NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

FINAL ACCOUNTS 2011/12

Report of the Treasurer to the Fire and Rescue Authority

Agenda Item No:

Date: 21 September 2012

Purpose of Report:

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

CONTACT OFFICER

Name :	Neil Timms Strategic Director of Finance, Resources & ICT
Tel :	0115 967 0880
Email :	neil.timms@notts-fire.gov.uk
Media Enquiries Contact :	Elisabeth Reeson (0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

1.1 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, 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 29th June 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 £1.598m subject to any accounting adjustments.

2. REPORT

Summary

2.1 The Authority set a revenue budget of £46.4m for 2011/12 and the year end position shows an underspend of £1.612m against this budget (a variance of 3.5%), which is £14k higher than the predicted underspend due to minor accounting adjustments. A detailed explanation of the main reasons for the variance is included within the Treasurer's Foreword in the Statement of Accounts at Appendix A.

2.2 During the year the Authority continued its strategy of achieving underspends and financing capital from revenue to reduce expenditure in future years. The table below shows the underspend and how this relates to the in year surplus of £1.594m.

	Budget 2011/12 £000's	**Actual 2011/12 £000's**	**Variance from Budget 2011/12 £000's**
Expenditure:			
Net expenditure	46,407	44,795	(1,612)
Financed By:			
Revenue Support Grant	5,344	5,344	0
Council Tax Freeze Grant	580	579	1
Precept from Constituent Authorities	23,193	23,177	16
National Non Domestic Rates	17,290	17,289	1
Net	**0**	**(1,594)**	**(1,594)**

Capital

2.3 The Capital Programme for 2011/12 was £4.35m, spending against this was £2.88m leaving an underspending of £1.47m. The Treasurer's Foreword in the Statement of Accounts includes a detailed analysis and explanation of this variance.

Reserves

2.4 The total balance of Earmarked Reserves at the end of the financial year was £3.8m. £250k of new Earmarked Reserves were created in the year to carry forward unspent grants or donations. During 2012/13 a full review of all Earmarked Reserves will be carried out with the aim of rationalising where necessary and ensuring the on-going requirement for the reserve.

Pensions

2.5 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 £340m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes which stands at £328m.

2.6 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.

Nottinghamshire Fire and Rescue Service (Trading) Ltd

2.7 Nottinghamshire Fire and Rescue Service (Trading) Limited is an arm's length trading company, established by the Authority, whose main activity is to sell fire extinguisher maintenance services to external customers. The financial statements for this company are appended as Appendix B. From 2011/12 the Authority's Statement of Accounts also includes Group Accounts which amalgamate the Fire Authority and Trading Company accounts to provide an overall picture of the Authority's financial activities and the resources employed in carrying out those activities as a group.

2.8 This is the Trading Company's first full year of trading and the declared profit after taxation is £49k, significant contributions have also 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. Members are requested to note the out turn.

2.9 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.

Annual Governance Statement

2.10 Members approved the Annual Governance Statement for 2011/12 at the Fire Authority meeting on 29 June 2012 prior to its inclusion within the Statement of Accounts. During the audit of the accounts, the Auditor identified six issues within the Annual Governance Statement, which required amending:

- i). The statement referred to the Audit Commissions inspectorate functions, these no longer exist so this has been removed;
- ii). The statement referred to the Audit Commissions annual review but as no review took place in 2011/12 this has been removed;
- iii). The Statement referred to the previous Account and Audit Regulations not the revised 2011 Regulations this has been amended;
- iv). A new paragraph (4.6.3) has been added to the Statement to confirm a system of internal control was in place and remained up to date;
- v). A new paragraph (4.6.4) has been added to refer to the proposed abolition of the Audit Commission;
- vi). A new paragraph has been added to confirm that the Authority's financial management arrangements conform to the relevant CIPFA statement.

These issues have been rectified in the Statement of Accounts, appended at Appendix A, and Members are requested to approve the amended Annual Governance Statement.

GENERAL RESERVES

2.11 The General Reserve for the Authority, following the addition of the 2011/12 surplus of £1.594m, stood at £7.119m at the 31st March 2012. This gives the Authority a sound financial position going forwards into budget process…

2.12 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. EQUALITIES IMPLICATIONS

An equality impact assessment has not been carried out because this is a report of the Authority's financial performance for the 2011/12 financial year rather than a new or amended policy.

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 2011/12, which is contained within the Statement of Accounts.

9.2 That Members approve the Statement of Accounts for 2011/12, as attached.

9.3 That Members note the financial results for the year by Nottinghamshire Fire and Rescue Service (Trading) Limited.

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

None.

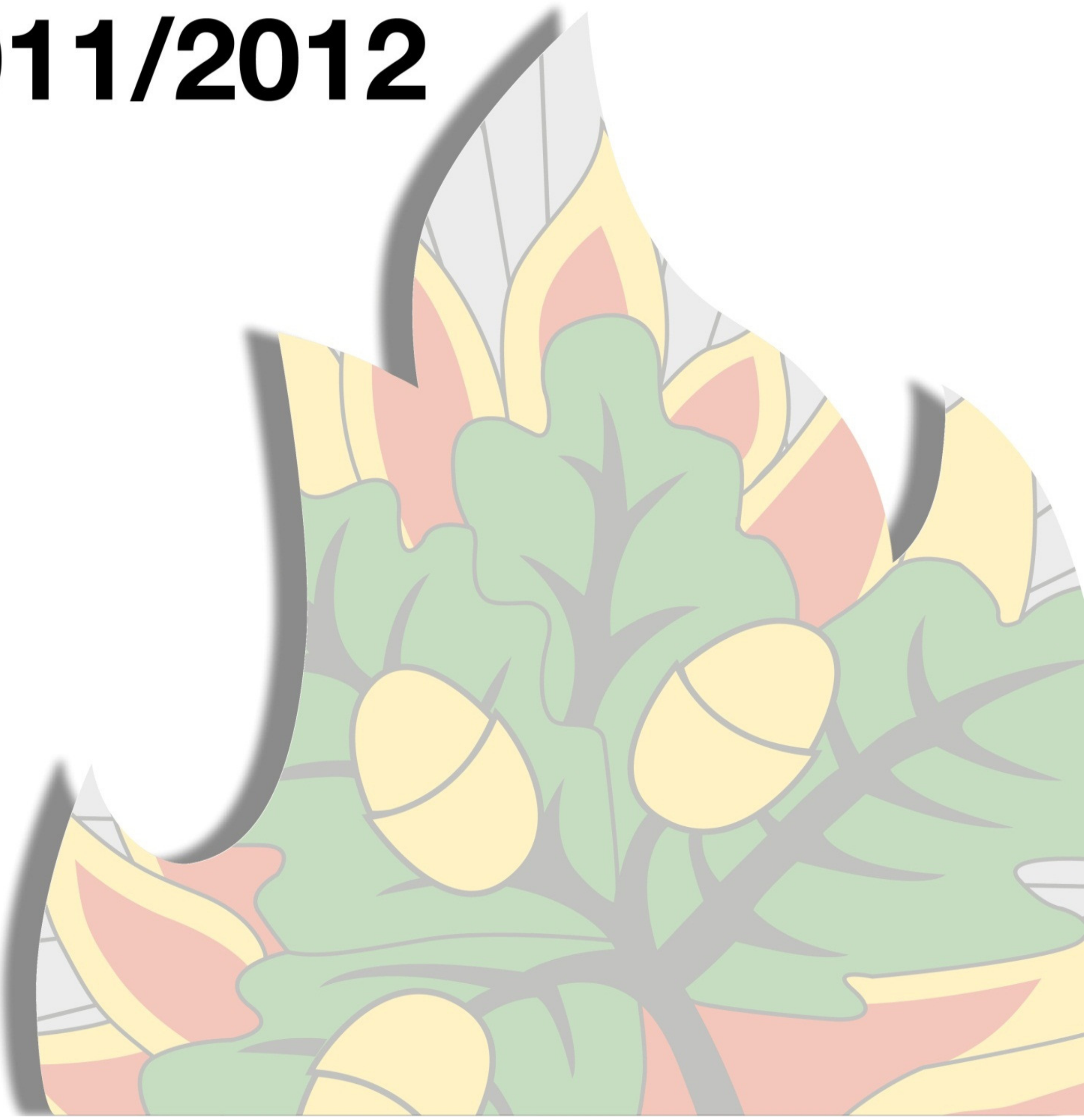
Peter Hurford
TREASURER TO THE FIRE AND RESCUE AUTHORITY

APPENDIX A

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham Fire Authority

Statement of Accounts 2011/2012



NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2011/12

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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 2011/12, which is published by 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’.

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 in place during the year. 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.

Group Accounts

The Authority is the sole shareholder in a subsidiary company, Nottinghamshire Fire and Rescue Service (Trading) Limited. This company commenced trading on 1 September 2010 and provides fire safety equipment, maintenance and training to local organisations. A set of consolidated financial statements for the Authority and its subsidiary company are included within this Statement of Accounts for the first time and comprise a Movement in Reserves Statement, a Comprehensive Income and Expenditure Statement, a Balance Sheet, a Cash Flow Statement and Notes.

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:

Revenue Income and Expenditure

Revenue expenditure describes the day to day costs of running the Authority and includes items such as employees' pay, running costs of buildings and vehicles and office expenses. The Authority set a revenue budget of £46.4m for 2011/12 and the position at the end of the year shows an underspend of £1,594k against this budget (a variance of 3.4%). The Movement in Reserves Statement shows the surplus 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.

The 2011/12 year was a challenging one financially, with the amount of grant funding from Central Government reduced, and further grant reductions expected in future years. As a result, budget reductions were planned and a series of initiatives began to be implemented during the year with the aim of reducing costs going forwards and preserving the Authority's strong, underlying financial position. These initiatives included the approval of a review of fire cover and a major restructure of departments. Both of these had potentially significant impacts on employees and this factor resulted in management imposing a freeze on permanent recruitment throughout the year whilst decisions were being made. This, in turn, caused significant underspends against both the pay budgets and also other employee-related budgets such as training, protective equipment, community safety, travel and subsistence.

The savings generated by these initiatives have been taken into account in the formulation of budgets for 2012/13 and subsequent years. The total revenue expenditure in the year of £44.8m, is in line with the budget levels expected over the next two years, thus demonstrating that the Authority is on target to achieve the necessary savings going forward.

	Budget 2011/12 £000	**Actual 2011/12 £000**	**Variance from Budget 2011/12 £000**
Expenditue:			
Net Expenditure	46,407	44,795	(1,612)
Financed By:			
Revenue Support Grant	(5,344)	(5,344)	0
Council Tax Freeze Grant	(580)	(579)	1
Precept from Constituent Authorities	(23,193)	(23,177)	16
National Non Domestic Rates	(17,290)	(17,289)	1
Net	**0**	**(1,594)**	**(1,594)**

Significant Variances

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

	Overspend £000	Underspend £000
Operational Employees - Wholetime		868
Operational Employees - Retained		82
Administrative and Support Employees		161
Catering Employees	69	
Staff Training		131
Redundancy Costs	130	
Premises Costs		106
Direct Transport Costs		400
Operational Equipment and Furniture		241
Supplies and Services		279
Communications and Computing		413
Other Expenses		494
Legal Fees and Third Party Payments	518	
Government Grants		349
Interest		113
Other Income		129
Contributions from Reserves	2,514	
Revenue Contributions to Capital		1,146
Other variances	87	
Total	**3,318**	**4,912**

Explanation of variances

Wholetime Operational Pay: underspent by £868k 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 £82k. This underspend would have been £230k but it was reduced because an increase was made to the provision for payment of compensation to employees following the national legal case regarding the treatment of part time workers. The underlying underspend has arisen due to the closure of three Retained sections arising from the Fire Cover review, which took place earlier than planned in the budget, plus vacancies in the establishment and some non-availability of cover during the year.

Administrative and Support Pay: underspent by £161k due to an under-establishment of staff throughout the year. This position was managed deliberately pending the organisational restructure and also to provide redeployment opportunities for potentially redundant employees.

