals basis, when there is reasonable assurance that the grant or contribution will be received, and they are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

A condition requires the grant funder or donor to have a right to the return of their monies (or asset or similar equivalent compensation) if the Authority fails to meet a stipulation under the terms of the transfer. If there are conditions attached to grants and contributions:

> Where a capital grant or contribution has been received and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recorded in Cash and held in the Capital Grants Receipts in Advance account as a liability on the Balance Sheet. When the conditions have been satisfied, the income will be credited to the Comprehensive Income and Expenditure Statement.

Where no conditions remain outstanding and expenditure has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where no conditions remain outstanding and expenditure has not yet been been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account to reflect its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Interests in Companies

The Authority set up a subsidiary company in the year, Nottinghamshire Fire and Rescue Service (Trading) Limited, which commenced operations on 1 September 2010. The Authority is the sole owner of this company. The financial results and financial position of this company are not considered to be material, and the accounts of the company have therefore not been consolidated with those of the Authority. Single entity accounts have been prepared for both the Authority and for Nottinghamshire Fire and Rescue Service (Trading) Limited, and the latter are available on request.

The Authority has an interest in East Midlands Fire and Rescue Control Centre Limited (trading as East Midlands Fire and Rescue Control Centre).The interest is not considered to be material and this company is treated as a related party, with appropriate disclosures shown in the notes to the core financial statements. The company is currently in the process of winding down following the cessation of the national FiReControl Project.

Inventories (Stocks)

There has been a change in accounting estimate during 2010/11 regarding the valuation of stocks. Previously, stocks were included in the balance sheet at the lower of cost or net realisable value, where cost was calculated on a “weighted average cost” basis. During the year (in February 2011), a new finance and procurement system was implemented by the Authority, which still values stock at the lower of cost or net realisable value but calculates cost on a “first in, first out (FIFO)” basis, which complies with IAS 2. The stock value shown in the 31 March 2011 Balance Sheet is valued on this new basis. Stock issues during the year were valued on a weighted average cost basis up to January 2011 and subsequently on a FIFO basis. The impact of the change in accounting estimate is not considered to be material.

Leases

Finance Leases (the Authority as Lessee)

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. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Lease rentals payable are apportioned between:

a) 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

b) A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Non current assets recognised under finance leases are accounted for using the policies generally applied to such 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 (the Authority as Lessee)

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

Non Current Assets

Property, Plant and Equipment

Non current assets which have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits for more than one financial year. Expenditure on repairs and maintenance is charged as an expense when it is incurred.

Measurement

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.

Assets are initially measured at cost, comprising the purchase price plus all expenditure directly attributable to bringing the asset to the location and condition for its intended use. Donated assets are measured initially at fair value with the difference between fair value and any consideration paid being credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held on the Balance Sheet in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 and valued at fair value which is deemed to be the amount that would be paid for the asset in its existing use (Existing Use Value - EUV). Specialised, operational assets (e.g. Fire Stations) and specialised, non operational, surplus assets are valued at Depreciated Replacement Cost (DRC), which is a proxy for EUV and recognises that for specialised assets there is no market based evidence of fair value. Non operational assets under construction are valued at historical cost. 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 IAS 17. 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 (although see section below: Revaluation and Impairment Losses). Where decreases in value are identified, they are accounted for by:

a) Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
b) where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Charges to Revenue for Non Current Assets

Services, support services and trading accounts are charged annually with the following amounts to record the real cost to the Authority of holding non current assets during the year:

a) depreciation attributable to the assets used by the relevant service.
b) revaluation and impairment losses on assets used by the service, where there are insufficient accumulated gains in the Revaluation Reserve balance for that asset against which the losses can be written off.
c) amortisation of intangible non current assets attributable to the service.

The Authority is not required to raise council tax to cover these charges. It is, however, required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is known as the Minimum Revenue Provision (MRP) and the Authority's 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 c) above are replaced by a Minimum Revenue Provision charge, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Depreciation and Amortisation

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 the balance at the beginning of the financial year
- 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.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The de minimis threshold for componentisation is a current net book value of £150k - individual assets with a value of less than £150k will be disregarded for componentisation. To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

This policy is complies with International Financial Reporting Standards and applies from 1 April 2010.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation and Impairment Losses

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of that asset and thereafter in the Surplus or Deficit on Provision of Services.

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, any impairment losses for that asset, which have been charged to the Surplus or Deficit on Provision of Services in previous years, shall be reversed in the current year as a credit to the Surplus or Deficit on Provision of Services. The balance of the revaluation increase is credited to the Revaluation Reserve, but this amount represents the difference between the revalued amount and what the carrying amount net of depreciation would have been if no impairment loss had occurred in previous years. This means that the previous impairment loss reversal may not reverse the full amount of the loss.

Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. 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. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement

Donated Assets

Donated assets are defined as assets transferred at nil value or acquired at less than fair value. Donated assets from other public bodies which meet the definition of "government" in IAS 20 are accounted for as a government grant.

Donated assets are recognised immediately on receipt as Property, Plant and Equipment and are valued at fair value, which in this case is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. The gain to the Authority on receipt of the asset is recognised as income in the relevant service line in the Comprehensive Income and Expenditure Statement. The exception to this is to the extent that the Authority has not met any conditions attached to the donated asset, the gain relating to the asset is recognised in the Donated Assets Account on the Balance Sheet. The income will subsequently be recognised in the Comprehensive Income and Expenditure Statement when the conditions of donation have been satisfied.

After initial recognition, donated assets are measured in accordance with the accounting policies for Property, Plant and Equipment.

Intangible Assets

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

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

The value of assets capitalised is subject to a £30,000 de minimis level. Assets with a value of 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. Where an asset incorporates both hardware and software, it will be classified as an intangible asset when the majority of the cost is attributable to software – otherwise it will be classified as Equipment within Property, Plant and Equipment.

Software is initially measured at cost and subsequently shown in the Balance Sheet at amortised historic cost. Amortisation is charged to the Comprehensive Income and Expenditure Account over the economic life of the asset. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

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 appropriate service line in the Comprehensive Income and Expenditure Statement 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 relevant service if the requirement has changed.

Reserves

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

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

a) Revenue Reserve
This reserve is the surplus of income over expenditure in the 2010/11 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 8.
b) Earmarked Reserve

This reserve contains funds built up to meet expected liabilities. The movement of this reserve is shown in note 9.

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.

a) The Revaluation Reserve
This represents the total of all fixed asset revaluation gains since 1 April 2007, less any revaluation losses since 1 April 2007 which have been offset against prior revaluation gains for the same asset.
b) 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.
c) 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 notes 21 and 22.

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.

Financial Instruments Adjustment Account
This reserve holds the balance after amortisation of the discount received when part of the Authority's debt portfolio was restructured.

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.

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

Financial Reporting Standard (FRS) 30 Heritage Assets has been issued, but not adopted. This Standard will not be applicable to the Authority.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.
The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. As a result of cuts to Government Grant announced following the Comprehensive Spending review, the Authority's 2010/11 revenue budget is expected to reduce by approximately £6.5m over the following four years.
- The Authority has been party to a legal case involving Nottingham City Council and the Authority on one side, and a property development company on the other. The court case commenced during 2010/11 and is currently adjourned until October 2011. The outcome of

the case is uncertain and the Authority has determined that it is prudent to disclose the matter as a contingent liability.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the future usage and wearing out of those assets. Such assumptions are based on past experience.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £62k for every year that useful lives had to be reduced.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A sensitivity analysis showing the impacts of changes in the discount rates used is included in note 35.

5. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND PRIOR PERIOD ADJUSTMENT

This Statement of Accounts is the first to be prepared on an IFRS basis. The application of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which is based on IFRS, has resulted in the restatement of certain balances and transactions. This means that some of the comparative figures within this Statement of Accounts differ from the equivalent figures reported in the Statement of Accounts 2009/10. This note explains the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

a. Accounting for Government Grants (IAS 20)
   Under the Code, revenue grants and contributions must be accounted for as income within Net Cost of Services and capital grants within Taxation and Non Specific Grant Income when they become receivable. The previous treatment was that unspent grants and contributions were held in a Deferred Income or Government Grants Deferred account on the Balance Sheet until such time as they were used to fund expenditure.

As a result of implementing the Code, all grants and contributions have been transferred out of Deferred Income. Those which related to pooled budgets held on behalf of other bodies have been transferred into Creditors, and the remainder have been transferred to Earmarked Reserves. The Government Grants Deferred balance has been transferred to the Capital Adjustment Account.

b. Short Term Accumulating Compensated Absences (IAS 19)
Under the Code, an accrual must be made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) where the leave taken by an employee during the financial year does not match the leave earned. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. Previously, there was no requirement to make an accrual for such items. The change has resulted in an increase in debtors (mainly relating to employees with a calendar leave year) and an increase in creditors. The net effect of this is shown as a balance within the Accumulated Absences Adjustment Account.

As well as the changes brought about by the application of IFRS, the Authority has also made several prior period adjustments.

c. Firefighters' Pension Top-Up Grant (IAS 19)
Previously this was shown as a separate item within Net Operating Expenditure in the Income and Expenditure Account. The Code of Practice allows for a different treatment where the overall pensions liability is shown net of pensions top-up grant i.e. the top-up grant receivable may be deducted from the gross current service cost within Net Cost of Services. This change has been made and applied retrospectively.

d. Property, Plant & Equipment (IAS 16)
The Code strictly defines what constitutes an Asset Held for Sale, and where the definition is not met a non operational asset must be classified as a Surplus Asset. The valuation basis for a Surplus Asset is "valuation in existing use".
The Authority was previously accounting for Dunkirk Fire Station as an Asset Held for Sale, valued at market value, because it was the subject of a contract for sale. However this matter is now the subject of litigation, as reported in the Treasurer's Foreword, and the asset no longer meets the definition of an Asset Held for Sale under the Code. As a result, the property has been retrospectively revalued as at 31 March 2009, 2010 and 2011 by external valuers and the appropriate balances in the financial statements have been restated. The property is now shown under Surplus Assets within the Balance Sheet, and the carrying value has been reduced, with appropriate adjustments to the Revaluation Reserve and the Capital Adjustment Account. The prior year's depreciation charge in the CI&ES has been adjusted as a result. Also, the cost of securing the vacant property is now treated as a Non Distributed Cost.
The Code of Practice requires revaluation impairments charged to the CI&ES in a prior year to be reversed to the extent that the same asset is revalued upwards in a later year. This reversal of prior year impairments is treated as a prior period adjustment.

e. Code of Practice Format Changes and Restatement of Allocations in Accordance with Best Value Accounting Code of Practice
The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 prescribes the format of the Comprehensive Income and Expenditure Statement and, in some instances, some items of income or expense have been amalgamated within the new format e.g. "Pensions Interest Cost and Expected Return on Pensions Assets", "Interest Payable" and "Interest and Investment Income" are now all reported together as "Financing and Investment Income and Expenditure".
An opportunity was taken to review the allocation bases for allocating support service costs and overheads to direct services, which resulted in some adjustments to charges within Net Cost of Services.