Catering Staff Pay: overspent by £69k. This group of employees were made compulsorily redundant during the year, but their contracts were terminated later than had been planned for in the budget, thereby causing an overspend.

Staff Training: underspent by £131k, and this has been an indirect impact of the high levels of staff vacancies during the year.

Redundancy Costs: were unbudgeted, as an earmarked reserve was created to fund them. This earmarked reserve has been carried forward to fund voluntary redundancies in 2012/13 and the compulsory redundancies of catering staff and retained duty system employees has been funded by the overall underspend. The total cost of redundancies in 2011/12 was £130k.

Premises Costs: underspent by £106k in total. Much of this was due to reduced energy costs, resulting from the installation of automatic meter readers, leading to more accurate readings, and also from energy efficiency measures incorporated into refurbishments in recent years.

Direct Transport Costs: underspent by £400k. This included savings on fleet maintenance of £76k following the re-tendering of the contract, an underspend on vehicle insurance of £66k after a new insurance contract was negotiated, an underspend on leasing of £138k due to the delay in buying out a leasing contract for an Aerial Ladder Appliance, and underspends of £99k on travel expenditure mainly because of the under-establishment of staff.

Operational Equipment, Furniture and Materials: underspent by £241k. The high level of vacancies impacted on expenditure on Fire Prevention activities, an underspend of £71k, as well as on training equipment. Hydrant maintenance underspent by £50k – this budget is difficult to predict as expenditure is driven by the requirements of Severn Trent Water. An underspend of £93k arose on operational equipment, mainly due to improvements in budgetary control and other efforts to reduce costs.

Supplies and Services: underspent by £279k, comprising a number of areas. Expenditure on personal protective equipment was directly affected by the high number of vacancies within the wholetime establishment, underspending by £119k. Printing, stationery and office expenses underspent by £41k following re-tendering of the stationery contract and a drive to reduce costs and general insurances underspent by £50k following the re-tendering referred to above. Marketing and publicity underspent by £25k due to the early realisation of planned savings.

Communications and Computing: underspent by £413k. The contracts for computer software maintenance and non-contracted services have been either reviewed or renegotiated for 2012/13 and this has resulted in an underspend of £177k on computing contracts and ICT non-contracted services and £62k on communications contracts. In addition Firelink charges have underspent by £110k, because the budget assumed a higher level of cost than has actually been incurred. The budget for public consultation has underspent by £49k.

Other Expenses: underspent in total by £494k over four areas. The Regional Management Board (RMB) budget underspent by £106k following the disbanding of the RMB, with replacement arrangements being absorbed into underspends elsewhere within the budget. There were no calls upon the risk based budgeting contingency in the year, resulting in an underspend of £197k. Savings were identified in the year amounting to £131k – these have been taken as budget savings in 2012/13. Finally, the budget for the commissioning of partner organisations to deliver fire prevention initiatives underspent by £60k due to a lack of available staff resources to progress this area of work.

Legal Fees and Third Party Payments: overspent by £518k due to legal costs totalling £209k arising from the court case in respect of the sale of Dunkirk Fire Station . In addition a charge of £330k has been made to the revenue account in compliance with a High Court order in respect of this case.

Government Grants: a surplus of £349k. Grants totalling £221k were received in the year, which were not anticipated at budget time. These related to operational activity and will be spent in 2012/13. In addition, the DCLG grant for FireLink charges was higher than budgeted for.

Interest: a surplus of £113k mainly due to the revenue budget underspend and cash-backed reserves which have been invested.

Other Income: a surplus of £129k resulting from additional income of £78k received for the Princes Trust programme, a surplus of medical fee income of £17k and recovered costs of £8k.

Contributions from Reserves: this budget represented a planned contribution from general reserves to balance the budget, which was not actioned as the overall underspend on the revenue budget meant that the contribution was not required. This has manifested as an “overspend” against the income budget of £2,514k.

Revenue Contributions to Capital: was budgeted to be £2,514k, but the capital programme underspent and the amount of capital grant received to finance the capital programme was more than anticipated in the budget. The actual revenue contribution to capital was £1,368k, resulting in an underspend of £1,146k.

Capital Expenditure

Capital expenditure describes the purchasing, upgrading and improvement of Fire Authority assets. These assets are known as “fixed assets” and they provide a benefit to the Authority over a longer period of time than the current financial year. During the year, the following major fixed assets were acquired or upgraded (including assets under construction as at 31 March 2012):

	2011/12
	£000
Fire Appliances	1,796
Carlton Fire Station	104
Tuxford Fire Station	207
Edwinstowe Fire Station	55
Sustainable Energy Project	406
Business Continuity & Disaster Recovery	60
Finance and Procurement System	82
Replacement ICT Equipment	86

The Fire Authority had a Capital Programme for 2011/12, 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 £1.5m (budgets carried forward) from 2010/11:

	Capital Programme	**Actual**	**Variance from Budget**
	2011/12	**2011/12**	**2011/12**
	£000	**£000**	**£000**
Property Programme	1,257	804	(453)
Transport Programme	2,274	1,817	(457)
Equipment Programme	0	0	0
IT and Communications Programme	818	258	(560)
Net	**4,349**	**2,879**	**(1,470)**

Significant Variances

The Property programme underspent by £453k. During the year the projects to refurbish Tuxford Fire Station and to rebuild Carlton Fire Station were completed, as were most of the installations of photo-voltaic cell panels at various properties within the Service. The procurement element of the Blidworth Fire Station refurbishment commenced as did the project to convert Edwinstowe Fire Station to accommodate wholetime crews. The Tuxford Fire Station project overspent by £193k, due to problems which were unforeseen at the planning stage. Slippage into 2012/13 will be £652k and relates to the Blidworth Fire Station and sustainable energy projects.

The Transport programme underspent by £457k and this budget will be slipped forward to 2012/13 to fund appliances and special appliances (eight in number), which were still under construction at 31 March 2012, as well as light vehicles. The purchase of light vehicles was postponed whilst the Fire Cover Review outcomes were being determined.

The Information and Communications Technology programme also underspent. During the year the business continuity / disaster recovery and the regional finance system projects were completed, as was the upgrade to Office 2010. Other key projects such as the replacement HR system and the CFRMIS system upgrade were started in the year, and the annual equipment replacement programme went ahead as planned. Slippage into 2012/13 will be £560k to fund several key continuing projects.

Financing of Capital Expenditure

The Authority did not undertake any borrowing during the year, and repaid £28k of debt to the PWLB. The Authority's level of borrowing at the year end was £28m, with £2m of this held as investments and not yet applied to finance capital expenditure. This compares to net long term assets on the Balance Sheet valued at £51m. The capital financing requirement as at 31 March 2012 is £27m, which demonstrates that the current level of net borrowing is prudent.

During the year, capital expenditure was financed by a combination of capital receipts from 2010/11, government capital grant and revenue contributions.

Movements in Debtors and Creditors

There has been a small increase in debtors on the Balance Sheet of £34k. Within this, there were a number of items where the balance at year end changed significantly compared to the previous year. The main items were: a prepayment of £54k was created in relation to fuel balances held at 31 March 2012 for the first time; leasing pre-paid rentals totalled £64k less than at the last year end; the sales ledger debtors balance was £88k less this year than at 31 March 2011 and this was mainly due to an outstanding invoice last year for FiReControl employees funded by external grant; the balance of cash owed to the Pension Fund increased by £81k this year; the amount due from Her Majesty's Revenue and Customs increased by £40k between the two years.

Creditors increased by £990k from 2010/11 to 2011/12. The primary reasons for this were: the purchase ledger creditors balance at 31 March 2012 was £285k higher than in the previous year, including £127k for construction company invoices, £79k for leasing invoices and £94k relating to employer's pension contributions owed to Nottinghamshire County Council; there was an outstanding creditor at 31 March 2012 relating to the company installing sustainable energy measures totalling £365k; there was an accrual for redundancy payments of £70k this year; invoices totalling £108k relating to vehicle maintenance were under dispute at the end of this year; the accrual for the £330k out of court settlement amount referred to below.

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2012/13 and beyond. The effect of this will be that these earmarked reserves will support the 2012/13 budget and allow certain non-recurrent expenditure to take place.

Earmarked reserves have been funded from two sources – they either arise from grants or donations received which have not been spent by the end of the year or they are created from a revenue budget underspend. The earmarked reserves held by the Authority are shown in note 8.

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 £340m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £329m. The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is paid for 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

The legal case involving the Authority and Nottingham City Council vs. a property development company over the sale of Dunkirk Fire Station reached its conclusion during the year with an out of court settlement agreed. Nottingham City Council made a payment of compensation to the property development company including an amount on behalf of the Authority, which will be reimbursed to Nottingham City Council from the sale proceeds when Dunkirk Fire Station is sold. The Authority's share of the compensation was £330k and this sum has been accounted for in 2011/12 by way of an accrual because the liability existed as at 31 March 2012. It is proposed that Dunkirk Fire Station will now be marketed for sale by Nottingham City Council, which jointly owns the site with the Authority. As at 31 March 2012, the detailed plan to market and sell the site had not been finalised so the asset remains classified as a "surplus asset".

One of the Authority's properties was re-classified as an asset "held for sale" during the year i.e. the house adjacent to Carlton Fire Station.

The Authority finalised and approved the Fire Cover Review during the year and work started immediately thereafter to implement the changes arising from that review. Three retained duty sections were closed and the retained duty system employees from the three stations were either made redundant at the start of 2012/13 or redeployed into wholetime firefighter roles. The establishment of wholetime firefighter roles was reduced, although the reductions did not affect the numbers within the cohort of employees who attend operational incidents. The changes to the wholetime establishment will be achieved by natural wastage over the next three years. In April 2012, Edwinstowe Fire Station, which had previously been a retained station, became a wholetime station.

During 2011/12, the cooks based at fire stations were made redundant and the posts were deleted. Also during the year, work started on a restructure of the organisation which will not be complete until 2012/13. Non uniformed employees were invited to express an interest in voluntary redundancy towards the end of the financial year, with business cases drawn up and approved in 2012/13 for a number of posts to be deleted and employees made redundant.

Following the cessation of the national FiReControl project announced in December 2010, Fire Authorities were invited by DCLG to bid for capital grant funding to develop Control functions to meet future needs. The Authority submitted a collaborative bid with Leicestershire and Derbyshire Fire Authorities to develop a Tri-Service Control function which would significantly improve resilience, efficiency and security. The bid was successful and was awarded a £5.4m grant, of which the Authority's share was £1.8m. A Tri-Service team was set up towards the end of the year to start the project.

A review of the Authority's Fixed Asset Register was undertaken in the year and this revealed an error which had affected some of the accounting entries done in previous years. The impact of the error was that charges to the Comprehensive Income and Expenditure Statement had been overstated by £121k, the carrying value of non-current assets was understated by £121k and the Revaluation Reserve balance was understated by £171k. The error had not impacted upon the General Fund balance because impairments are reversed as an adjustment between accounting and funding basis. The values involved were not considered to be material, so the corrections were carried out in 2011/12, and not as a prior period adjustment.

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 and increased caution around investing surplus cash in Eurozone-based banks. There is no evidence that the economic climate is impacting on numbers of fire incidents, however community safety efforts continue to focus on areas of high risk including areas of deprivation.

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 contributed to the preparation of a reduced budget for 2012/13 and for the following two years. There remains a high level of uncertainty about the impact of the Government's Local Government Resource Review on future levels of funding for the Authority.

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 2012. 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.

Nottinghamshire Fire and Rescue Service (Trading) Limited

The Authority established an arm's-length trading company, which 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. In 2010/11, the company traded for seven months and its accounts were not consolidated with those of the Authority because the transactions and balances were not considered to be material. In 2011/12 it was concluded that although the financial position of the company was not material in terms of the overall financial position of the Authority, the consolidated financial performance and position of the two entities might be of interest to users of the accounts. Group accounts have therefore been prepared and are shown at the end of the Statement of Accounts. The separate accounts of Nottinghamshire Fire and Rescue Service (Trading) Limited will be available from Companies House.

Plans for 2012/13

Elected Members of the Fire Authority approved a council tax for 2012/13, which was the same as in 2011/12 and this decision enabled the Authority to benefit from a Government "Council Tax Freeze" grant. The revenue budget for 2012/13 is about the same size as it was in 2011/12, but it is part of a medium term plan to reduce the size of the budget over the following two years. The Authority faces uncertainty over the level of Central Government support beyond 2012/13 as a result of both the Comprehensive Spending Review and the Local Government Resource Review. The economic climate is likely to continue to be uncertain and the Authority's budget planning and financial forecasting will need to be agile and able to respond to external economic influences.

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 and to improve 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. Work will start on the next three year Community Safety Plan this year.

A major restructure of the organisation has been planned and will be implemented during the year, with completion expected by 1 August 2012. There will be a number of voluntary redundancies in the year, but some new posts have been created within the structure to enable the Authority to provide improved services, and these will be recruited to over the course of the year. The senior management team will reduce in size by one post. The recruitment of firefighter trainees, which was on hold whilst the Fire Cover review was in progress, will take place this year.

Two significant projects for the Authority are expected to make good progress in 2012/13 i.e. the Tri-Service Control project referred to above and the replacement Human Resources system project.

It is anticipated that over the course of next year, Fire Authorities will be informed of the outcome of the claim by Retained Duty System employees that they should have had access to the Firefighters' Pension Scheme 1992 between July 2000 and April 2006, and of the impact this will have on Authorities, if any. Further detail on this issue is outlined in notes 3 and 37.

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. Capital expenditure in 2012/13 will be financed mainly by a combination of 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 opinion and certificate. It presents a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 29 June 2012 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 STATEMENTS OF ACCOUNTS

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 21 September 2012.

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 the Authority has complied with the code and also meets the requirements of regulations 4(3) and 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, cultures 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 In addition to the Annual Governance Statement the Authority has a Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In this document, 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. A copy of the Code of Corporate Governance can be found on the Authority's website.

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 Members 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. The 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 Fire Authority.

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 continually 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 processes in place to enhance the internal control system that are reviewed as and when required:

- Treasury Management Strategy
- Procurement Strategy
- Scheme of Financial Management (Financial Principles, Financial Procedures and Financial Regulations)
- Scheme of Delegation
- Anti Fraud & Corruption Policy
- Whistleblowing Policy
- Complaints procedure
- Code of Corporate Governance

- Constitution
- Code of Conduct
- Equality and Diversity schemes
- Workplace 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 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

The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) as set out in the application note Delivering Good Governance in Local Government: Framework.

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. The latest fully revised Integrated Risk Management Plan for the period 2010-2013 was approved on 19th February 2010.

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 and Resources Committee
- The Performance Monitoring Committee
- The Human Resources Committee
- The Community Safety Committee
- The Standards Committee

In addition to the above there is also the Appointments Committee, the Personnel Committee and the Strategic Equalities Board.

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

4.3.2 During 2011/2012 the Authority undertook a complete review of Financial Regulations, Standing Orders and its scheme of delegation to ensure that these remain fit for purpose. In particular the financial regulations were amended to fully comply with CIPFAs latest recommendations and replaced with a Scheme of Financial Management which comprises Financial Principles, Financial Procedures and Financial Regulations.

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, had previously questioned whether the targets being set were challenging enough. As a result of this work targets are robustly challenged and revised annually.

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 has 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 approves 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 2010/11 and it is anticipated this will be repeated in 2011/12. A presentation by the ACO 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 2011/12, 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 actions plans, if relevant, to address any areas needing improvement. These reports were submitted to CFO, the ACO Director of 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.

4.5.2 The Annual Internal Audit Report to the Finance and Resources Committee concluded that:

> "from work carried out during the 2011/12 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management".

4.6 External Review

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

establishing the Authority's 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;

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

managing the Authority's 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 2010/2011 Annual Governance report and Annual Audit Letter. These documents reflect the Auditor's findings and conclusions from auditing the Statement of Accounts.

4.6.3 The system of Internal Control described above was in place for the whole of the 2011/2012 financial year and has remained so up to the date of the approval of these accounts.

4.6.4 The Audit Commission is facing a phased abolition, with the external audit function being removed from its role with effect from November 2012. In future, the Authority's accounts will still be subject to the same level of external review under the Audit Commission framework.

5.0 SIGNIFICANT ISSUES FOR GOVERNANCE

5.1 Noticable reductions in central government grant have meant that the Authority has had to make significant savings over the three year CSR period 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. This review was approved by Members and is now in the process of full implementation.

5.3 The Authority's prudent financial management, as shown in the MTFS, has allowed the impact of budget reductions to be phased. This will help to provide continuous stability during a period of immense transition.

5.4 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.

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

5.6 There are also a number of external factors which present financial risks to the Authority going forward. These need to be considered as part of the Strategic Risk assessment.

Signed ....

Cllr Darrell Pulk
CHAIRMAN

Signed ....

Frank Swann
Chief FIRE OFFICER

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

Opinion on the Authority and Firefighters' Pension Fund financial statements

I have audited the financial statements and the firefighters' pension fund financial statements of Nottinghamshire and City of Nottingham Fire and Rescue Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and the related notes. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Nottinghamshire and City of Nottingham Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which includes the financial statements and the firefighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority, Group and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Nottinghamshire and City of Nottingham Fire and Rescue Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended;

- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Nottinghamshire and City of Nottingham Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Nottinghamshire and City of Nottingham Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Cornett
District Auditor

Unit 10, Whitwick Business Centre, Whitwick Business Park, Stenson Road, Coalville LE67 4JP

Date

INTRODUCTION TO THE CORE STATEMENTS

Movement in Reserves Statement - Page 29

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can not 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.

Comprehensive Income and Expenditure Statement - Page 31

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.

Balance Sheet - Page 32

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' .

Cash Flow Statement - Page 33

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.

CORE ACCOUNTING STATEMENTS

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2010/11	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	**4,361**	**4,228**	**0**	**0**	**8,589**	**(325,048)**	**(316,459)**
Surplus or (deficit) on the provision of Services	13,851	0	0	0	**13,851**	0	**13,851**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	11,222	**11,222**
Total Comprehensive Income and Expenditure	**13,851**	**0**	**0**	**0**	**13,851**	**11,222**	**25,073**
Adjustment between accounting basis & funding basis under regulations (Note 7)	(12,745)	0	25	0	**(12,720)**	12,720	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,106**	**0**	**25**	**0**	**1,131**	**23,942**	**25,073**
Transfers to/from Earmarked Reserves (Note 8)	57	(57)	0	0	**0**	0	**0**
Increase/(Decrease) in 2010/11	**1,163**	**(57)**	**25**	**0**	**1,131**	**23,942**	**25,073**
Balance at 31 March 2011	**5,524**	**4,171**	**25**	**0**	**9,720**	**(301,106)**	**(291,386)**

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2011/12	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 carried forward	**5,524**	**4,171**	**25**	**0**	**9,720**	**(301,106)**	**(291,386)**
Surplus or (deficit) on the provision of Services	(7,886)	0	0	0	**(7,886)**	0	**(7,886)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(4,468)	**(4,468)**
Total Comprehensive Income and Expenditure	**(7,886)**	0	0	0	**(7,886)**	**(4,468)**	**(12,354)**
Adjustment between accounting basis & funding basis under regulations (Note 7)	9,070	0	(25)	1,800	**10,845**	(10,845)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,184**	**0**	**(25)**	**1,800**	**2,959**	**(15,313)**	**(12,354)**
Transfers to/from Earmarked Reserves (Note 8)	410	(410)	0	0	0	0	0
Increase/(Decrease) in 2011/12	**1,594**	**(410)**	**(25)**	**1,800**	**2,959**	**(15,313)**	**(12,354)**
Balance at 31 March 2012 carried forward	**7,118**	**3,761**	**0**	**1,800**	**12,679**	**(316,419)**	**(303,740)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11					2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
5,779	(410)	5,369	Community Safety		5,350	(515)	4,835
38,024	(936)	37,088	Firefighting and Rescue Operations		33,768	(239)	33,529
540	(222)	318	Fire Service Emergency Planning		400	(277)	123
(27,241)	0	(27,241)	Exceptional past service gains relating to changes to the calculation of pension increases	5/36	0	0	0
629	(26)	603	Corporate and Democratic Core		593	0	593
101	(218)	(117)	Non Distributed Costs		91	0	91
17,832	**(1,812)**	**16,020**	**Cost of Services**		**40,202**	**(1,031)**	**39,171**
16	(25)	(9)	Other Operating Expenditure	9	1	0	1
21,223	(1,064)	20,159	Financing and Investment Income and Expenditure	10	19,643	(1,253)	18,390
154	(176)	(22)	(Surplus) or Deficit on discontinued operations		0	0	0
0	(49,999)	(49,999)	Taxation and Non-Specific Grant Income	11	0	(49,676)	(49,676)
39,225	**(53,076)**	**(13,851)**	**Surplus (-) or Deficit on Provision of Services**		**59,846**	**(51,960)**	**7,886**
		(1,832)	(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets				(509)
		(9,390)	Actuarial (gains)/losses on Pension Assets/Liabilities				4,977
		(11,222)	**Other Comprehensive Income and Expenditure**				**4,468**
		(25,073)	**Total Comprehensive Income and Expenditure**				**12,354**

BALANCE SHEET

31 March 2011 £000		Notes	31 March 2012 £000
	Property, Plant & Equipment		
39,215	- Land and Buildings	12	39,220
8,847	- Vehicles, Plant and Equipment	12	7,571
1,599	- Assets Under Construction	12	3,366
643	Surplus Assets	12	749
150	Intangible Assets	13	122
50,454	**TOTAL LONG TERM ASSETS**		**51,028**
7,055	Short Term Investments	14	10,582
0	Assets Held For Sale	18	95
308	Inventories	15	350
4,294	Short Term Debtors	16	4,328
1,199	Cash and Cash Equivalents	17	3,218
12,856	**TOTAL CURRENT ASSETS**		**18,573**
(107)	Short Term Borrowings	14	(2,454)
(3,460)	Short Term Creditors	19	(4,450)
(260)	Short Term Provisions	20	(333)
(31)	Grants Receipts in Advance - Revenue	31	(41)
(3,858)	**TOTAL CURRENT LIABILITIES**		**(7,278)**
(60)	Long Term Provisions	20	(100)
(27,600)	Long Term Borrowing	14	(25,540)
	Other Long Term Liabilities		
(322,457)	- Pensions Liability	36	(339,939)
(721)	- Finance Leases	34	(483)
(350,838)	**TOTAL LONG TERM LIABILITIES**		**(366,062)**
(291,386)	**TOTAL NET ASSETS**		**(303,739)**
	Usable Reserves		
5,524	- General Fund Balance	21	7,119
4,171	- Earmarked Reserves	21	3,761
25	- Capital Receipts Reserve	21	0
0	- Capital Grants Unapplied	21	1,800
	Unusable Reserves		
12,672	- Capital Adjustment Account	22	14,963
8,751	- Revaluation Reserve	22	8,710
(322,457)	- Pension Reserve	22	(339,939)
19	- Financial Instruments Adjustment Account	22	10
57	- Collection Fund Adjustment Account	22	(2)
(148)	- Accumulated Absences Adjustment Account	22	(161)
(291,386)	**TOTAL RESERVES**		**(303,739)**

CASH FLOW STATEMENT

2010/11 £000		2011/12 £000
(13,851)	**Net (Surplus)/Deficit on the Provision of Services**	**7,886**
8,273	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(15,901)
922	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2,954
(4,656)	Net Cash Flows from Operating Activities (Note 23)	(5,061)
6,713	Investing Activities (Note 24)	2,733
(2,656)	Financing Activities (Note 25)	309
-599	Net Increase or Decrease in Cash and Cash Equivalents	-2,019
(600)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(1,199)
(1,199)	**Cash and Cash Equivalents at the End of the Reporting Period (Note 17)**	**(3,218)**

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 2011/12 financial year and its position at the year end of 31 March 2012. 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 2011/2012 (the Code) and the Service Reporting Code of Practice 2010/2011 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 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 Service Reporting Code of Practice 2010/2011, 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.

a) 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 Service Reporting Code of Practice (SeRCOP) 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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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 note 36 to the core financial statements.