The tables below set out the impact of the changes outlined above.

Restated Balance Sheet as at 1 April 2009

		IFRS Adjustments	IFRS Adjustments	Prior Period Adjustment	
		a	b	d	
	UK GAAP Opening Balance Sheet	IAS 20 Government Grants	IAS 19 Accumulated Absences	IAS 16 Property, Plant & Equipment	Restated IFRS Opening Balance Sheet
	1 April 2009				1 April 2009
	£000's	£000's	£000's	£000's	£000's
Property, Plant & Equipment					
- Land & Buildings	31,227				31,227
- Vehicles, Plant & Equipment	5,224				5,224
- Assets Under Construction	1,878				1,878
Surplus Assets	3,000			(2,076)	924
Intangible Assets	158				158
Long Term Assets	**41,488**				**39,412**
Short Term Investments	2,035				2,035
Inventories	260				260
Short Term Debtor	4,391		131		4,521
Cash and Cash Equivalents	661				661
Current Assets	**7,347**				**7,478**
Short Term Borrowing	(1,564)				(1,564)
Short Term Creditors	(4,800)	(79)	(366)		(5,244)
Deferred Income	(685)	685			0
Provisions	(63)				(63)
Current Liabilities	**(7,111)**				**(6,871)**
Provisions	0				0
Long Term Borrowing	(16,713)				(16,713)
Other Long Term Liabilities					
- Finance Leases	(1,277)				(1,277)
- Pension Liabilities	(238,583)				(238,583)
Government Grants Deferred	(195)	195			0
Deferred Income	(475)	475			0
Long Term Liabilities	**(257,243)**				**(256,573)**
Net Assets	**(215,520)**				**(216,554)**
Usable Reserves					
- General Fund Balance	3,500				3,500
- Earmarked Reserves	2,342	1,081			3,422
- Capital Receipts Reserve	0				0
Unusable Reserves					
- Capital Adjustment Account	9,995	195		18	10,208
- Revaluation Reserve	7,050			(2,094)	4,956
- Pension Reserve	(238,583)				(238,583)
- Financial Instruments Adjustment Account	37				37
- Collection Fund Adjustment Account	140				140
- Accumulated Absences Adjustment Account			(235)		(235)
Total Reserves	**(215,520)**				**(216,555)**

Restated Balance Sheet as at 31 March 2010

		IFRS Adjustments	IFRS Adjustments	Prior Period Adjustment	
		a	b	d	
	UK GAAP Opening Balance Sheet	IAS 20 Government Grants	IAS 19 Accumulated Absences	IAS 16 Property, Plant & Equipment	Restated IFRS Opening Balance Sheet
	1 April 2009				1 April 2009
	£000's	£000's	£000's	£000's	£000's
Property, Plant & Equipment					
- Land & Buildings	34,539				34,539
- Vehicles, Plant & Equipment	7,738				7,738
- Assets Under Construction	1,652				1,652
Surplus Assets	3,000			(2,243)	757
Intangible Assets	190				190
Long Term Assets	**47,120**				**44,877**
Short Term Investments	5,400				5,400
Inventories	326				326
Short Term Debtor	4,509		48		4,557
Cash and Cash Equivalents	600				600
Current Assets	**10,836**				**10,884**
Short Term Borrowing	(103)				(103)
Short Term Creditors	(4,177)	(31)	(243)		(4,451)
Deferred Income	(525)	525			0
Provisions	(294)				(294)
Current Liabilities	**(5,099)**				**(4,849)**
Provisions	0				0
Long Term Borrowing	(24,658)				(24,658)
Other Long Term Liabilities					
- Finance Leases	(994)				(994)
- Pension Liabilities	(341,717)				(341,717)
Government Grants Deferred	(895)	895			0
Deferred Income	(756)	756			0
Long Term Liabilities	**(369,020)**				**(367,369)**
Net Assets	**(316,164)**				**(316,457)**
Usable Reserves					
- General Fund Balance	4,363				4,363
- Earmarked Reserves	2,978	1,251			4,229
- Capital Receipts Reserve	0				0
Unusable Reserves					
- Capital Adjustment Account	7,500	895		1,220	9,615
- Revaluation Reserve	10,591			(3,463)	7,128
- Pension Reserve	(341,717)				(341,717)
- Financial Instruments Adjustment Account	28				28
- Collection Fund Adjustment Account	92				92
- Accumulated Absences Adjustment Account	0		(195)		(195)
Total Reserves	**(316,164)**				**(316,456)**

Restated Comprehensive Income and Expenditure Statement 2009/10

		a	b	c	d	e	e
	UK GAAP Net Expenditure	IAS 20 Governmen t Grants	IAS 19 Accumulated Absences	IAS 19 Firefighters' Pension TopUp Grant	IAS 16 Property, Plant & Equipment	Code of Practice Format Changes	Restatement of BVACOP Allocations
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Community Safety	5,781	(26)	(6)	(491)	(27)		(827)
Firefighting and Rescue Operations	39,528	80	(30)	(4,634)	(1,188)		880
Fire Service Emergency Planning	305	(185)	(3)	(16)			(78)
Corporate and Democratic Core	591						
Non Distributed Costs	0				51		
Net Cost of Services	**46,205**						
Other Operating Expenditure *(was (Gain) / Loss on Disposal of Fixed Assets)*	6						
(Surpluses) / Deficits on Discontinued Operations *(was Trading Undertakings)*	(9)						
Financing and Investment Income and Expenditure						17,495	
Interest Payable and Similar Charges	821					(821)	
Interest and Investment Income	(63)					63	
Pensions Interest Cost and Expected Return on Pensions Assets	16,737					(16,737)	
Gain re Government Grant Payable to Pension Fund on the Authority's Behalf	(5,141)			5141			
Net Operating Expenditure	**58,557**						
Taxation and Non Specific Grant Income		(738)				(46,365)	
(Surplus) or Deficit on Provision of Services							
Precepts	(22,347)					22,347	
General Government Grants	(4,504)					4504	
NNDR	(19,514)					19,514	
(Surplus) / Deficit for the Year	**12,192**						

6. MATERIAL ITEMS OF INCOME AND EXPENSE

Within the Comprehensive Income and Expenditure Statement are a number of material items of income and expense in Net Cost of Services which are not disclosed separately. These are as follows:

Description of Item	Item of Income or Expense	2009/10 £000's	2010/11 £000's
Depreciation and Amortisation of Non Current Assets	Expense	2,591	3,069
Capital grant	Income	(738)	(946)
Gain relating to Donated Assets	Income	0	(866)
Past Service Gains – LGPS and FFPS	Income	0	(27,241)

Material items of income and expense not within Net Cost of Services are disclosed in other notes, which are referenced on the face of the Comprehensive Income and Expenditure Statement.

7. EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events of a “non-adjusting” nature after the Balance Sheet date.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2010/11	Usable Reserves			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000's	**£000's**	**£000's**	**£000's**
Adjustments Primarily involving the Capital Adjustment Account:				
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,003)	0	0	3,003
Revaluation losses on Property Plant and Equipment	64	0	0	(64)
Amortisation of Intangible assets	(66)	0	0	66
Capital grants and contributions applied	946	0	0	(946)
Gain Relating to Donated Assets	866	0	0	(866)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive Income and Expenditure Statement	(16)	0	0	16
Insertion of items not debited or credited to the comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,449	0	0	(1,449)
Capital expenditure charged against the General Fund balances	2,608	0	0	(2,608)
Adjustments Primarily involving the Capital Receipts Reserve:				
Capital Receipts during the year, not applied to the financing of capital expenditure during the year.	25	(25)	0	0

2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's
Adjustments Primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(9)	0	0	9
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	(23)	0	0	23
Employer's pension contributions and direct payments to pensioners payable in the year	9,893	0	0	(9,893)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(35)	0	0	35
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	46	0	0	(46)
Total Adjustments	12,745	(25)	0	(12,720)

2009/10

	Usable Reserves			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000's	**£000's**	**£000's**	**£000's**
Adjustments Primarily involving the Capital Adjustment Account:				
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-2,536	0	0	2,536
Revaluation losses on Property Plant and Equipment	-329	0	0	329
Amortisation of Intangible assets	-55	0	0	55
Capital grants and contributions applied	738	0	0	-738
Gain re Donated Assets	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-6	0	0	6
Insertion of items not debited or credited to the comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,070	0	0	-1,070
Capital expenditure charged against the General Fund balances	335	0	0	-335

2009/10	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's
Adjustments Primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(9)	0	0	9
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	(21,329)	0	0	21,329
Employer's pension contributions and direct payments to pensioners payable in the year	10,365	0	0	(10,365)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(48)	0	0	48
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	40	0	0	(40)
Total Adjustments	(11,765)	0	0	11,765

9. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in the year.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Earmarked Reserves Funded by Grants							
LPSA Reward Grant	-596	63	0	**-532**	0	82	**-450**
Bendigo Project	-9	0	0	**-9**	0	0	**-9**
Extrication Team	-3	0	0	**-3**	0	0	**-3**
Fire Setters	-28	0	0	**-28**	0	0	**-28**
SRB / CAP - Stockhill Community Safety	-4	0	0	**-4**	0	0	**-4**
Arson Task Force	-155	0	0	**-155**	0	0	**-155**
Road Traffic Awareness	-1	0	0	**0**	0	0	**0**
Safe as Houses - Smoke Alarms	-25	3	0	**-22**	0	0	**-22**
Community Fire Safety - Innovation Fund	-31	0	0	**-31**	0	0	**-31**
Resilience Crewing and Training	-73	46	-46	**-73**	0	-85	**-158**
Newark & Sherwood Community Safety Partnership	-4	4	-2	**-2**	2	0	**0**
Gedling - P.C.T. (Primary CareTrust)	-3	0	0	**-3**	0	0	**-3**
Thoresby Estate Charitable Trust	-5	0	0	**-5**	0	0	**-5**
Fire Fighter 4 Life Course	-4	2	0	**-3**	0	0	**-3**
Area 4 Committee	-1	0	0	**-1**	0	0	**-1**
Donations for North Group Community Safety	-1	1	-1	**-1**	0	0	**0**
Fire Prevention Grant	-173	0	0	**-173**	0	0	**-173**
Vodafone Donation	-5	2	0	**-3**	0	0	**-3**
Enhanced Command Support	4	116	-301	**-181**	41	0	**-140**
CACFO Equal Oppertunities	-1	0	0	**-1**	0	0	**-1**
Week Of Action Grants	0	2	-2	**0**	0	0	**0**
Migration Impacts Fund	0	3	-35	**-32**	16	0	**-16**
Safe as Houses - Safety Equipment	0	0	-3	**-3**	0	0	**-3**

New Burdens FiReControl	-561	184	-143	**-520**	174	-93	**-439**
Subtotal	**-1,676**	**428**	**-533**	**-1,782**	**233**	**-96**	**-1,645**
Earmarked Reserves Created from Revenue							
Pensions - Ill Health	-230	0	0	**-230**	0	-20	**-250**
Modernisation	-95	0	0	**-95**	0	95	**0**
Fire Safety	-197	97	-133	**-233**	26	33	**-174**
Princes Trust	0	0	-95	**-95**	10	-58	**-142**
Fire Protection	0	0	-17	**-17**	0	17	**0**
FiReControl / FireLink Transition	-200	0	0	**-200**	0	0	**-200**
Implementation of IFRS & RFS	-86	2	11	**-73**	0	23	**-50**
Training BCM & Values	-37	3	21	**-13**	0	0	**-13**
Consultancy Mediation & Employee Survey	-20	3	10	**-8**	0	8	**0**
ICT Sharepoint/Internet/Intranet	-120	118	-95	**-97**	0	0	**-97**
Operational Equipment	-165	88	-73	**-150**	0	20	**-130**
Station Remodelling	-250	0	0	**-250**	0	250	**0**
Headquarters Redecoration	-23	23	0	**0**	0	0	**0**
Estates Invest to Save	0	81	-635	**-554**	0	82	**-472**
Fixed Asset System	0	0	-19	**-19**	0	19	**0**
PA Amplifiers for Stations	0	0	-125	**-125**	0	125	**0**
e-Recruitment	0	0	-10	**-10**	0	10	**0**
MIS Data Validation	0	0	0	**0**	0	-5	**-5**
AV Equipment	0	0	-30	**-30**	30	0	**0**
Equal Pay	0	0	-50	**-50**	0	0	**-50**
Scania Flowmeters - SDC	0	0	-10	**-10**	0	0	**-10**
Fire Cover Review Consultation etc.	0	0	-47	**-47**	0	0	**-47**
Equalities	-22	22	-10	**-10**	0	10	**0**
Capital Reserve	-300	169	0	**-131**	0	-250	**-381**
UKRO Competition 2011/12	0	0	0	**0**	0	-5	**-5**
Organisational Transition - One-off Costs	0	0	0	**0**	0	-500	**-500**
Subtotal	**-1,746**	**608**	**-1,308**	**-2,446**	**66**	**-145**	**-2,525**
Total	**-3,422**	**1,035**	**-1,841**	**-4,228**	**299**	**-242**	**-4,170**

Note: positive figures in the “Transfers In” columns represent a net writing back to the General Fund of earmarked reserves no longer required.

10. OTHER OPERATING EXPENDITURE

2009/10 £000		2010/11 £000
6	(Gains)/losses on the disposal of non-current assets	(8)
6	Total	(8)

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000		2010/11 £000
821	Interest payable and similar charges*	1,099
16,737	Pension interest cost and expected return on pension assets	19,122
(63)	Interest receivable and similar income	(61)
17,495	Total	20,160

* Interest payable and similar charges includes interest paid in relation to finance leases of £104k in 2009/10 and £85k in 2010/11.

12. TAXATION AND NON-SPECIFIC GRANT INCOME

2009/10 £000		2010/11 £000
22,347	Council tax income	23,177
19,514	Non domestic rates	21,839
4,504	Non-ringfenced government grants	3,171
738	Capital grants and contributions	1,812
47,103	Total	49,999

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2010/11

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2010	**42,194**	**19,139**	**1,168**	**1,652**	**64,153**
additions	4,013	825	0	1,036	**5,874**
Donated assets	0	866	0	0	**866**
revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,324	(1)	0	0	**2,323** **0** **0**
revaluation increases/(decreases)	(371)	0	(56)	0	**(427)** **0**

recognised in the Surplus/Deficit on the Provision of Services					**0**
					0
derecognition - disposals	0	(17)	0	0	**(17)**
derecognition - other	0	0	0	0	**0**
assets reclassified (to)/from Held for Sale	0	0	0	0	**0**
					0
assets reclassified (to)/from under construction	0	1,089	0	(1,089)	**0**
other movements in cost or valuation	0	0	0	0	**0**
At 31 March 2011	**48,160**	**21,901**	**1,112**	**1,599**	**72,772**
Accumulated Depreciation and Impairment					
at 1 April 2010	**(7,656)**	**(11,401)**	**(410)**	**0**	**(19,467)**
depreciation charge	(1,291)	(1,653)	(59)	0	**(3,003)**
depreciation written out to the Revaluation Reserve	0	0	0	0	**0**
					0
depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**
					0
					0
impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**
					0
					0
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**
					0
					0
					0
derecognition - disposals	0	0	0	0	**0**
derecognition - other	0	0	0	0	**0**
other movements in depreciation and impairment					**0**
	0	0	0	0	**0**
At 31 March 2011	**(8,947)**	**(13,054)**	**(469)**	**0**	**(22,470)**
Net Book Value					
at 31 March 2011	**39,213**	**8,847**	**643**	**1,599**	**50,302**
at 31 March 2010	**34,539**	**7,738**	**758**	**1,652**	**44,687**

Comparative Movements in 2009/10

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment
Cost or Valuation					
At 1 April 2009	**37,707**	**15,336**	**1,263**	**1,879**	**56,185**
additions	2,359	1,941	0	1,652	**5,952**
donations	0	0	0	0	**0**
revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,716	0	0	0	**3,716** **0** **0**
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,587)	0	(95)	0	**(1,682)** **0** **0** **0**
derecognition - disposals	0	(17)	0	0	**(17)**
derecognition - other	0	0	0	0	**0**
assets reclassified (to)/from Held for Sale	0	0	0	0	**0**
assets reclassified (to)/from assets under construction	0	1,879	0	(1,879)	**0**
other movements in cost or valuation	0	0	0	0	**0**
At 31 March 2010	**42,195**	**19,139**	**1,168**	**1,652**	**64,154**
Accumulated Depreciation and Impairment					
at 1 April 2009	**(6,480)**	**(10,112)**	**(339)**	**0**	**(16,931)**
depreciation charge	(1,176)	(1,289)	(71)	0	**(2,536)**
depreciation written out to the Revaluation Reserve	0	0	0	0	**0**
depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**
impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**

derecognition - disposals	0	0	0	0	**0**
derecognition - other	0	0	0	0	**0**
other movements in depreciation and impairment	0	0	0	0	**0**
At 31 March 2010	**(7,656)**	**(11,401)**	**(410)**	**0**	**(19,467)**
Net Book Value as at 31 March 2010	**34,539**	**7,738**	**758**	**1,652**	**44,687**

Contract Commitments

At 31 March 2011, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £800.5k. Many of the capital contracts relating to 2011/12 were not committed as at the 31 March 2011. Similar commitments at 31 March 2010 were £6,458k. The major commitments for 2011/12 are:

Mansfield Refurbishment (Annex)	£11k
Drainage across All Sites	£150k
Window Replacement at HQ	£30k
Consultancy Fees	£15k
IT Systems	£96k
Specialist Rescue Unit	£460k
Rapid Response Unit	£39k

Revaluations

The Valuation Office carries out valuations of all properties over a 5 year rolling programme. The last valuation took place on 31 March 2011, 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 Note 1.

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

Revaluations

	Other Land and Buildings £000	Restated Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	0	0	9,002	0	0
Revalued at fair value as at:					
31 March 2011	20,546	20,546	0	643	21,189
31 March 2010	15,360	12,360	0	758	13,118
31 March 2009	39,553	36,553	15	924	37,492
31 March 2008	25,887	25,887	0	0	25,887
31 March 2007	8,148	8,148	0	0	8,148
Total Cost or Valuation	109,494	103,494	15	2,325	105,834

14. INTANGIBLE ASSETS

The Authority accounts for its software as intangible asset, to the extent that the software is not an integral part of particular IT system and accounted for as part of the hardware item of Property Plant and Equipment.