Discretionary Benefits

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

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 2012. 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 subsequently carried at their amortised cost. The amortised cost will include any interest accrued and not received as at 31 March 2012. 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 Taxation and Non-Specific Grant Income within 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 owns a subsidiary company, Nottinghamshire Fire and Rescue Service (Trading) Limited, which commenced operations on 1 September 2010. The Authority is the sole owner of this company. The accounts of the company have been consolidated with those of the Authority, creating Group Accounts, which are shown within this Statement of Accounts. Single entity accounts have been prepared for both the Authority and for Nottinghamshire Fire and Rescue Service (Trading) Limited. The former are shown within this Statement of Accounts and the latter will be available from Companies House.

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)

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In, First Out (FIFO) costing formula.

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 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
>
> 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets, and where the costs are material.

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:

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. All buildings are revalued subsequent to major refurbishment works being completed.

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.

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.

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 and impairments 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.

Impairment

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 and support services 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).

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

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 previous 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. Any accumulated balance of gains in the Revaluation Reserve, relating to an asset which has been disposed of, are written out to the Capital Adjustment Account.

When an existing building is demolished and replaced with a new build, the existing building would be treated as a disposal, the new building being added to Assets Under Construction at cost and then moved to Operational Buildings and revalued at Fair Value from the date it becomes operational.

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:

Revenue Reserve

This reserve is the surplus of income over expenditure in the 2011/12 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 21.

Earmarked Reserve

This reserve contains funds built up to meet expected liabilities. The movement of this reserve is shown in note 8.

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.

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.

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.

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.

Accumulated Absences Adjustment Account

This reserve absorbs the differences that would otherwise arise on the General Fund balance from accruing for accumulated absences earned but not taken in the year.

Collection Fund Adjustment Account

This reserve 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 due to the General Fund from the billing authorities.

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

International Financial Reporting Standard (IFRS) 7: Financial Instruments - Disclosures has been amended and was issued in October 2010, but not yet adopted. The amendments to the Standard relate to risks in respect of transferred financial assets and are not applicable to this 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 2011/12 revenue budget is expected to reduce by approximately £2.5m (net) over the next two years. Reductions to the budget are expected to be higher than this figure, to allow for essential growth and inflation.

- The Authority has valued its Fire Stations at depreciated replacement cost, as there is no market based evidence of fair value due to the specialised nature of the assets.

- Retained Duty System employees are claiming, as part of a national legal action, that they should have been allowed to access the Firefighters' Pension Scheme 1992 between July 2000 and April 2006. There is a high level of uncertainty about what the Authority's liability will be in relation to pension contribution costs, if any, therefore no provision has been made but further detail is disclosed in note 37 Contingent Liabilities.

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 which 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 2012 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £51k for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and 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 pensions 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 36

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. 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	Income or Expense	2011/12 £000	2010/11 £000
Depreciation and Amortisation of Non-current Assets	Expense	2,926	3,069
Capital Grant	Income	(3,286)	(946)
Gain relating to Donated Assets	Income	0	(866)
Past Service Gains - LGPS and FFPS	Income	0	(27,241)

6. EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 29 June 2012. 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 2012, 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.

7. 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.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves			
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	(2,693)	0	0	2,693
Revaluation losses on Property Plant and Equipment	30	0	0	(30)
Amortisation of intangible assets	(56)	0	0	56
Capital Grants and contributions applied	1,486	0	0	(1,486)
Gain relating to 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 CIES	(1)	0	0	1
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,582	0	0	(1,582)
Capital expenditure charged against the General Fund balances	1,368	0	0	(1,368)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the CIES	1,800	0	(1,800)	0
Adjustments primarily involving the Capital Receipts Reserve:				
Capital Receipts during the year, not applied to the financing of capital expenditure during the year	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	25	0	(25)

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves			
Adjustment 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	(25,467)	0	0	25,467
Employers pension contributions and direct payments to pensioners payable in the year	12,962	0	0	(12,962)
Adjustment 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	(60)	0	0	60
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	(12)	0	0	12
Total Adjustments	**(9,070)**	**25**	**(1,800)**	**10,845**

2010/11	**Usable Reserves**			
	General Fund Balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
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 CIES	(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 Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the CIES	0	0	0	0
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
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	0

2010/11	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment 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	(23)	0	0	23
Employers pension contributions and direct payments to pensioners payable in the year	9,893	0	0	(9,893)
Adjustment 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 Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	46	0	0	(46)
Total Adjustments	**12,745**	**(25)**	**0**	**(12,720)**

8 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 either to meet General Fund expenditure in the year. or because the earmarked reserve was no longer required.

	Balance at 1 April 2010 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 March 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 March 2012 £000
Earmarked Reserves Funded by Grants:							
LPSA Reward Grant	**(533)**	0	82	**(451)**	55	0	**(396)**
Bendigo Project	**(9)**	0	0	**(9)**	0	0	**(9)**
Extrication Team	**(3)**	0	0	**(3)**	3	0	**0**
Fire Setters	**(28)**	0	0	**(28)**	0	0	**(28)**
SRB / CAP - Stockhill Community Safety	**(3)**	0	0	**(3)**	3	0	**0**
Arson Task Force	**(155)**	0	0	**(155)**	0	0	**(155)**
Road Traffic Awareness	**(1)**	0	0	**(1)**	0	0	**(1)**
Safe as Houses - Smoke Alarms	**(21)**	0	0	**(21)**	0	0	**(21)**
Community Fire Safety - Innovation Fund	**(30)**	0	0	**(30)**	0	0	**(30)**
Resilience Crewing and Training	**(73)**	0	(85)	**(158)**	0	0	**(158)**
Newark & Sherwood Community Safety Partnership	**(2)**	2	0	**0**	0	0	**0**
Gedling - P.C.T. (Primary CareTrust)	**(3)**	0	0	**(3)**	3	0	**0**
Thoresby Estate Charitable Trust	**(5)**	0	0	**(5)**	0	0	**(5)**
Fire Fighter 4 Life Course	**(2)**	0	0	**(2)**	2	0	**0**
Area 4 Committee	**(1)**	0	0	**(1)**	0	0	**(1)**
Donations for North Group Community Safety	**(1)**	0	0	**(1)**	0	0	**(1)**
Fire Prevention Grant	**(173)**	0	0	**(173)**	0	0	**(173)**
Vodafone Donation	**(3)**	0	0	**(3)**	1	0	**(2)**
Enhanced Command Support	**(181)**	41	0	**(140)**	0	0	**(140)**
CACFO Equal Opportunities	**(1)**	0	0	**(1)**	1	0	**0**
Migration Impacts Fund	**(32)**	16	0	**(16)**	0	0	**(16)**
Safe as Houses - Safety Equipment	**(3)**	0	0	**(3)**	0	0	**(3)**
New Burdens FiReControl	**(520)**	174	(93)	**(439)**	429	0	**(10)**
Fire Control New Project Research	**0**	0	0	**0**	0	(20)	**(20)**

	Balance at 1 April 2010 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 March 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 March 2012 £000
Earmarked Reserves Funded by Grants:							
Community Safety within Bassetlaw	**0**	0	0	**0**	0	(6)	**(6)**
Gedling Donation	**0**	0	0	**0**	0	(3)	**(3)**
New Risks Programme DCLG	**0**	0	0	**0**	0	(145)	**(145)**
Enhanced Logistical Support DCLG	**0**	0	0	**0**	0	(76)	**(76)**
SubTotal	**(1,783)**	**233**	**(96)**	**(1,646)**	**497**	**(250)**	**(1,399)**
Earmarked Reserves Created by Revenue:							
Pensions - Ill Health	**(230)**	0	(20)	**(250)**	0	0	**(250)**
Modernisation	**(95)**	0	95	**0**	0	0	**0**
Fire Safety	**(233)**	26	33	**(174)**	0	0	**(174)**
Princes Trust	**(95)**	10	(58)	**(143)**	56	(59)	**(146)**
Fire Protection	**(17)**	0	17	**0**	0	0	**0**
FiReControl / FireLink Transition	**(200)**	0	0	**(200)**	0	(250)	**(450)**
Implementation of IFRS & RFS	**(73)**	0	23	**(50)**	5	0	**(45)**
Training BCM & Values	**(13)**	0	0	**(13)**	0	0	**(13)**
Consultancy Mediation & Employee Survey	**(7)**	0	7	**0**	0	0	**0**
ICT Sharepoint/Internet/Intranet	**(97)**	0	0	**(97)**	0	0	**(97)**
Operational Equipment	**(150)**	0	20	**(130)**	85	0	**(45)**
Station Remodelling	**(250)**	0	250	**0**	0	0	**0**
Estates Invest to Save	**(554)**	0	82	**(472)**	266	0	**(206)**
Fixed Asset System	**(19)**	0	19	**0**	0	0	**0**
PA Amplifiers for Stations	**(125)**	0	125	**0**	0	0	**0**
e-Recruitment	**(10)**	0	10	**0**	0	0	**0**
MIS Data Validation	**0**	0	(4)	**(4)**	5	0	**1**
AV Equipment	**(30)**	30	0	**0**	0	0	**0**
Equal Pay	**(50)**	0	0	**(50)**	30	0	**(20)**
Scania Flowmeters - SDC	**(10)**	0	0	**(10)**	3	0	**(7)**

	Balance at 1 April 2010 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 March 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 March 2012 £000
Earmarked Reserves Created by Revenue:							
Fire Cover Review Consultation etc	**(47)**	0	0	**(47)**	27	0	**(20)**
Equalities	**(10)**	0	10	**0**	0	0	**0**
Capital Reserve	**(130)**	0	(250)	**(380)**	0	0	**(380)**
UKRO Competition 2011/12	**0**	0	(5)	**(5)**	0	0	**(5)**
Organisational Transition - One-off Costs	**0**	0	(500)	**(500)**	0	0	**(500)**
Swan Project Ashfield	**0**	0	0	**0**	0	(5)	**(5)**
Subtotal	**(2,445)**	**66**	**(146)**	**(2,525)**	**477**	**(314)**	**(2,362)**
Total	**(4,228)**	**299**	**(242)**	**(4,171)**	**974**	**(564)**	**(3,761)**

9 OTHER OPERATING EXPENDITURE

2010/11 £000		2011/12 £000
(9)	(Gains)/Losses on the disposal of non-current assets	1
(9)	**Total**	**1**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £000		2011/12 £000
1,014	Interest payable and similar charges	1,086
85	Interest paid in relation to Finance Leases	73
19,122	Pensions interest cost and expected return on pensions assets	17,394
(62)	Interest receivable and similar income	(163)
20,159	**Total**	**18,390**

11 TAXATION AND NON-SPECIFIC GRANT INCOME

2010/11 £000		2011/12 £000
23,177	Council tax income	23,177
21,839	Non domestic rates	17,289
0	Council tax freeze grant	580
3,171	Non ringfenced government grants	5,344
1,812	Capital grants and contributions	3,286
49,999	**Total**	**49,676**

12 PROPERTY PLANT AND EQUIPMENT

Movements in 2011/12	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At April 2011	48,162	21,901	1,112	1,599	**72,774**
Additions	804	280	0	1,767	**2,851**
Donations	0	0	0	0	**0**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	389	0	0	0	**389**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	30	0	0	0	**30**
Derecognition - Disposals	0	(1)	0	0	**(1)**
Assets reclassified (to)/from Held for Sale	(95)	0	0	0	**(95)**
Assets reclassified (to)/from Surplus Assets	(148)	0	148	0	**0**
Correction of 2010/11 Impairments	106	0	15	0	**121**
At 31 March 2012	**49,248**	**22,180**	**1,275**	**3,366**	**76,069**
Accumulated Depreciation & Impairment					
At April 2011	(8,947)	(13,054)	(469)	0	**(22,470)**
Depreciation Charge	(1,081)	(1,555)	(57)	0	**(2,693)**
At 31 March 2012	**(10,028)**	**(14,609)**	**(526)**	**0**	**(25,163)**
Net Book Value					
at 31st March 2012	**39,220**	**7,571**	**749**	**3,366**	**50,906**
at 31st March 2011	**39,215**	**8,847**	**643**	**1,599**	**50,304**

Comparative Movements in 2010/11:	**Other Land and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
Cost or Valuation					
At April 2010	42,195	19,139	1,168	1,652	**64,154**
Additions	4,013	825	0	1,036	**5,874**
Donations	0	866	0	0	**866**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	2,325	(1)	0	0	**2,324**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(371)	0	(56)	0	**(427)**
Derecognition - Disposals	0	(17)	0	0	**(17)**
Assets reclassified (to)/from Assets under Construction	0	1,089	0	(1,089)	**0**
Other movements in Cost or Valuation	0	0	0	0	**0**
At 31 March 2011	**48,162**	**21,901**	**1,112**	**1,599**	**72,774**
Accumulated Depreciation & Impairment					
At April 2010	(7,656)	(11,401)	(410)	0	**(19,467)**
Depreciation Charge	(1,291)	(1,653)	(59)	0	**(3,003)**
At 31 March 2011	**(8,947)**	**(13,054)**	**(469)**	**0**	**(22,470)**
Net Book Value					
at 31st March 2011	**39,215**	**8,847**	**643**	**1,599**	**50,304**

Capital Commitments

At 31 March 2012 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £187k. Similar commitments at 31 March 2011 were £800.5k. The major commitments for 2012/13 are:

- Edwinstowe Fire Station Conversion £38k
- Replacement HR System £149k

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by the Valuation Office, the last valuation took place on the 31 March 2012, covering 7 properties and was carried out by John Murrary MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The basis for valuation for various types of property is given in Accounting Policies Note 1.

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

	Other Land & Buildings £000	Vehicles, Plant, Equipment £000	Surplus Assets £000	Total £000
Carried at Historical cost	0	7,571	0	**7,571**
Valued at Fair Value as at:				
31 March 2012	6,391	0	0	**6,391**
31 March 2011	20,689	0	676	**21,365**
31 March 2010	1,086	0	0	**1,086**
31 March 2009	10,458	0	0	**10,458**
31 March 2008	596	0	73	**669**
Total Cost or Valuation	**39,220**	**7,571**	**749**	**47,540**

13 INTANGIBLE ASSETS

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

The basis of valuation and amortisation of intangible assets is outlined in Accounting Policies Note 1.

	Software 2011/12 £000	Software 2010/11 £000
Balance at start of year:		
• Gross carrying amounts	335	309
• Accumulated amortisation	(185)	(119)
Net carrying amount at start of year	150	190
Purchases	29	26
Amortisation for the period	(57)	(66)
Net carrying amount at end of year	122	150
Comprising:		
• Gross Carrying Amounts	364	335
• Accumulated amortisation	(242)	(185)
	122	150

14 FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Investments				
Loans and Receivables	0	0	13,800	8,254
Total Investments	**0**	**0**	**13,800**	**8,254**
Debtors				
Loans and Receivables	0	0	3,704	3,533
Total Debtors	**0**	**0**	**3,704**	**3,533**
Borrowings				
Financial liabilities at amortised cost	(25,540)	(27,600)	(2,454)	(107)
Total Borrowings	**(25,540)**	**(27,600)**	**(2,454)**	**(107)**
Other Long-Term Liabilities				
Finance lease liabilities	(483)	(721)		
Total other long-term liabilities	**(483)**	**(721)**		
Creditors				
Financial liabilities at amortised cost	0	0	(4,096)	(3,172)
Total Creditors	**0**	**0**	**(4,096)**	**(3,172)**

Note: the figures for debtors and creditors in the above table include grant receipts in advance but exclude council tax debtors and creditors because council tax is a statutory debt not arising from a contract and therefore falls outside the scope of financial instruments. The table below provides a reconciliation between the figures in the above table and those on the Balance Sheet.

	31 March 2012 £000	31 March 2011 £000
Debtors		
Debtors - as shown on Balance Sheet	4,328	4,294
Less: Council tax debtors	(624)	(761)
Debtors Classified as Financial Instruments	**3,704**	**3,533**
Creditors		
Creditors - as shown on Balance Sheet	(4,450)	(3,460)
Less: Council tax prepayments / overpayments	395	319
Grant Receipts in Advance - as shown on Balance Sheet	(41)	(31)
Creditors Classified as Financial Instruments	**(4,096)**	**(3,172)**

Income, Expense, Gains and Losses

	2011/12			2010/11		
	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	1,086	0	**1,086**	1,014	0	**1,014**
Total expense in Surplus or Deficit on the Provision of Services	**1,086**	**0**	**1,086**	**1,014**	**0**	**1,014**
Interest Income	0	(163)	**(163)**	0	(62)	**(62)**
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)**	**(163)**	**(172)**	**(9)**	**(62)**	**(71)**
Net gain/(loss) for the year	**1,077**	**(163)**	**914**	**1,005**	**(62)**	**943**

Fair Values of Assets and Liabilities

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 £24,660k (£22,420k 2010/11). 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 March 2012		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities at amortised cost	(27,994)	(28,478)	(27,707)	(26,918)

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.

	31 March 2012		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	13,800	13,801	8,254	8,254

15 INVENTORIES

	Consumable Stores	
	31 March 2012	**31 March 2011**
	£000	**£000**
Balance Outstanding at start of year	**308**	**326**
Purchases	354	495
Recognised as an expense in year	(316)	(511)
Written off balances	4	9
Sale to NFRS (Trading) Limited	0	(11)
Balance outstanding at year end	**350**	**308**

16 DEBTORS

	31 March 2012	31 March 2011
	£000	**£000**
Central Government bodies	376	390
Other Local Authorities	1,715	2,075
NHS Bodies	1	1
Other entities and individuals	2,236	1,828
Total Short Term Debtors	**4,328**	**4,294**
Other Entities and Individuals	0	0
Long Term Debtors	**0**	**0**
Total	**4,328**	**4,294**

17 CASH AND CASH EQUIVALENTS

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

	31 March 2012	31 March 2011
	£000	**£000**
Cash held by the Authority	1	2
Bank Current Accounts	3,217	1,197
Total Cash and Cash Equivalents	**3,218**	**1,199**

18 ASSETS HELD FOR SALE

	Current		Non-Current	
	2011/12	**2010/11**	**2011/12**	**2010/11**
	£000	**£000**	**£000**	**£000**
Balance outstanding at start of year	**0**	**0**	**0**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	0	95	0
Balance outstanding at year-end	**0**	**0**	**95**	**0**

19 CREDITORS

	31 March 2012	31 March 2011
	£000	**£000**
Central Government bodies	(714)	(767)
Other local authorities	(1,155)	(1,051)
NHS Bodies	(10)	(10)
Public corporations and trading funds	0	(26)
Other entities and individuals	(2,571)	(1,606)
Short Term Creditors	**(4,450)**	**(3,460)**

20 PROVISIONS

	PROVISIONS			
	Long Term	Short Term		Total
	Insurances	Retained Duty System	Settlement Relating to Acting Up Payments	
	£000	£000	£000	£000
Balance at 1 April 2011	**(60)**	**(185)**	**(75)**	**(320)**
Additional provisions made in 2011/12	(74)	(148)	0	(222)
Amounts used in 2011/12	34	0	75	109
Unused amounts reversed in 2011/12	0	0	0	0
Balance at 31 March 2012	**(100)**	**(333)**	**0**	**(433)**

Insurances
Movement on the existing insurance provision is shown above. The provision has inreased by £40k 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 Favourable Treatment) Regulations”. A prudent estimate was made in 2009/10 and 2010/11 relating to the payment of compensation to Retained Duty System firefighters. During the year the value of the compensation to be paid increased, as did the number of former employees entitled to compensation. The provision was increased as a result.

Settlement Relating to Acting Up Payments
This provision was 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. The settlement was made in 2011/12.

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

	31 March 2012	31 March 2011
	£000	**£000**
General Fund	7,119	5,524
Earmarked Reserves	3,761	4,171
Capital Receipts Reserve	0	25
Capital Grants Unapplied	1,800	0
Total Unusable Reserves	**12,680**	**9,720**

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.

	31 March 2012	31 March 2011
	£000	**£000**
Balance at 1 April	**5,524**	**4,363**
Transfer into General Fund Reserve	1,595	1,161
Balance at 31 March	**7,119**	**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.

	31 March 2012	31 March 2011
	£000	**£000**
Balance at 1 April	**4,171**	**4,228**
Application of Earmarked Reserves to finance expenditure	(974)	(299)
Transfer from General Fund Reserve	564	242
Balance at 31 March	**3,761**	**4,171**

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.

	31 March 2012	31 March 2011
	£000	£000
Balance at 1 April	**25**	**0**
Capital Receipts in Year	0	25
Capital Receipts applied in year to finance capital	(25)	0
Balance at 31 March	**0**	**25**

Capital Grants Unapplied

The Capital Grants Unapplied Account holds capital grants received in the year, which have not yet been applied to finance new capital expenditure.

	31 March 2012	31 March 2011
	£000	£000
Balance at 1 April	**0**	**0**
Capital Grants received in Year	3,286	0
Capital Grants applied in year to finance capital	(1,486)	0
Balance at 31 March	**1,800**	**0**

22 UNUSABLE RESERVES

31 March 2011 £000		31 March 2012 £000
8,751	Revaluation Reserve	8,710
12,672	Capital Adjustment Account	14,963
19	Financial Instruments Adjustment Account	10
(322,457)	Pensions Reserve	(339,939)
57	Collection Fund Adjustment Account	(2)
(148)	Accumulated Absences Account	(161)
(301,106)	**Total Unusable Reserves**	**(316,419)**

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:

- Re-valued 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.

2010/11 £000			2011/12 £000
7,143	**Balance at 1 April**		**8,751**
2,324	Upward revaluations of assets	417	
(492)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(29)	
1,832			388
8,975	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**9,139**
(224)	Difference between fair value depreciation and historical cost depreciation	(258)	
0	Correction of opening asset balances	(171)	
(224)	Amount written off to the Capital Adjustment Account		(429)
8,751	**Balance at 31 March**		**8,710**

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 historical cost basis). The Account is credited with the amounts set aside by the Council 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 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.

2010/11 £000			2011/12 £000
9,600	**Balance at 1 April**		**12,672**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)		
(3,003)	• Charges for depreciation and impairment of non-current assets	(2,693)	
64	• Revaluation losses on Property, Plant and Equipment	30	
(66)	• Amortisation of intangible assets	(56)	
(16)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1)	
(3,021)			**(2,720)**
224	Adjusting amounts written out of the Revaluation Reserve		258
	Correction of 2010/11 Impairments		121
0	Correction of Revaluation Reserve opening asset balances		171
(2,797)	Net written out amount of the cost of non-current assets consumed in the year		**(2,170)**
	Capital financing applied in the year:		
0	• Use of Capital Receipts Reserve to finance new capital expenditure	25	
946	• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,486	
866	• Gain arising from the receipt of Donated assets credited to the CIES	0	
1,449	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,582	
2,608	• Capital expenditure charged against the General Fund balance	1,368	
5,869			4,461
0	Movement in the Donated Assets Account credited to the CIES		0
12,672	**Balance at 31 March**		**14,963**

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 arise, but reversed out of the General Fund Balance 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 2012 will be charged to the General Fund by 2012/13.

2010/11			**2011/12**
£000			**£000**
28	**Balance at 1 April**		**19**
(9)	Proportion of discounts received in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	(9)	
(9)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		(9)
19	**Balance at 31 March**		**10**

Pension 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.

2010/11		**2011/12**
£000		**£000**
(341,717)	**Balance at 1 April**	**(322,457)**
9,390	Actuarial gains or losses on pensions assets and liabilities	(4,977)
(23)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(25,467)
9,893	Employers pensions contributions and direct payments to pensioners payable in the year	12,962
(322,457)	**Balance at 31 March**	**(339,939)**

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.