	Software 2009/10 £000	Software 2010/11 £000
Balance at start of year:		
• Gross carrying amounts	222	309
• Accumulated amortisation	(64)	(119)
Net carrying amount at start of year	158	190
Additions:		
• Purchases	87	26
• Acquired through business combinations	0	0
Assets reclassified as held for sale	0	0
Other disposals	0	0
Revaluations increases or decreases	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on Provision of Services	0	0
Amortisation for the period	(55)	(66)
Other changes		
Net carrying amount at end of year	190	150
Comprising:		
▪ Gross carrying amounts	309	335
▪ Accumulated amortisation	(119)	(185)
	190	150

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term			Current		
	31 Mar 2009 £'000	31 Mar 2010 £'000	31 Mar 2011 £'000	31 Mar 2009 £'000	31 Mar 2010 £'000	31 Mar 2011 £'000
Investments						
Loans and receivables	0	0	0	2,035	5,400	7,055
Total investments	**0**	**0**	**0**	**2,035**	**5,400**	**7,055**
Debtors						
Loans and receivables	0	0	0	3,707	3,859	3,533
Total debtors	**0**	**0**	**0**	**3,707**	**3,859**	**3,533**
Borrowings						
Financial liabilities at amortised cost	16,713	24,658	27,600	1,564	103	107
Total borrowings	**16,713**	**24,658**	**27,600**	**1,564**	**103**	**107**
Other Long Term Liabilities						
Finance lease liabilities	1,277	994	721			
Total other long term liabilities	**1,277**	**994**	**721**			
Creditors						
Financial liabilities at amortised cost	0	0	0	4,912	4,156	3,172
Total creditors	**0**	**0**	**0**	**4,912**	**4,156**	**3,172**

Income, Expense, Gains and Losses

	2010/11			2009/10		
	Financial Liabilities measured at Amortised cost £000	**Financial Assets: Loans and receivables £000**	**Total £000**	**Financial Liabilities measured at Amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Total £000**
Interest expense	1,014	0	1,014	717	0	717
Total expense in Surplus or Deficit on the Provision of Services	**1,014**	**0**	**1,014**	**717**	**0**	**717**
Interest income	0	-62	-62	0	-63	-63
Differences relating to Financial Instruments (Discount on Debt Restructuring)	-9	0	-9	-9	0	-9
Total Income in Surplus or Deficit on the Provision of Services	**-9**	**-62**	**-71**	**-9**	**-63**	**-72**
Gains on revaluation	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	0	0	**0**	**0**
Net gain/(loss) for the year	**1005**	**-62**	**943**	**708**	**-63**	**645**

The fair value of financial instruments 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. No early repayment or impairment is recognised. Financial liabilities are carried on the Balance Sheet at amortised cost (in long term liabilities with accrued interest and principal due to be repaid within 1 year in current liabilities). The fair value of the Authority's PWLB loans included in the table below under Financial Liabilities is £22,420k. The fair value of trade debtors and other receivables is taken to be the invoiced or billed amount.

Fair Values of Assets and Liabilities

	31/03/2009		31/03/2010		31/03/2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost	18,277	18,339	24,761	25,098	27,707	26,819

	31/03/2009		31/03/2010		31/03/2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
Loans and receivables	2,035	2,725	5,400	5,399	7,055	7,055

For financial liabilities, the fair value is less than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate is lower than the rates available for similar loans in the market at the Balance Sheet date.

16. INVENTORIES

Consumable Stores

	2008/09 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	226	260	326
Purchases	489	632	495
Recognised as an expense in the year	(455)	(570)	(511)
Written off balances	0	4	9
Sale to NFRS T	0		(11)
Balance outstanding at year-end	260	326	308

17. DEBTORS

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Central government	668	1936	390
Other local authorities	1,209	1006	2075
NHS bodies	1	1	1
Public corporations and trading funds	0	0	0
Other entities and individuals	2,643	1614	1828
Total	**4,521**	**4557**	**4294**

18. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
660	2	Cash held by the Authority	2
1	597	Bank current accounts	1,197
0	0	Short-term deposits with building societies	0
661	**599**		**1,199**

19. CREDITORS

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Central government	851	954	767
Other local authorities	1,762	1,392	1,082
NHS bodies	22	0	10

Public corporations and trading funds	12	19	26
Other entities and individuals	2,597	2,086	1,606
Total	**5,244**	**4,451**	**3,491**

20. PROVISIONS

	Insurances - Long Term Provision £000	Retained Duty System - Short Term Provision £000	Settlement Relating to Acting Up Payments - Short Term Provision £000	Total £000
Balance at 1 April 2009	63	0	0	63
Additional provisions made in 2009/10	7	224	0	231
Amounts used in 2009/10	0	0	0	0
Balance at 1 April 2010	70	224	0	294
Additional provisions made in 2010/11	0	0	75	75
Amounts used in 2010/11	0	0	0	0
Unused amounts reversed in 2010/11	(10)	(38)	0	(48)
Balance at 31 March 2011	**60**	**185**	**75**	**321**

Insurances
Movement on the existing insurance provision is shown above. The provision has decreased by £10k 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.

Retained Duty System
This liability arises from an employment tribunal test case relating to "Part Time Workers (Prevention of Less Favorable Treatment) Regulations". A prudent estimate was made in the 2009/10 relating to the payment of compensation to Retained Duty System firefighters, the liability has been reduced after a settlement was agreed in 2010/11 (although no payment was made in the year).

Settlement Relating to Acting Up Payments
This provision has been set aside as an estimate of the settlement arising from the miscalculation of back pay for officers acting up to a more senior role since 2004.

21. USABLE RESERVES

Usable reserves contain resources which the Authority can apply to the provision of services, either by incurring expenditure or by undertaking capital investment.

1 April 2009 £000's	31 March 2010 £000's		31 March 2011 £000's
3500	4,363	General Fund	5,524
3422	4,229	Earmarked Reserves	4,172
0	0	Capital Receipts Reserve	25
6,922	**8,592**	**Total Usable Reserves**	**9,721**

General Fund

The General Fund reserve contains accumulated surplus funds which have arisen either as a result of general underspending against the revenue budget or as a result of decisions to transfer revenue resources to the General Fund reserve. This reserve contains resources which could be used to fund any future unforeseen and unbudgeted significant expenditure.

2009/10 £000's		2010/11 £000's
3,500	**Balance at 1 April**	**4,363**
863	Transfers into General Fund Reserve	1,161
4,363	**Balance at 31 March**	**5,524**

Earmarked Reserves

Earmarked Reserves contain resources set aside for specific purposes such as future projects. The reserves are created by appropriating amounts out of the General Fund Balance (shown in the Movement in Reserves Statement). When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

2009/10 £000's		2010/11 £000's
3,422	**Balance at 1 April**	**4,229**
(1,034)	Application of Earmarked Reserve to finance expenditure	(299)
1,841	Creation of / Addition to Earmarked Reserves	242
4,229	**Balance at 31 March**	**4,172**

Capital Receipts Reserve

The Capital Receipts Reserve holds resources arising from capital receipts in the year, which have not yet been applied to finance new capital expenditure or to repay debt.

2009/10 £000's		2010/11 £000's
0	**Balance at 1 April**	**0**
10	Capital Receipts in Year	25
(10)	Capital Receipts Applied in Year to finance Capital Expenditure	0
0	**Balance at 31 March**	**25**

22. UNUSABLE RESERVES

1 April 2009 £000's	31 March 2010 £000's		31 March 2011 £000's
10,208	9,615	Capital Adjustment Account	12,687
4,956	7,128	Revaluation Reserve	8,736
(238,583)	(341,717)	Pensions Reserve	(322,457)
37	28	Financial Instruments Adjustment Account	19
140	92	Collection Fund Adjustment Account	58
(235)	(195)	Accumulated Absences Account	(149)
(223,477)	**(325,049)**	**Total Unusable Reserves**	**(301,106)**

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000's		2010/11 £000's
4,956	**Balance at 1 April**	**7,128**
3,716	Upward revaluation of assets	2,324
(1,368)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on Provision of Services	(492)
7,304	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on Provision of Services	**8,960**
(175)	Difference between fair value depreciation and historical cost depreciation	(224)
0	Accumulated gains on assets sold or scrapped	0
7,128	**Balance at 31 March**	**8,736**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.
The Account contains gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000's		2010/11 £000's
10,208	**Balance at 1 April**	**9,615**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(2,536)	- Charges for depreciation and impairment of non current assets	(3,002)
(55)	- Amortisation of intangible assets	(66)
(314)	- Revaluation losses on Property, Plant & Equipment	64
10	- Capital Receipts credited to the Comprehensive Income and Expenditure Statement as part of gains / losses on disposal of non current assets	0
(16)	- Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(16)
7,297		**6,594**
175	Adjusting amounts written out of the Revaluation Reserve	224
7,473	Net written out amount of the cost of non current assets consumed in the year	**6,818**
	Capital financing applied in the year	
738	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	946
1,070	- Statutory provision for the financing of capital investment charged against the General Fund balance	1,449
0	- Gain arising from the receipt of Donated assets credited to the Comprehensive Income and Expenditure Statement	866
335	- Capital expenditure charged against the General Fund balance	2,608
9,615	**Balance at 31 March**	**12,687**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
The Authority uses the Account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the income is posted back to the General Fund Balance

in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be fully credited to the General Fund by 2012/13.

2009/10 £000's		2010/11 £000's
37	**Balance at 1 April**	**28**
-9	Proportion of discounts received in previous financial years to be credited to the General Fund balance in accordance with statutory requirements	-9
28	**Balance at 31 March**	**19**

Pensions Reserve

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

2009/10 £000's		2010/11 £000's
(238,583)	**Balance at 1 April**	**(341,717)**
(92,170)	Actuarial gains or losses on pension assets and liabilities	9,390
(21,329)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(23)
10,365	Employers pension contributions and direct payments to pensioners payable in the year	9,893
(341,717)	**Balance at 31 March**	**(322,457)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the billing authorities.

2009/10 £000's		2010/11 £000's
140	**Balance at 1 April**	**92**

(48)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(35)
92	**Balance at 31 March**	**58**

Accumulated Absences Adjustment Account

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

2009/10 £000's		**2010/11 £000's**
(235)	**Balance at 1 April**	**(195)**
235	Cancellation of accrual made at the end of the preceding year	195
(195)	Amounts accrued at the end of the current year	(148)
40		47
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
(195)	**Balance at 31 March**	**(148)**

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of budget management reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

As the Authority is single-purpose, budget management reports provided to the Authority do not show expenditure and income in segments. Note 8 "Adjustments between Accounting basis and Funding Basis under Regulations" provides a reconciliation between the total Comprehensive Income and Expenditure and the amount of resource consumed by the Authority in accordance with statutory provisions.

24. ACQUIRED AND DISCONTINUED OPERATIONS

The Authority operated two areas of trading activity at the start of the financial year: Commercial Training and Fire Equipment Maintenance. The Commercial Training Unit was making a loss and a decision was made to cease the activity completely as it could not be made viable at the current levels of investment. Fire Equipment Maintenance ceased to be a trading activity of the Authority on 31 August 2010 and the function was transferred to an arms length company on 1 September 2010. The Comprehensive Income and Expenditure Statement shows the Gross Expenditure, Gross Income and Net Surplus of £22k for the period up to 31 August 2011. In 2009/10, the same trading activities made a surplus of £9k for the whole year. Note 39 gives further information about the company's performance.

There are no outstanding liabilities relating to either of the discontinued trading activities.

25. TRADING OPERATIONS

The Authority ran two trading operations: Fire Extinguisher Maintenance and Commercial Training Unit. Both these units ceased trading on 31 August 2010 with Fire Extinguisher Maintenance activity transferring to Nottinghamshire Fire & Rescue Service (Trading) Ltd on 1 September 2010. As at 31 August 2010, after support service charge allocations under the Best Value Accounting Code of Practice, the financial results for the two trading operations were as follows:

	Income 2010/11	**Expenditure 2010/11**	**Surplus (-) / Deficit 2010/11**	**Surplus (-) / Deficit 2009/10**
	£000	£000	£000	£000
Fire Extinguisher Maintenance	(159)	117	(42)	(53)
Commercial Training Unit	(17)	37	20	44
Total	(176)	154	(22)	(9)

26. POOLED BUDGETS

The Authority has a pooled budget arrangement with the Local Resilience Forum, which is a multi-agency project for planning and coordinating response to major incidents. This forum involves various public bodies from the Nottinghamshire area including Health and Local Government Authorities. See Note 31 for transactions in the year.

The Authority has a pooled budget arrangement for the Multi-Agency Coordination Centre, which is a premise at which a coordinated response to major incidents can be managed. Various Nottinghamshire public bodies, including Local Government, Police and Health Authorities are parties to this arrangement. See Note 31 for transactions throughout the year.

27. MEMBERS ALLOWANCES

The Authority paid the following amounts to elected Members of the Authority during the year.

	2009/10 £000	**2010/11 £000**
Allowances	107	127
Expenses	7	10
	114	137

28. OFFICERS' REMUNERATION

Remuneration for the Authority's Senior Employees in 2010/11 was as follows:

Post Title	Salary (Including Fees and Allowances)	Expense Allowances (Travel, Car Allowance & Health)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Fire Officer (CFO)	140,365	52	**140,417**	29,722	**170,139**
Deputy Chief Fire Officer	114,786	52	**114,838**	24,574	**139,412**
Assistant Chief Fire Officer 2 (Secondment from 1/12/10)	104,798	52	**104,850**	22,292	**127,141**
Assistant Chief Fire Officer 1	104,761	52	**104,813**	22,292	**127,105**
Assistant Chief Officer	90,701	3,897	**94,598**	14,603	**109,201**
Area Manager 1	57,634	1,190	**58,824**	12,256	**71,080**
Area Manager 2	66,022	2,307	**68,329**	13,772	**82,101**
Area Manager 3 (resignation date 09/07/2010)	18,031	228	**18,259**	3,841	**22,100**
Area Manager 3 (start date 03/09/2010)	64,516	133	**64,649**	13,493	**78,142**
Area Manager 4	67,235	404	**67,639**	14,007	**81,646**
Area Manager 5	67,271	702	**67,973**	14,007	**81,980**
	896,120	9,069	**905,189**	184,857	**1,090,046**

Note: "Expense Allowances" shows taxable benefits, and employer's National Insurance contributions are excluded from the above table.

Remuneration for the Authority's Senior Employees in 2009/10 was as follows:

Post Title	Salary (Including Fees and Allowances)	Expense Allowances (Travel, Car Allowance & Health)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Chief Fire Officer	135,073	15,588	**150,661**	28,770	**179,431**
Deputy Chief Fire Officer	109,138	52	**109,190**	23,204	**132,394**
Assistant Chief Fire Officer 1	101,424	947	**102,371**	21,581	**123,952**
Assistant Chief Fire Officer 2	101,410	52	**101,462**	21,578	**123,040**
Assistant Chief Officer	93,622	3,897	**97,519**	15,073	**112,592**
Chief Fire Officer on Secondment	78,210	4,085	**82,295**	14,250	**96,545**
Area Manager 1	66,684	1,211	**67,895**	14,181	**82,076**
Area Manager 2 on Secondment	65,693	1,342	**67,035**	13,964	**80,999**
Area Manager 3	65,558	1,355	**66,913**	13,964	**80,877**
Area Manager 4	65,665	355	**66,019**	13,964	**79,983**
Area Manager 5	65,665	273	**65,938**	13,964	**79,902**
	948,141	29,157	**977,298**	194,492	**1,171,790**

Note: "Expense Allowances" shows taxable benefits, and employer's National Insurance contributions are excluded from the above table.

The table below shows the number of employees whose remuneration was £50,000 or more in bands of £5,000. Remuneration is defined as pay, expenses allowances chargeable to tax and the monetary value of any benefits such as a provided car but excludes employer pension contributions.

	2009/10	2010/11
£50,000 - £54,999	16	21
£55,000 - £59,999	10	10
£60,000 - £64,999	4	2
£65,000 - £69,999	5	4
£70,000 - £74,999		1
£75,000 - £79,999		
£80,000 - £84,999	1	
£85,000 - £89,999		
£90,000 - £94,999		1
£95,000 - £99,999	1	
£100,000 - 104,999	2	
£105,000 - £109,999	1	2
£110,000 - £114,999		1
£115,000 - £119,999		
£120,000 - £124,999		
£125,000 - £129,999		
£130,000 - £134,999		
£135,000 - £139,999		
£140,000 - £144,999		1
£145,000 - £149,999		
£150,000 - £154,999	1	
£155,000 - £159,999		
£160,000 - £169,999		
	41	43

29. <u>EXTERNAL AUDIT COSTS</u>

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections provided by the Authority's external auditor:

	2009/10 £000	2010/11 £000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	71	69
Fees payable to Audit Commission in respect of statutory inspections		1
	71	70

30. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Credited to Services		
New Burdens	122	93
Firelink Grant	0	101
Resilience Crewing and Training	46	124
Donations for Community Safety	1	0
Enhanced Command Support Grant	177	0
Week of Action Grant	2	10
Migration Impact Fund	35	0
Gain related to Donated Assets	0	866
DCLG Capital Fire Grant 2009/10	738	0
DCLG Capital Fire Grant 2010/11	0	946
	1,121	**2,140**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances held within Creditors at the year end are as follows:

	31 March 2011 £000
Revenue Grant Income in Advance	
Local Resillience Forum	10
Multi Agency Coordination on Centre	21
	31

31. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers 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.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a large portion of the funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grant received from Central Government are shown in Note 30.

Members

Members of the Authority have direct control over the council's financial and operating policies. The Authority is made up of 12 members from Nottinghamshire County Council and 6 members from Nottingham City Council. During 2010/11 the following transactions were entered into between the Authority and Nottinghamshire County Council: expenditure of £1,250k and income of £39k. During 2010/11 the following transaction were entered into between the Authority and Nottingham City Council, expenditure £167k and income £32k. Three members are Directors of Nottinghamshire Fire & Rescue Service (Trading) Ltd and two members are Directors of East Midlands Fire and Rescue Control Centre Limited (see Entities Controlled or Significantly Influenced by the Authority).

Officers

During 2010/11 no officers had an interest in an organisation that would have a potential to control or influence the Authority, or be controlled or influenced by the Authority. This excludes Nottinghamshire Fire & Rescue Service (Trading) Limited (see Entities Controlled or Significantly Influenced by the Authority).

Other Public Bodies

The Authority has a pooled budget arrangement with the Local Resilience Forum. This is a multi agency project for planning and coordinating response to major incidents. This project has been planned to run over several accounting years. The opening balance at the start of 2010/11 was £10k and in this year there was expenditure of £0.1k and income of £0.5k leaving a balance at 31 March 2011 of £10k.,

Multi Agency Coordination Centre is the location to enable a coordinated response to major incidents and involves various Nottinghamshire public bodies, including Local Government, Police and Health Authorities. This project has been planned to run over several accounting years. The opening balance at the start of 2010/11 was £21k, and in this year there was expenditure of £25k and income of £25k leaving a balance as at 31st March 2011 of £21k.

Entities Controlled or Significantly Influenced by the Authority.

The Authority is the sole shareholder of Nottinghamshire Fire & Rescue Service (Trading) Ltd, 2 officers and 3 members forming the Board of Directors. During 2010/11 the following transactions were entered into between the Authority and the company, expenditure of £21k and income of £47k (£18k was unpaid and 5k was owed at 31 March 2011). The Authority provided a loan of £55k to the company on the commencement of trading on 1 September 2010. The loan is a revolving credit facility allowing the company to draw down up to a maximum of £100k and decrease to nil at any time. Interest is charged at 15 basis points above the Bank of England bank rate, a rate negotiated at arm's length. Note 39 provides more details regarding the company's transactions for the year 2010/11.

The Authority has an interest in East Midlands Fire and Rescue Control Centre Limited, with two of the ten Directors being elected members of the Authority. During 2010/11 the following transactions were entered into between the Authority and the company, relating to the reimbursement of the cost of Authority staff of £34k. The Authority has no financial investment in the company and has received no dividends. Note 39 provides more details regards East Midlands Fire and Rescue Control Centre Limited for the year 2010/11

The Authority has members and senior officers who serve on the Regional Management Board. The Regional Management Board includes also include Lincolnshire, Northamptonshire, Leicestershire and Derbyshire Fire Services. For the year 2010/11 the following contributions were made towards regional costs of £111k and reimbursements of £69k were received for regional costs.