2010/11 £000		2011/12 £000
92	**Balance at 1 April**	**57**
(35)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(59)
57	**Balance at 31 March**	**(2)**

Accumulated Absences Adjustment Account

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

2010/11 £000			2011/12 £000
(194)	**Balance at 1 April**		**(148)**
194	Settlement or cancellation of accrual made at the end of the preceding year	148	
(148)	Amounts accrued at the end of the current year	(161)	
46	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(13)
(148)	**Balance at 31 March**		**(161)**

23 CASHFLOW STATEMENT - OPERATING ACTIVITIES

2010/11 £000		2011/12 £000
(13,851)	**Net (Surplus) or Deficit on the Provision of Services**	**7,886**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(3,002)	Depreciation	(2,693)
43	Impairment and downward valuations	30
(66)	Amortisation	(57)
866	Gain Relating to Donated Assets	0
(16)	(Loss)/Gain Relating to the Disposal of Property, Plant & Equipment	(1)
920	Increase/Decrease in Creditors	(771)
(297)	Increase/Decrease in Debtors	166
(19)	Increase/Decrease in Inventories	43
9,870	Pension Liability	(12,505)
(26)	Contributions to/(from) Provisions	(113)
8,273		**(15,901)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
946	Capital Grants credited to surplus or deficit on the provision of services	3,286
(49)	Accrued Interest	(332)
25	Proceeds from the sale of property plant and equipment, investment property and intangible assets	0
922		**2,954**
(4,656)	**Net Cash Flows from Operating Activities**	**(5,061)**

CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(61)	Interest received	(131)
1,103	Interest paid	1,076

24 CASHFLOW STATEMENT - INVESTING ACTIVITIES

2010/11 £000		2011/12 £000
6,029	Purchase of property, plant and equipment, investment property and intangible assets	2,524
55,355	Purchase of short-term and long-term investments	50,500
(25)	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	0
(53,700)	Proceeds from short-term and long-term investments	(47,005)
(946)	Other receipts from investing activities	(3,286)
6,713	**Net cash flows from investing activities**	**2,733**

25 CASHFLOW STATEMENT - FINANCING ACTIVITIES

2010/11 £000		2011/12 £000
(3,000)	Cash receipts or short and long-term borrowing	0
289	Cash payments for the reduction of the outstanding liabilities relating to Finance leases	281
55	Repayments of short and long-term borrowing	28
(2,656)	**Net cash flows from financing activities**	**309**

26 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 Service Reporting 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 pension 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 7 "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.

27 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 32 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 32 for transactions in the year.

The Authority has a pooled budget arrangement for the development of the regional recruitment portal. The other four Fire and Rescue Services in the region are parties to this arrangement: Derbyshire, Leicestershire, Lincolnshire and Northamptonshire Fire and Rescue Services. See Note 32 for transactions in the year.

28 MEMBERS' ALLOWANCES

The following amounts were paid to Members of the Authority during the year

	2011/12	**2010/11**
	£000	**£000**
Allowances	110	127
Expenses	5	10
Total	**115**	**137**

29 OFFICERS' REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

		Salary, Fees and Allowances	Expenses Allowances	Total Remuneration excluding Pension Contributions	Pension Contribution	Total
		£	£	£	£	£
Chief Fire Officer (CFO)	2011/12	139,540	52	139,592	29,722	169,314
	2010/11	140,365	52	140,417	29,722	170,139
Deputy Chief Fire Officer	2011/12	112,222	52	112,274	24,575	136,849
	2010/11	114,786	52	114,838	24,574	139,412
Assistant Chief Fire Officer 2 (Secondment from 1/12/10)	2011/12	104,724	52	104,776	22,292	127,068
	2010/11	104,798	52	104,850	22,292	127,142
Assistant Chief Fire Officer 1	2011/12	104,699	52	104,751	22,292	127,043
	2010/11	104,761	52	104,813	22,292	127,105
Assistant Chief Officer	2011/12	90,352	4,103	94,455	14,713	109,168
	2010/11	90,701	3,897	94,598	14,603	109,201
Area Manager 1 (left 14/02/2011)	2011/12	0	0	0	0	0
	2010/11	57,634	1,190	58,824	12,256	71,080
Area Manager 2	2011/12	73,963	4,029	77,992	14,007	91,999
	2010/11	66,022	2,307	68,329	13,772	82,101
Area Manager 3 (left 09/07/2010)	2011/12	0	0	0	0	0
	2010/11	18,031	228	18,259	3,841	22,100
Area Manager 4 (left 09/07/2011)	2011/12	20,887	1,133	22,020	3,859	25,879
	2010/11	67,235	404	67,639	14,007	81,646
Area Manager 5	2011/12	74,007	3,131	77,138	14,007	91,145
	2010/11	67,271	702	67,973	14,007	81,980

		Salary, Fees and Allowances	Expenses Allowances	Total Remuneration excluding Pension Contributions	Pension Contribution	Total
Area Manager 6	2011/12	66,721	3,262	69,983	14,173	84,156
	2010/11	65,293	52	65,345	13,907	79,252
Area Manager 7 (start date 03/09/2010)	2011/12	73,963	721	74,684	14,007	88,691
	2010/11	39,696	133	39,829	8,296	48,125
Area Manager 8 (start date 01/06/2011)	2011/12	55,044	4,260	59,304	12,672	71,976
	2010/11	0	0	0	0	0
Total	**2011/12**	**916,122**	**20,847**	**936,969**	**186,319**	**1,123,288**
Total	**2010/11**	**936,593**	**9,121**	**945,714**	**193,569**	**1,139,283**

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

Area Manager 6 The holder of this post is currently on secondment to the Department of Communities and Local Government. All costs are recovered from this agency.

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, taxable expenses allowances and the monetary value of any benefits such as a provided car. Employer's pension contributions are excluded.

Remuneration Band	**2011/12 Number of employees**	**2010/11 Number of employees**
£50,000-£54,999	31	21
£55,000-£59,999	8	10
£60,000-£64,999	1	2
£65,000-£69,999	1	4
£70,000-£74,999	3	1
£75,000-£79,999	0	0
£80,000-£84,999	0	0
£85,000-£89,999	0	0
£90,000-£94,999	1	1
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	2	2
£110,000-£114,999	1	1
£115,000-£119,999	0	0
£120,000-£124,999	0	0
£125,000-£129,999	0	0
£130,000-£134,999	0	0
£135,000-£139,999	1	0
£140,000-£144,999	0	1
£145,000-£149,999	0	0

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20,000	6	34	0	0	6	34	24,901	133,614
£20,001 - £40,000	0	2	0	0	0	2	0	49,170
£40,001 - £60,000	0	0	0	0	0	0	0	0
Total	**6**	**36**	**0**	**0**	**6**	**36**	**24,901**	**182,784**

Exit packages paid in 2010/11 related to officers being made redundant from Fire Control, this cost was funded from New Burdens Grant.

30 EXTERNAL AUDIT COSTS

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 auditors:

	2011/12 £000	2010/11 £000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	63	69
Fees payable to Audit Commission in respect of statutory inspections	1	1
Total	**64**	**70**

31 GRANT INCOME

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

	2011/12 £000	2010/11 £000
Credited to Services		
New Burdens	0	(93)
Firelink Grant	(196)	(101)
Resilience Crewing and Training	(48)	(124)
Week of Action Grant	0	(10)
Gain related to Donated Assets	0	(866)
DCLG Capital Fire Grant	(1,486)	(946)
DCLG Capital Control Room Grant	(1,800)	0
New Risk Programme	(145)	0
Enhanced Logistical Support	(76)	0
Control Room Research	(20)	0
Awards Ceremony Sponsorship	(3)	0
Miscellaneous Community Safety Donations	(13)	0
Total	**(3,787)**	**(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 at the year-end are as follows:

Current Liabilities

	31 March 2012 £000	31 March 2011 £000
Grants Receipts in Advance (Revenue Grants)		
Local Resilience Forum	(11)	(10)
Multi Agency Coordination Centre	(20)	(21)
Regional Recruitment Portal	(10)	0
Total	**(41)**	**(31)**

32 RELATED PARTIES

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ablility 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 significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills). Grants received from government departments are set out in the analysis in Note 31.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2011/12 is shown in Note 28. The Authority is made up of 12 members from Nottinghamshire County Council and 6 members from Nottingham City Council. During 2011/12 the value of transactions entered into between the Authority and Nottinghamshire County Council was: expenditure of £682k and income of £7k with an outstanding creditor of £4k as at 31 March 2012. During 2011/12 the value of transactions entered into between the Authority and Nottingham City Council was: expenditure £399k and income £8k with an outstanding creditor of £214k as at 31 March 2012. Three members are Directors of Nottinghamshire Fire & Rescue Service (Trading) Limited (see Entities Controlled or Significantly Influenced by the Authority).

Officers

During 2011/12 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 [subject to common control by central government]

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 2011/12 was £10k and in this year there were no transactions leaving a balance at 31 March 2012 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 2011/12 was £21k, and in this year there was expenditure of £1k and no income leaving a balance as at 31 March 2012 of £20k.

The Authority has a pooled budget arrangement for the development of the regional recruitment portal. The other four Fire and Rescue Services in the region are parties to this arrangement: Derbyshire, Leicestershire, Lincolnshire and Northamptonshire Fire and Rescue Services. During the year £10k income was received with no expenditure leaving an outstanding balance of £10k.

Entities Controlled or Significantly Influenced by the Authority

The Authority is the sole shareholder of Nottinghamshire Fire & Rescue Service (Trading) Limited, 2 officers and 3 members forming the Board of Directors. During 2011/12 the value of transactions entered into between the Authority and the company was: expenditure of £40k and income of £65k (£11k was unpaid and £10k was owed at 31 March 2012). 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 2011/12.

33 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.

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	**28,953**	**28,056**
Capital Investment		
Property, Plant and Equipment - (Operational)	1,084	5,704
Property, Plant and Equipment - (Non Operational)	1,767	1,036
Intangible Assets	29	26
Sources of Finance		
Capital Receipts	(25)	0
Government grant and other contributions	(1,486)	(946)
Assets donated for nil consideration	0	(866)
Sums set aside from revenue:		
Direct revenue contributions	(1,368)	(2,608)
Minimum Revenue Provision	(1,582)	(1,449)
Closing Capital Financing requirements	**27,372**	**28,953**
Explanation of Movements in Year		
Movement in underlying need to borrow (supported by government financial assistance)	0	897
Increase in underlying need to borrow (unsupported by government financial assistance)	(1,581)	0
Increase in Capital Financing Requirement	**(1,581)**	**897**

34 LEASES

Authority as Lessee

Finance Leases

The Authority uses vehicles (fire appliances) financed under the terms of finance leases. The Assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2011 £000
Vehicles, Plant and Equipment	483	721
	483	**721**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in furture years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	187	238
• non-current	296	483
Finance costs payable in future years	155	229
Minimum lease payments	**638**	**950**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	242	311	187	238
Later than one year and not later than five years	388	582	290	443
Later than five years	8	57	6	40
	638	**950**	**483**	**721**

35 TERMINATION BENEFITS

The Authority terminated the contracts of number of employees at the beginning of 2012/13, with the decision taken in 2011/12, incurring liabilities of £70k. The amount relates to decisions made during the Fire Cover Review to remove Retained Firefighters at three fire stations. During 2011/12 £113k of expenditure was incurred in relation to the removal of cooks from fire stations.

36 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make these payments in the future. This commitment needs to be disclosed at the time that 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 the 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 in 2010/11.