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2009/10 £000's	2010/11 £000's
Opening Capital Financing Requirement	**24,170**	**28,056**
Capital Investment		
- Property, Plant and Equipment (Operational)	4,300	5,704
- Property, Plant and Equipment (Non Operational)	1,652	1,036
- Intangible Assets	87	26
Sources of Finance		
- Capital Receipts	(10)	0
- Government Grants and Other Contributions	(738)	(946)
- Assets donated for nil consideration	0	(866)
- Sums set aside from Revenue		
- Direct revenue contributions	(335)	(2,608)
- Minimum Revenue Provision	(1,070)	(1,449)
Closing Capital Financing Requirement	**28,056**	**28,953**
Explanation of Movements in Year		
Increase in underlying need to borrow (supported by government financial assistance)	1,130	897
Increase in underlying need to borrow (unsupported by government financial assistance)	2,756	0
Increase / Decrease in Capital Financing Requirement	**3,886**	**897**

33. LEASES

The Authority uses vehicles (fire appliances) financed under the terms of finance leases. The following values of assets are held under finance leases by the Authority, accounted for as part of Other Long Term Liabilities:

	31st March 2009 £000	31st March 2010 £000	31st March 2011 £000
Operational Vehicles	1,277	994	721
	1,277	**994**	**721**

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2011, accounted for as Deferred Liabilities within Long Term Liabilities.

	31st March 2009 £000	31st March 2010 £000	31st March 2011 £000
Not Later than One Year	298	273	238
Later than one year & not later than 5 Years	867	646	443
Later than five years	112	75	40
	1,277	**994**	**721**

34. TERMINATION BENEFITS

The Authority terminated the contracts of number of employees at the beginning of 2011/12, with the decision taken in 2010/11, incurring liabilities of £25k. The amount payable relates to 6 officers being made redundant from Fire Control after the cancellation of the Regional Control Centre project. This liability is being funded from the New Burdens Grant.

35. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment 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 three post employment 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 Authority also participates in the Firefighters' Compensation Scheme. 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 level of benefits payable is dependent on the salary, service and the degree of disablement of the member at the time the injury is incurred. Therefore the level of long term benefits payable can be both material and volatile. For this reason the Compensation Scheme is treated as an unfunded defined benefit scheme, and accounted for, under International Accounting Standard 19, in the same manner as for the Firefighters' Pension Schemes. The cost of the Compensation 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 Post Employment Benefits
The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

In his budget statement on 22 June 2010, the Chancellor of the Exchequer announced that public service pensions would increase in line with the consumer price index (CPI) rather than the retail price index (RPI). It is assumed that the CPI will increase at a slower rate than the RPI, and so pension increases and therefore pension liabilities will be lower. The effect of this change has been treated as a past service gain, and due to the material nature of the amounts involved it has been reported as an exceptional item on the face of the Comprehensive Income and Expenditure Account.

Nottinghamshire Fire & Rescue Service (Trading) Limited (the Company) was formed on 1 September 2010. It is a company limited by guarantee and is wholly owed by Nottinghamshire Fire and Rescue Service (the Service). Employees of the Service were transferred over to the new Company, and as a result the Service has no further legal or constructive obligations for the benefits provided to these formers employees under the Local Government Pension Scheme. The settlement of this obligation resulted in a capitalised net gain of £218k. This is included in the reported cost of services.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000s		**Firefighters' Pension Schemes (including the Compensation Scheme) £000s**	
	2009/10	**2010/11**	**2009/10**	**2010/11**
Comprehensive Income & Expenditure Statement				
Cost of Services:				
current service cost	417	1,291	4,175	7,069
past service gain	0	(2,188)	0	(25,053)
settlements	0	(218)	0	0
Financing and Investment Income and Expenditure				
interest cost	1,105	1,418	16,269	18,706
expected return on scheme assets	(637)	(1,002)	n/a	n/a
Total Post Employment Benefit Charged to Surplus of Deficit on the Provision of Services	885	(699)	20,444	722

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
actuarial (gains) and losses	5,697	(4,624)	86,473	(4,766)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	6,582	(5,323)	106,917	(4,044)
Movement in Reserves Statement				
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(885)	699	(20,444)	(722)
actual amount charged against the General Fund Balance for pensions in the year (employers' contributions re LGPS/retirement benefits re FPS):	794	825	9,571	9,068

Further Analysis of Firefighters' Pension Schemes:

	Firefighters' Pension Scheme 1992 £000s		**Firefighters' Pension Scheme 2006 £000s**		**Firefighters' Compensation Scheme £000s**	
	2009/10	**2010/11**	**2009/10**	**2010/11**	**2009/10**	**2010/11**
Comprehensive Income & Expenditure Statement						
Cost of Services:						
current service cost	3,193	5,081	488	1,290	494	698
past service cost	0	(23,388)	0	(551)	0	(1,114)
Financing and Investment Income and Expenditure						
interest cost	15,034	17,087	159	355	1,076	1,264
Total Post Employment Benefit Charged to Surplus of Deficit on the Provision of Services	18,227	(1,220)	647	1,094	1,570	848
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
actuarial (gains) and losses	78,133	3,162	2,435	(1,418)	5,905	(6,510)

Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	96,360	1,942	3,082	(324)	7,475	(5,662)
Movement in Reserves Statement						
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,227)	1,220	(647)	(1,094)	(1,570)	(848)
actual amount charged against the General Fund Balance for pensions in the year (retirement benefits re FPS):	9,400	9,159	(408)	(631)	579	540

Assets and Liabilities in Relation to Post Employment Benefits

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

	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	**2010/11**	**2009/10**	**2010/11**	**2009/10**	**2010/11**	**2009/10**	**2010/11**
Opening balance at 1 April	(16,249)	(26,198)	(214,852)	(301,812)	(1,786)	(5,276)	(15,202)	(22,098)
Current service cost	(417)	(1,291)	(3,193)	(5,081)	(488)	(1,290)	(494)	(698)
Interest cost	(1,105)	(1,418)	(15,034)	(17,087)	(159)	(355)	(1,076)	(1,264)
Contributions by scheme participants	(316)	(330)	(1,647)	(1,595)	(351)	(411)	0	0
Actuarial gains/(losses)	(8,346)	3,892	(78,133)	(3,162)	(2,435)	1,418	(5,905)	6,510
Benefits paid (net of transfers in)	215	392	11,047	10,754	(57)	(220)	579	540
Past service gains	0	2,188	0	23,388	0	551	0	1,114
Settlements	0	551	0	0	0	0	0	0
Unfunded pension payments (LGPS only)	20	20	n/a	n/a	n/a	n/a	n/a	n/a
Closing balance at 31 March	(26,198)	(22,194)	(301,812)	(294,595)	(5,276)	(5,583)	(22,098)	(15,896)

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

	Local Government Pension Scheme £000's	
	2009/10	**2010/11**
Opening balance 1 April	9,506	13,667
Expected return on scheme assets	637	1,002
Actuarial gains/(losses)	2,649	732
Employer contributions (including unfunded benefits)	774	805
Contributions paid by scheme participants	316	330
Estimated benefits paid (including unfunded benefits)	(215)	(392)
Settlements	0	(333)
Closing balance at 31 March	13,667	15,811

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. 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.

The actuarial gains relating to scheme assets represent "experience gains" arising from the difference between the expected returns and the actual returns on assets, plus any adjustments to assets valuations arising from differences in the valuation basis used. In 2010/11 a gain of £567k arose because the asset values used in the actuarial calculations were based on the triennial valuation of assets, whereas in 2009/10 the assets values used were based on a roll forward of the previous year's figures.

The actual return on the scheme assets in the year was £1,169k, compared with £3,286k in the previous year.

Scheme History

	2006/07	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Present value of Liabilities:					
Local Government Pension Scheme	(15,524)	(18,744)	(16,249)	(26,198)	(22,194)
Firefighters' Pension Scheme 1992	-	(258,596)	(214,852)	(301,812)	(294,595)
Firefighters' Pension Scheme 2006	-	(1,464)	(1,786)	(5,276)	(5,583)
Firefighters' Compensation Scheme	-	(18,231)	(15,202)	(22,098)	(15,896)
Firefighters' Schemes Total (prior to 07/08)*	(242,579)	-	-	-	-
Fair value of assets in the Local Government Pension Scheme	10,185	11,261	9,506	13,667	15,811
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(5,339)	(7,483)	(6,743)	(12,531)	(6,383)
Firefighters' Pension Scheme 1992	-	(258,596)	(214,852)	(301,812)	(294,595)
Firefighters' Pension Scheme 2006	-	(1,464)	(1,786)	(5,276)	(5,583)
Firefighters' Compensation Scheme	-	(18,231)	(15,202)	(22,098)	(15,896)
Firefighters' Schemes Total (prior to 07/08)*	(242,579)	-	-	-	-
Total Surplus / (Deficit)	**(247,918)**	**(285,774)**	**(238,583)**	**(341,717)**	**(322,457)**

* Directly comparative figures for the financial year 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 post employment (retirement) benefits. The total liability of £322m 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 (i.e. before payments fall due), as assessed by the scheme actuary. The figures in the above table represent the Fire Authority's share of the liabilities in the Nottinghamshire 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 2010/11 was £566k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2012 is £815k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £9.1m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 independent firms of actuaries. The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' Schemes were carried out on 31 March 2010 and 31 March 2011 respectively. The Actuaries dealing with the Firefighters' Schemes have based their calculations of the schemes' liabilities on full member calculations. The Actuaries dealing with the Local Government Scheme have adopted the roll-forward approach in updating the net liability figure as at 31 March 2011. This approach takes into account the cash flows paid into and out of each scheme before taking into consideration any changes in the financial assumptions since 31 March 2010.