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 £000		Firefighters' Pension Schemes (including the Compensation Scheme £000	
	2011/12	2010/11	2011/12	2010/11
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	977	1,291	7,071	7,069
• past service costs	0	(2,188)	0	(25,053)
• settlements and curtailments	25	(218)	0	0
Financing and Investment Income and Expenditure				
• interest cost	1,240	1,418	17,245	18,706
• expected return on scheme assets	(1,091)	(1,002)	0	0
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,151	(699)	24,316	722
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	4,977	(4,624)	0	(4,766)
Total Post-employment Benefit Charged to the Comprehensive Income and Expendiure Statement	6,128	(5,323)	24,316	(4,044)
Movements in Reserve 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	(1,151)	699	(24,316)	(722)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers contributions payable to scheme	806	825		
• retirement benefits payable to pensioners			12,156	9,068

Further Analysis of Firefighter's Pension Scheme

	Firefighters' Pension Scheme 1992 £000		**Firefighters' Pension Scheme 2006 £000**		**Firefighters' Compensation Scheme £000**	
	2011/12	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service cost	5,222	5,081	1,278	1,290	571	698
• past service costs	0	(23,388)	0	(551)	0	(1,114)
Financing and Investment Income and Expenditure						
• interest cost	16,021	17,087	349	355	875	1,264
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	21,243	(1,220)	1,627	1,094	1,446	848
Other Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement						
• actuarial gains and losses	0	3,162	0	(1,418)	0	(6,510)
Total Post-employment Benefit Charged to the Comprehensive Income and Expendiure Statement	21,243	1,942	1,627	(324)	1,446	(5,662)
Movements in Reserve 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	(21,243)	1,220	(1,627)	(1,094)	(1,446)	(848)
Actual amount charged against the General Fund Balance for pensions in the year (retirement benefits re FPS)	11,837	9,159	(234)	(631)	553	540

Assets And Liabilities In Relation To Post-Employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		**Unfunded Liabilities: Firefighters' Pension Scheme 1992**		**Unfunded Liabilities: Firefighters' Pension Scheme 2006**		**Unfunded Liabilities: Firefighters' Compensation Scheme**	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
	2011/12	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**
Opening balance at 1 April	**(22,194)**	**(26,198)**	**(294,595)**	**(301,812)**	**(5,583)**	**(5,276)**	**(15,896)**	**(22,098)**
Current service cost	(977)	(1,291)	(5,222)	(5,081)	(1,278)	(1,290)	(571)	(698)
Interest cost	(1,240)	(1,418)	(16,021)	(17,087)	(349)	(355)	(875)	(1,264)
Contributions by scheme participants	(313)	(330)	(1,489)	(1,595)	(411)	(411)	0	0
Actuarial gains/(losses)	(4,271)	3,892	0	(3,162)	0	1,418	0	6,510
Benefits paid (net of transfers in)	595	392	13,326	10,754	177	(220)	553	540
Past service costs	0	2,188	0	23,388	0	551	0	1,114
Settlements/ Curtailments	(25)	551	0	0	0	0	0	0
Unfunded pension payments (LGPS only)	18	20	0	0	0	0	0	0
Curtailments	0	0	0	0	0	0	0	0
Closing Balance at 31 March	**(28,407)**	**(22,194)**	**(304,001)**	**(294,595)**	**(7,444)**	**(5,583)**	**(16,789)**	**(15,896)**

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

	Local Government Pension Scheme	
	£000	£000
	2011/12	2010/11
Opening balance at 1 April	15,811	13,667
Expected return on scheme assets	1,091	1,002
Actuarial gains/(losses)	(706)	732
Employer contributions (including unfunded benefits)	788	805
Contributions paid by scheme participants	313	330
Estimated benefits paid (including unfunded benefits)	(595)	(392)
Settlements	0	(333)
Closing balance at 31 March	**16,702**	**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 actual return on the scheme assets in the year was £386k, compared with £1,169k in the previous year.

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(18,744)	(16,249)	(26,198)	(22,194)	(28,407)
Firefighter's Pension Scheme 1992	(258,596)	(214,852)	(301,812)	(294,595)	(304,001)
Firefighter's Pension Scheme 2006	(1,464)	(1,786)	(5,276)	(5,583)	(7,444)
Firefighter's Compensation Scheme	(18,231)	(15,202)	(15,202)	(15,896)	(16,789)
Fair value of assets in the Local Government Pension Scheme	**11,261**	**9,506**	**13,667**	**15,811**	**16,702**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(7,483)	(6,743)	(12,531)	(6,383)	(11,705)
Firefighter's Pension Scheme 1992	(258,596)	(214,852)	(301,812)	(294,595)	(304,001)
Firefighter's Pension Scheme 2006	(1,464)	(1,786)	(5,276)	(5,583)	(7,444)
Firefighter's Compensation Scheme	(18,231)	(15,202)	(22,098)	(15,896)	(16,789)
Total Surplus/(Deficit)	**(285,774)**	**(238,583)**	**(341,717)**	**(322,457)**	**(339,939)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £340m 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 2011/12 was £579k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2013 is £777k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £12m.

<u>Basis for Estimating Assets and Liabilities</u>

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 2012. 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		Firefighters' Compensation	
	2011/12	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**
Long-term expected rate of return on assets in the scheme:						
Equity Investments	6.2%	7.3%	-	-	-	-
Gilts	3.3%	4.4%	-	-	-	-
Other Bonds	4.6%	5.5%	-	-	-	-
Other	5.9%	5.9%	-	-	-	-
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):						
• Men	18.6	18.5	26.8	26.8	24.3	24.3
• Women	22.7	22.6	29.1	29.1	26.5	26.4
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):						
• Men	20.6	20.5	28.4	28.4	25.8	25.8
• Women	24.5	24.5	30.7	30.7	28	28.0
Rate of inflation (RPI)	3.3%	3.5%		3.5%		3.5%
Rate of inflation (CPI)	2.5%	2.7%	2.6%	3.0%	2.6%	3.0%
Rate of increase in salaries	4.70%	5.0%	4.10%	4.5%	4.1%	4.5%
Rate of increase in pensions	2.50%	2.7%	2.60%	3.0%	2.6%	3.0%
Rate for discounting scheme	4.60%	5.5%	5.10%	5.5%	5.10%	5.5%

Assumptions regarding members' decisions to exchange their commutable pension for a cash lump sum at retirement:

Local Government Pension Scheme	**2010/11**: it is assumed that retiring members will exchange half of their commutable pension for a cash lump sum at retirement. **2011/12:** it is assumed that retiring members will exchange half of their commutable pension for a cash lump sum at retirement.
Firefighters' Scheme 1992 and 2006	**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. **2011/12:** it is assumed that 50% of retiring members of the 1992 and 2006 Firefighters' Pension Schemes will commute up to the maximum amount possible.
Firefighters' Compensation Scheme	**2010/11**: it is assumed that no members of the Compensation Scheme would exchange their pension benefits for a lump sum at retirement. **2011/12:** 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	£27,633k	£28,407k	£29,204k
Firefighters' Pension Scheme 1992:	Adjustment to discount rate	+ 0.1%	0.0%	
	Present value of pension liability	£298,518k	£304,001k	
Firefighters' Pension Scheme 2006:	Adjustment to discount rate	+ 0.1%	0.0%	
	Present value of pension liability	£7,444k	£7,171k	
Firefighters' Compensation Scheme 2006:	Adjustment to discount rate	+ 0.1%	0.0%	
	Present value of pension liability	£16,455k	£16,789k	

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

	31 March 2012	**31 March 2011**
Equity Investments	70%	73%
Gilts	7%	7%
Other Bonds	5%	4%
Other assets	18%	16%
	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 31 March 2008	2008/09 31 March 2009	2009/10 31 March 2010	2010/11 31 March 2011	2011/12 31 March 2012
Local Government Pension Scheme:					
Differences between the expected and actual return on assets	(4.9%)	(30.2%)	19.0%	4.6%	(4.2%)
Experience gains and losses on liabilities	(2.6%)	0.0%	0.0%	(7.2%)	(0.2%)
Firefighters Pension Scheme 1992:					
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	(2.8%)	0.0%	0.0%	0.3%	0.0%
Firefighters Pension Scheme 2006:					
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	5.7%	0.0%	0.0%	17.7%	0.0%
Firefighters' Compensation Scheme:					
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	(0.7%)	0.0%	0.0%	53.6%	0.0%

37 CONTINGENT LIABILITIES

At 31 March 2012, the Authority had the following contingent liabilities:

- The Authority has one on-going employment tribunal, which may result in payment of compensation if the claimant is successful. The value of any potential liability cannot be determined at this stage.

- The Authority is subject to one ongoing investigation by the Pensions Ombudsman. If the Ombudsman determines that the Authority is at fault, this could result in the payment of compensation to the spouse of a pensioner. The value of any potential liability cannot be determined at this stage.

- Employment tribunal cases have been brought on behalf of Retained Duty System (RDS) firefighters to seek redress under the Part-time Workers' Regulations. This is a national issue and the National Employers organisation has agreed a compensation settlement for RDS employees as a result. A provision has been made in the accounts to cover the compensation settlements, but there remains an outstanding issue over whether or not RDS employees should have been able to access the Firefighters' Pension Scheme 1992 from July 2000, when the Part-time Workers' Regulations came into force, until April 2006, when RDS employees became eligible to join the 2006 Pension Scheme. The Department for Communities and Local Government is dealing with this issue and it is not yet known whether or not Authorities will be required to pay retrospective employer contributions. If they are required to do so, it is not known how many RDS employees and former employees may wish to access the 1992 scheme and the potential liability cannot therefore be quantified.

- The Authority's indemnity policy has responded to a legal claim against one or more individuals who are entitled to an indemnity under that policy. The claim was initiated in 2011/12 and, in accordance with the indemnity policy, the costs of defending the claim will be met by the Authority. The potential liability for the Authority is unknown at this stage but it is likely to be limited to legal costs and, if the defence is successful, full recovery of costs will be sought.

38 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 annual treasury management strategy for 2011/12 was approved by the Authority on 24 June 2011. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £33.8m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £30.8m. 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.
- An upper limit of £2.0m was set for principal sums invested for longer than 364 days.

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 2012 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 eight deposits as at 31 March 2012 showing on the Balance Sheet and seven of these were repaid to the Authority before the date this Statement of Accounts was authorised for issue. The remaining deposit is expected to be repaid in October 2012.

	Amount at 31 March 2012 £000	Estimated Maximum Exposure to Credit Risk £000	Historical experience of default %
Deposits with Banks and Financial Institutions	10,500	0	0%
Customers	25	0	0.17%
	10,525	**0**	

Of the £25k shown in the above table as due from customers, £4k was not yet due for payment as at 31 March 2012 and £21k was past its due date for payment. The past due amount is analysed by age as follows:

	31 March 2012 £000	31 March 2011 £000
Less than one month overdue	13	149
1 to 2 months overdue	0	20
2 to 5 months overdue	1	10
More than 5 months overdue	7	8
	21	**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%. Between 20% and 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 on the option date, which falls in 2012/13.

The maturity analysis of financial liabilities (principal sums only) is as follows:

	31 March 2012	**31 March 2011**
	£000	**£000**
Less than 1 year	2,090	58
Between 1 and 2 years	3,064	2,061
Between 2 and 5 years	4,214	5,203
Between 5 and 10 years	6,356	8,378
Between 10 and 15 years	3,006	3,058
Over 15 years	8,900	8,900
	27,630	**27,658**

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:

	£000
Decrease in fair value of fixed rate investment assets	11
Decrease in fair value of fixed rate borrowings	2,284

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

Principal activities

The original intent of the company was the provision of a Regional Control Centre (RCC) to serve the five Fire and Rescue Authorities in the East Midlands. The company maintains a purpose built centre in Castle Donington, secured on a twenty five year lease. The lease and the responsibilities for the building transferred to the Department of Communities and Local Government (DCLG) on the 28th March 2012.

Review of Business and Future Developments

In December 2010, the Department for Communities and Local Government (DCLG) announced that after further review, the Fire Control Project was to cease. The Board meeting of 10 January 2011 agreed to initiate a process for the winding up of the Company and this saw the existing Directors resign and a new director structure put in place.

Over the course of this financial year, all Company employees have been removed from the payroll and redundancy settlements agreed. The Company has maintained its obligations for the running costs of the building until the transfer of the lease on the 28 March 2012. All costs have been met through the receipt of Section 31 grant from DCLG payable to Leicestershire Fire and Rescue Service.