The principal assumptions used by the actuaries in their calculations were:

	Local Government Pension Scheme		**Firefighters' Schemes 1992 and 2006**		**Firefighters' Compensation Scheme**	
	2010/11	**2009/10**	**2010/11**	**2009/10**	**2010/11**	**2009/10**
Long-term expected rate of return on assets in the scheme:						
Equity investments		7.4%	-	-	-	-
Gilts		4.5%	-	-	-	-
Other Bonds		5.5%	-	-	-	-
Other		6.4%	-	-	-	-
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):						

• men	18.5	20.3	26.8	25.1	24.3	20.7
• women	22.6	23.9	29.1	28.9	26.4	24.4
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):						
• men	20.5	21.2	28.4	26.1	25.8	21.5
• women	24.5	24.9	30.7	29.9	28.0	25.2
Rate of inflation (RPI)	3.5%	3.9%	3.5%	3.5%	3.5%	3.5%
Rate of inflation (CPI)	2.7%	n/a	3.0%	n/a	3.0%	n/a
Rate of increase in salaries	5.0%	5.4%	4.5%	5.0%	4.5%	5.0%
Rate of increase in pensions	2.7%	3.9%	3.0%	3.5%	3.0%	3.5%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.7%	5.5%	5.7%

Assumptions regarding members’ decisions to exchange their commutable pension for a cash lump sum at retirement:	
LGPS	**2009/10**: it was assumed that 50% of retiring members will opt to increase their lump sums to the maximum allowed. **2010/11**: it is assumed that retiring members will exchange half of their commutable pension for a cash lump sum at retirement.
FF Schemes 1992 and 2006	**2009/10**: it was assumed that members of the 1992 and 2006 Firefighters’ Pension Schemes would not exchange any of their accrued pension for a lump sum at retirement. **2010/11**: it is assumed that 50% of retiring members of the 1992 and 2006 Firefighters’ Pension Schemes will commute up to the maximum amount possible.
FF Compensation Scheme	**2009/10**: it was assumed that no members of the Compensation Scheme would exchange their pension benefits for a lump sum at retirement. **2010/11**: it is assumed that no members of the Compensation Scheme would exchange their pension benefits for a lump sum at retirement.

The assumptions set out above are long term assumptions. They do not allow for short term effects, for example the pay growth assumption does not explicitly allow for any short term public sector pay adjustment. 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 following table shows the impact of a small change in the discount rate on the pension liabilities:

Local Government Pension Scheme:	Adjustment to discount rate	+0.1%	0.0%	-0.1%
	Present value of pension liability	£21,605k	£22,194k	£22,800k
FF Scheme 1992:	Adjustment to discount rate	+0.25%	0.0%	
	Present value of pension liability	£281,975k	£294,595k	

FF Scheme 2006:	Adjustment to discount rate	+0.25%	0.0%
	Present value of pension liability	£5,086k	£5,583k
FF Compensation Scheme	Adjustment to discount rate	+0.25%	0.0%
	Present value of pension liability	£15,241k	£15,896k

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:

	2010/11	**2009/10**
Equity investments	73%	68%
Gilts	7%	9%
Other Bonds	4%	6%
Other assets	16%	17%
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	**2006/07 (31 March 2007)**	**2007/08 (31 March 2008)**	**2008/09 (31 March 2009)**	**2009/10 (31 March 2010)**	**2010/11 (31 March 2011)**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	2.0	(4.9)	(30.2)	19.0	4.6%
Experience gains and losses on liabilities	0.0	(2.6)	0.0	0.0	-7.2%

Firefighters' Pension Schemes and Compensation Scheme	Firefighters' Pension Scheme 1992				Firefighters' Pension Scheme 2006				Firefighters' Compensation Scheme			
	2007/08 (31 March 2008)	2008/09 (31 March 2009)	2009/10 (31 March 2010)	2010/11 (31 March 2011)	2007/08 (31 March 2008)	2008/09 (31 March 2009)	2009/10 (31 March 2010)	2010/11 (31 March 2011)	2007/08 (31 March 2008)	2008/09 (31 March 2009)	2009/10 (31 March 2010)	2010/11 (31 March 2011)
	%	%	%	%	%	%	%	%	%	%	%	%
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	n/a	n/a	n/a
Experience gains and losses on liabilities	(2.8)	0	0	0.3%	5.7	0	0	17.7%	(0.7)	0	0	53.6%

Directly comparative figures for the financial year 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. The combined figures for 2006/07 are as follows:

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

36. <u>CONTINGENT LIABILITIES</u>

There are three ongoing employment tribunal cases, which may result in payment of compensation. An estimate of the possible financial effects of these contingent liabilities are not disclosed as this might prejudice the Authority's position regarding the claims.

The Authority holds Dunkirk Fire Station as an asset which is surplus to current requirements and the contract for the sale of which is the subject of litigation in the High Court. This litigation carried on into 2011/12 but it is possible that there may be settlement before the case is due to be continued in October 2011. The Authority is exposed to some measure of financial risk as a result of this case be that in terms of a settlement or other eventual outcome, which creates a contingent liability. The financial impact of this contingent liability is difficult to estimate and no further detail is given as this might prejudice the Authority's position in the case.

37. <u>CONTINGENT ASSETS</u>

The legal case in relation to Dunkirk Fire Station, as outlined in note 36, is ongoing and it is possible that the Authority may win the case and be awarded compensation. As above, the possible financial effect is not disclosed.

38. <u>NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS</u>

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
- Re-financing risk – the possibility that the Authority may be required to renew a financial instrument on maturity at less advantageous interest rates or terms
- 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 Fire Authority each year. Prudential and treasury indicators are approved annually in advance and are monitored throughout the year. In this way, the risks are actively managed.

The annual treasury management strategy for 2010/11 was approved by the Authority on 28 May 2010. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £36.0m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £32.7m. This is the expected maximum level of debt and other long term liabilities during the year.

- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.

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 minimum independent credit ratings from Fitch, Moodys and Standards and Poor, which are overlaid by credit outlooks, credit default swap spreads and sovereign ratings to give an overall rating for each counterparty which indicates a maximum term for investments. The annual investment strategy also considers maximum amounts to be deposited with any one institution. The Authority is advised of ratings changes by Sector and the list is updated accordingly on an ongoing basis.

The Authority's maximum exposure to credit risk in relation to its investments with banks and other local authorities cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments and there was no evidence at 31 March 2011 that any of the Authority's deposits might not be repaid.

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 5 years in terms of debtors. There were five deposits as at 31 March 2011 showing on the Balance Sheet and all of these were repaid to the Authority before the date this Statement of Accounts was authorised for issue.

	Amount at 31 March 2011	**Estimated Maximum Exposure to Credit Risk**	**Historical Experience of Default**
	£000s	**£000s**	
Deposits with Banks and Financial Institutions	7,000	0	0%
Customers	221	0	0.17%
Total	**7,221**	**0**	

Of the £221k shown in the above table as due from customers, £33k was not yet due for payment as at 31 March 2011 and £187k was past its due date for payment. The past due amount is analysed by age as follows:

	31/03/2010	**31/03/2011**
	£000s	**£000s**
Less than 1 month overdue	19	149
1 to 2 months overdue	23	20
2 to 5 months overdue	5	10
More than 5 months overdue	4	8
Total	**51**	**187**

Liquidity Risk
The Authority manages its liquidity position through the risk management procedures outlined above (the setting and approval of prudential indicators and the approval of the treasury management strategy), as well as through cash flow management processes. This ensures that sufficient cash

balances are maintained to meet daily revenue requirements without recourse to borrowing other than short term borrowing to deal with temporary cash flow deficits.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow needs and is able to access borrowings from the Public Works Loan Board for longer term funds so there is no significant risk that it will be unable to raise funds in order to meet its commitments relating to financial liabilities.

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

Re-financing Risk
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 financial liabilities (principal sums only) is as follows:

	1 April 2009 £000s	**31 March 2010 £000s**	**31 March 2011 £000s**
Less than 1 year	0	55	58
Between 1 and 2 years	55	58	2,061
Between 2 and 5 years	5,183	7,192	5,203
Between 5 and 10 years	2,376	6,896	8,379
Between 10 and 15 years	199	1,612	3,058
Over 15 years	8,900	8,900	8,900
Total	**16,713**	**24,713**	**27,659**

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. A rise in fixed interest rates would have the following effects:
- For borrowings at fixed interest rates, the fair value of the borrowing would fall (but this would not impact upon revenue balances)
- For investments at fixed interest rates, the fair value of the assets will fall (but this would not impact upon revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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. In addition, the annual Treasury Management Strategy includes an expectation of interest rate movements, which can be taken into account when planning borrowing and investment activities and when determining whether fixed or variable rate instruments are appropriate. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Decrease in fair value of fixed rate investments	9
Decrease in fair value of fixed rate borrowings	2,398

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

39. INTERESTS IN COMPANIES

East Midlands Fire and Rescue Control Centre Limited
The Authority, together with Derbyshire, Leicestershire, Lincolnshire and Northamptonshire Fire and Rescue Authorities, owns East Midlands Fire & Rescue Control Centre Limited (trading as East Midlands Fire and Rescue Control Centre). The principal activity of the company was to provide a regional control centre to serve this Authority and the other four Fire and Rescue Authorities in the East Midlands region.

In December 2010 the Department for Communities and Local Government announced that after a further review, the Fire Control Project was to cease. Until this announcement the Company was continuing work to meet the May 2011 timeframe for the commencement of business operations as a Regional Control Centre (RCC).

Up until 1 January 2011 there were ten Directors of the company, who were all elected Members of the five Fire and Rescue Authorities in the region. The Authority held one fifth of the voting rights (represented by two out of the ten Directors). At the Board meeting on 10 January 2011 it was agreed to initiate the winding up of the company and saw the existing directors resigning and a new director structure being put in place.

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 March 2011.

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 & Rescue Control Centre Limited:

	01/01/2009 - 31/12/2009	**01/01/2010 - 31/03/2011**	**01/04/2010 - 31/03/2011**
	£000	£000	£000
Turnover	1,820	449	1,794
Profit on Ordinary Activities before Taxation	0	0	0
Profit on Ordinary Activities after Taxation	0	0	0

	01/01/2009 - 31/12/2009	**01/01/2010 - 31/03/2011**	**01/04/2010 - 31/03/2011**
Net Assets	0	0	0

The accounts of the company can be obtained from:

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

Please see Note 31 for the more information on the transactions between the Authority and East Midlands Fire and Rescue Control Centre Limited.

Nottinghamshire Fire and Rescue Service (Trading) Limited
The Authority is the sole shareholder in Nottinghamshire Fire & Rescue Service (Trading) Limited, the company commenced trading on the 1st September 2011. The principal activities of the company are fire extinguisher sales and maintenance.

The company has a board of Directors made up of 3 elected members and two Officers of the Authority. All the employees of the company were previous employees of the Authority and were all transferred to the company under TUPE.

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 31st March 2011

Key Financial Information for Nottinghamshire Fire & Rescue Service (Trading) Limited

	01/09/2010 - 31/03/2011
	£
Revenue	165
Profit before Taxation	721
Profit after Taxation	569

	01/09/2010 - 31/03/2011
	£
Net Assets	570

The accounts of the company can be obtained from:

Nottinghamshire Fire & Rescue Service (Trading) Limited
Bestwood Lodge
Arnold
Nottingham
NG5 8PD

Please see Note xx for the more information on the transactions between the Authority and Nottinghamshire Fire & Rescue Service (Trading) Limited.

PENSION STATEMENTS

PENSION FUND ACCOUNT

2009/10		2010/11
£000's		£000's
	Contributions Receivable	
	Fire Authority:	
(3,637)	Contributions in relation to pensionable pay	(3,622)
(207)	Other (Ill Health Retirements)	(76)
(1,999)	Firefighters' contributions	(2,012)
(5,843)	Total	(5,710)
	Transfers in from other authorities	
(224)	Individual transfers in from other schemes	(341)
	Other Income	
(416)	Central Government funding for special commutation payments	0
	Benefits Payable	
8,418	Pensions	8,639
2,414	Commutations and lump sum retirement benefits	2,157
54	Interest relating to special commutation payments	0
10,886	Total	10,796
	Payments to and on account of Leavers	
287	Transfers out to other authorities	41
4,690	**Net Amount payable for the year before top-up grant from Communities & Local Government**	4,786
(3,240)	**Top-up grant received from Communities & Local Government**	(3,460)
(1,450)	**Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government**	(1,326)
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 note 35.

2009/10		2010/11
£000's		£000's
	Current Assets	
11	Contributions due from employer	12
9	Contributions due from members	9
708	Prepaid Pensions	761
1,450	Pension top-up grant receivable from CLG	1,326
2,178	Total	2,108
	Current Liabilities	
(2,178)	Amount owing (to)/from General Fund	(2,108)
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

<u>General Principles</u>
The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

<u>Accruals</u>
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.

<u>Administration Costs</u>
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 Comprehensive Income and Expenditure Statement.

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 x 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

<u>Prepaid Pensions</u>
Retirement benefits are paid to members monthly in advance. The payments made in March 2011 relate to April 2011 and have been treated as prepayments.

<u>Transfers Between Pension Schemes</u>
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 2011, 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 2011, 4 transfers into the Firefighters' Pension Schemes with a provisional total value of £40.2k had been agreed but not settled, or were under negotiation.

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 2011 were still outstanding at 31 March 2011. 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 £1,326k. The difference between the grant payable and the cash deficit of £2,108k as at 31 March 2011 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.

Appendix B

Nottinghamshire Fire and Rescue Service (Trading) Ltd

Company Limited by Guarantee
Financial Statements

For The Year Ended 31st March 2011
Company Registration Number 7210383

Officers & Professional Advisors
Year Ended 31 March 2011

The Board of Directors

Name	Date of Appointment
Richard Heffer	01/09/2010
Ian Pritchard	01/09/2010
Sybil Fielding	01/09/2010
Alex Foster	01/09/2010
Tom Pettengell	01/09/2010

Company Secretary Richard Heffer

Business Address Nottinghamshire Fire & Rescue Service (Trading) Ltd

Bestwood Lodge
Arnold
Nottingham
Nottinghamshire
NG5 8PD

Registered Office Nottinghamshire Fire & Rescue Service (Trading) Ltd

Bestwood Lodge
Arnold
Nottingham
NG5 8PD

Directors Report

The directors present their report and the financial statements of the company for the year ended 31 Mar 2011, which represents 7 months of trading.

Introduction and Principal Activities

Nottinghamshire Fire and Rescue Service (Trading) Limited (the company) is limited by guarantee and wholly-owned by Nottinghamshire Fire and Rescue Service. The company was formed on 1st September 2010. The company is engaged in fire extinguisher sales and maintenance; and some fire safety training activities.

Business Review and Developments

The company has made an effective transition from being within Nottinghamshire Fire & Rescue Service into an 'arms length' trading company. The staff have adapted well to the change and are all working hard to increase the business.

The company over this reporting period has lost 22 contracts, mostly small businesses together with some Nottingham City Homes premises. However, we have gained 55 new customers which we hope to improve on in the coming months.

The company has expanded into the provision of fire safety training courses including e-learning, in the last 3 months of the reporting period and this has proved to be a growing area of revenue.

The new NFRS website has launched which has the company information available. Further, we are listed on the East Midlands Property Alliance for local authority work, NHS procurement site and the East Midlands schools and colleges.

Further, the services of the Nottinghamshire Fire and Rescue Service (Trading) Limited have been expanded to include fire alarm installation, maintenance, repair and fire alarm testing as part the services offered to new and existing customers in a marketing partnership with another commercial company.

The directors have assessed the key risk affecting the business to be the pressure on public sector spending. Thus the company is actively pursuing a policy of diversification of our customer base to gain and keep customers from SMEs through to larger public and private organisations.

Results

The profit for the year after taxation amounted to £569.

Financial risk management objectives and policies

All financial internal controls in place for Nottinghamshire Fire and Rescue Service have been incorporated into the financial procedures of Nottinghamshire Fire and Rescue Services (Trading) Ltd.

Political donations

The company has made no political donations

Charitable Donations

The company has made no charitable donations.

Summary of Director’s Responsibilities

The company operates under a board of five directors.

Director (Company) Richard Heffer – responsible for the duties usually associated with a Company Secretary.

Director (Finance) Ian Pritchard – responsible for the financial management and well-being of the company.

Directors (Risk & Governance) Sybil Fielding; Alex Foster; Tom Pettengell – responsible for seeking assurance that the company is operating legally and in the best interests of the parent and the community, a role similar to that of Non-Executive Director.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; and

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Comprehensive Income & Retained Earnings for the Year Ended 31st March 2011

	Notes	2011 £
Revenue		165,220
Operating Costs		
Staff Costs		(67,549)
Operating Costs		(53,754)
Administration Costs		
Staff Costs		(36,460)
Other Costs		(19,330)
Other Operating Income		12,797
Operating Profit		**925**
Interest Receivable & Similar Income		3
Interest Payable & Similar Charges		(207)
Profit Before Tax		**720**
Tax on Profit or (Loss) on Ordinary Activities		(151)
Profit or (Loss) for the Year		**569**
Retained Earnings at Start of Year		0
Dividends		0
Retained Earnings at End of Year		569

Statement of Financial Position at 31st March 2011

	Notes	2011 £	
Current Assets			
Cash and Cash Equivalents			39,455
Trade Receivables			55,407
Inventories			11,370
Total Assets			**106,232**
Current Liabilities – falling due within 1 year			50,663
Non Current Liabilities			
Loan			54,999
Total Liabilities			**(105,662)**
Total Assets less Current Liabilities			**570**
Equity			
Share Capital			1
Retained Earnings			569
Total Equity			**570**

Notes to Financial Statements

1.0 Accounting Policies

The financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards and the Companies Act 2006. The company started trading on the 1st September 2010 so no comparative figures are available.

2.0 Revenue

Revenue represents the value of goods and services supplied. Revenue is net of Value Added Tax and is recognised when significant risks and rewards of ownership have been transferred to the customer.

3.0 Non Current Assets

The company currently does not own any non current assets.

4.0 Pension Costs & Other Post Retirement Benefits

Pension benefits for employees are met by payments to the Local Government Pension Scheme (LGPS). Contributions are charged to the profit and loss account in the year they fall due.

5.0 Inventory

Inventory is valued at the lower of cost or net realisable value, with cost measured at Weighted Average Cost per an item after each acquisition takes place, the cost of the items remaining at the end of an accounting period is then calculated by using the most recently-computed weighted average cost per item.

6.0 Audit

For the year ending 31st March 2011 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

7.0 Directors Emoluments

The company directors did not receive any emoluments from the company.

8.0 Trade Receivables

All outstanding debts have been reviewed and there is no reason to believe that they can not be recovered.

8.0 Employee Information

	2011
Average monthly number of employees	6.8 FTE

	2011
Wages & Salaries	84,838
National Insurance Contributions	5,519
Pension Costs	13,652

9.0 Revenue

	2011
Fire Extinguisher Income	83,652
Fire Extinguisher Maintenance/Service Income	75,451
Training Income	6,116

10.0 Current Liabilities due within 1 year

	2011 **£**
Trade Payables	2,392
Sundry Creditors	32,728
Corporation Tax Payable	151
VAT	15,392

11.0 Interest Payable and Similar Charges

	2011 **£**
Interest payable on loan from Parent Company	207

12.0 Long Term Liabilities

	2011
Amounts due to Parent Undertaking	54,999

The loan from Nottinghamshire Fire and Rescue Service is a revolving credit facility. This facility allows the company to draw down up to a maximum of £100,000 and decrease to nil at any time.

13.0 Related Party Transactions

Since the commencement on the 1st September 2010 the company has entered into the following transactions with Nottinghamshire Fire and Rescue Service.

	2011 **£**
Sales	20,855
Purchases	46,738

Of theses amounts, £17,624 was owed to Nottinghamshire Fire and Rescue Service at 31st March 2011 and £5,480 was owed by Nottinghamshire Fire and Rescue Service. All these transactions took place at arms length and were incurred in the normal course of business.