Any remaining surplus balance of Section 31 grant will be required to meet overheads in 2012-13 before a settlement is reached to repay any residual amount back to DCLG. Such overheads include any shortfall of pension strain held within the Local Government Pension Scheme for the Company's employees, for which an actuarial evaluation is sought and provision of future insurance cover for the ongoing liability of the Director's and Officers. There is no expectation that the Nottinghamshire and City of Nottingham Fire Authority will be liable for any further costs rising.

In preparing these statements the directors have exercised the options available to a small sized company under the Companies Act 2006 and therefore the company is exempt from the requirement to appoint an auditor or to present audited accounts.

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

	2011/12 **£000**	**2010/11** **£000**
Profit and Loss		
Turnover	1,737	1,856
Profit on Ordinary Activities before Taxation	0	0
Profir on Ordinary Activities after Taxation	0	0
Balance Sheet		
Net Assets	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

Nottinghamshire Fire and Rescue Service (Trading) Limited.

The Authority is the sole shareholder in Nottinghamshire Fire and Rescue Service (Trading) Limited. The trading company is classed as a subsidiary of Nottinghamshire Fire and Rescue Service and Group Accounts have been produced and are included at the end of the Statement of Accounts.

Note 32 contains information on the transactions between the Authority and Nottinghamshire Fire and Rescue Service (Trading) Limited.

PENSION STATEMENTS

PENSION FUND ACCOUNT

2010/11 £000		2011/12 £000
	Contributions Receivable	
	Fire Authority:	
(3,622)	Contributions in relation to pensionable pay	(3,420)
(76)	Other (Ill Health Retirements)	(86)
(2,012)	Firefighters' contributions	(1,909)
(5,710)	**Total Contributions Receivable**	**(5,415)**
	Transfers in from other authorities	
(341)	Transfers in from other schemes	(136)
	Other Income	
0	Central Government funding for special commutation payments	0
	Benefits Payable	
8,639	Pensions	9,374
2,157	Commutations and lump sum retirement benefits	3,678
0	Interest relating to special commutation payments	0
10,796	**Total Benefits Payable**	**13,052**
	Payments to and on account of Leavers	
41	Transfers out to other schemes	229
4,786	**Net Amount payable for the year before top-up grant from Communities & Local Government**	**7,730**
(3,460)	Top-up grant received from Communities & Local Government	(6,471)
(1,326)	**Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government**	**(1,259)**

NOTES TO THE PENSION FUND ACCOUNT

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 36.

2010/11 £000		2011/12 £000
	Current Assets	
12	Contributions from employer	11
9	Contributions from members	9
0	Transfer into Scheme Receivable	84
761	Prepaid Pensions	824
1,326	Pension top-up grant receivable from CLG	1,259
2,108	**Total**	**2,187**
	Current Liabilities	
(2,108)	Amount owing (to)/from General Fund	(2,187)
0	**Net Current Assets**	**0**

NOTES TO THE PENSION 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 2011/12 financial year and its position at the year end of 31 March 2012. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

<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 36 the core financial statements. The Pension Fund Account and Net Assets Statement do not take account of this liability.

4. Accruals Within the Pension Fund and Net Assets Statement

Prepaid Pensions
Retirement benefits are paid to members monthly in advance. The payments made in March 2012 relate to April 2012 and have been treated as prepayments.

Transfers Between Pension Schemes
The Pension Regulations state that where members transfer between Fire Authority Schemes within England, no transfer of accrued pension benefits will take place. However, where members transfer to/from the Fire Authority Scheme to/from another Fire Authority in Scotland, Wales or Northern Ireland or to/from a non Fire Authority organisation, they can opt to transfer their accrued benefits. As at 31 March 2012, 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 2012, 3 transfers into the Firefighters' Pension Schemes with a provisional total value of £84k 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 2012 were still outstanding at 31 March 2012. 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 the Department of Communities and Local Government to the Authority is £1,259k. The difference between the grant payable and the cash deficit of £2,187k as at 31 March 2012 is the total of the accruals included in the Pension Fund.

GROUP FINANCIAL STATEMENTS AND NOTES

The Accounting Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group Financial Statements. The standard main financial statements consider the Authority only as a single entity, therefore the group financial statements provide an overall picture of the Authority's financial activities and the resources employed in carrying out those activities as a group.

The Authority has reviewed the relationships it has with partner organisations to determine the scope of the Authority group. There is one organisation, Nottinghamshire Fire and Rescue Service (Trading) Limited, that the Authority considered falls within the legal definitions of group accounts and which has a material effect on the Accounts. The Authority owns all of the shares in this company and for the purpose of group accounts it is considered as a subsidiary.

The group accounts contain core financial statements similar to those included in the Authority's single entity statements, consolidated with figures for the Authority's subsidiary.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts

GROUP ACCOUNTING STATEMENTS

GROUP MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2010/11

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of the Reserves of the Subsidiary	Total Authority Reserves
Balance at 31 March 2010	**4,361**	**4,228**	**0**	**0**	**8,590**	**(325,049)**	**(316,459)**	**0**	**(316,459)**
Surplus or (deficit) on the provision of Services	13,851	0	0	0	**13,851**	0	**13,851**	(5)	**13,846**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	11,222	**11,222**	25	**11,247**
Total Comprehensive Income and Expenditure	**13,851**	**0**	**0**	**0**	**13,851**	**11,222**	**25,073**	**20**	**25,093**
Adjustments between Group Accounts and Authority accounts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(20)**	**(20)**
Net Increase or decrease before transfers	**13,851**	**0**	**0**	**0**	**13,851**	**11,222**	**25,073**	**0**	**25,073**
Adjustment between accounting basis & funding basis under regulations (Note 7)	(12,745)	0	25	0	**(12,720)**	12,720	**0**	(91)	**(91)**
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,106**	**0**	**25**	**0**	**1,131**	**23,942**	**25,073**	**(91)**	**24,982**
Transfers to/from Earmarked Reserves (Note 8)	57	(57)	0	0	**0**	0	**0**	0	**0**
Increase/Decrease in 2010/11	**1,163**	**(57)**	**25**	**0**	**1,131**	**23,942**	**25,073**	**(91)**	**24,982**
Balance at 31 March 2011	**5,524**	**4,171**	**25**	**0**	**9,721**	**(301,107)**	**(291,386)**	**(91)**	**(291,477)**

Movement in Reserves during 2011/12

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of the Reserves of the Subsidiary	Total Authority Reserves
Balance at 31 March 2011	**5,524**	**4,171**	**25**	**0**	**9,720**	**(301,106)**	**(291,386)**	**(91)**	**(291,477)**
Surplus or (deficit) on the provision of Services	(7,886)	0	0	0	**(7,886)**	0	**(7,886)**	57	**(7,829)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(4,468)	**(4,468)**	(112)	**(4,580)**
Total Comprehensive Income and Expenditure	**(7,886)**	**0**	**0**	**0**	**(7,886)**	**(4,468)**	**(12,354)**	**(55)**	**(12,409)**
Adjustments between Group Accounts and Authority accounts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Increase or decrease before transfers	**(7,886)**	**0**	**0**	**0**	**(7,886)**	**(4,468)**	**(12,354)**	**(55)**	**(12,409)**
Adjustment between accounting basis & funding basis under regulations (Note 7)	9,070	0	(25)	1,800	**10,845**	(10,845)	**0**	0	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,184**	**0**	**(25)**	**1,800**	**2,959**	**(15,313)**	**(12,354)**	**(55)**	**(12,409)**
Transfers to/from Earmarked Reserves (Note 8)	410	(410)	0	0	**0**	0	**0**	0	**0**
Increase/Decrease in 2010/11	**1,594**	**(410)**	**(25)**	**1,800**	**2,959**	**(15,313)**	**(12,354)**	**(55)**	**(12,409)**
Balance at 31 March 2012	**7,118**	**3,761**	**0**	**1,800**	**12,679**	**(316,419)**	**(303,740)**	**(146)**	**(303,886)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11				2011/12		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
5,895	(521)	5,374	Community Safety	5,554	(776)	4,778
38,024	(936)	37,088	Firefighting and Rescue Operations	33,768	(239)	33,529
540	(222)	318	Fire Service Emergency Planning	400	(277)	123
(27,241)	0	(27,241)	Exceptional past service gains relating to changes to the calculation of pension increases	0	0	0
629	(26)	603	Corporate and Democratic Core	593	0	593
101	(218)	(117)	Non Distributed Costs	91	0	91
17,948	**(1,923)**	**16,025**	**Cost of Services**	**40,406**	**(1,292)**	**39,114**
16	(25)	(9)	Other Operating Expenditure	1	0	1
21,223	(1,064)	20,159	Financing and Investment Income and Expenditure	19,643	(1,253)	18,390
154	(176)	(22)	(Surplus) or Deficit on discontinued operations	0	0	0
0	(49,999)	(49,999)	Taxation and Non-Specific Grant Income	0	(49,676)	(49,676)
39,341	**(53,187)**	**(13,846)**	**Surplus (-) or Deficit on Provision of Services**	**60,050**	**(52,221)**	**7,829**
		0	Tax Expenses of Subsidary			13
		(1,832)	(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(509)
		(9,415)	Actuarial (gains)/losses on Pension Assets/Liabilities			5,076
		(11,247)	**Other Comprehensive Income and Expenditure**			**4,580**
		(25,093)	**Total Comprehensive Income and Expenditure**			**12,409**

GROUP BALANCE SHEET

31 March 2011 £000		31 March 2012 £000
	Property, Plant & Equipment	
39,215	- Land and Buildings	39,230
8,847	- Vehicles, Plant and Equipment	7,571
1,599	- Assets Under Construction	3,366
643	Surplus Assets	739
150	Intangible Assets	122
50,454	**TOTAL LONG TERM ASSETS**	**51,028**
7,000	Short Term Investments	10,477
319	Inventories	362
0	Assets Held For Sale	95
4,326	Short Term Debtors	4,351
1,239	Cash and Cash Equivalents	3,283
12,884	**TOTAL CURRENT ASSETS**	**18,568**
(107)	Short Term Borrowings	(2,454)
(3,491)	Short Term Creditors	(4,454)
(260)	Short Term Provisions	(333)
(31)	Grants Receipts in Advance - Revenue	(41)
(3,889)	**TOTAL CURRENT LIABILITIES**	**(7,282)**
(60)	Long Term Provisions	(100)
(27,600)	Long Term Borrowing	(25,485)
	Other Long Term Liabilities	
(322,545)	- Pensions Liability	(340,132)
(721)	- Finance Leases	(483)
(350,926)	**TOTAL LONG TERM LIABILITIES**	**(366,200)**
(291,477)	**TOTAL NET ASSETS**	**(303,886)**
	Usable Reserves	
5,456	- General Fund Balance	7,002
4,171	- Earmarked Reserves	3,761
25	- Capital Receipts Reserves	0
68	- Retained Earnings	166
0	- Capital Grants Unapplied	1,800
	Unusable Reserves	
12,672	- Capital Adjustment Account	14,963
8,751	- Revaluation Reserve	8,710
(322,545)	- Pension Reserve	(340,132)
19	- Financial Instruments Adjustment Account	10
57	- Collection Fund Adjustment Account	(2)
(151)	- Accumulated Absences Adjustment Account	(164)
(291,477)	**TOTAL RESERVES**	**(303,886)**

GROUP CASH FLOW STATEMENT

2010/11 £000		2011/12 £000
(13,846)	**Net (Surplus)/Deficit on the Provision of Services**	**7,829**
8,284	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(15,875)
922	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2,954
(4,640)	Net Cash Flows from Operating Activities	(5,092)
6,713	Investing Activities	2,733
(2,711)	Financing Activities	314
(638)	Net Increase or Decrease in Cash and Cash Equivalents	(2,045)
(600)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(1,238)
(1,238)	**Cash and Cash Equivalents at the End of the Reporting Period**	**(3,283)**

NOTES TO GROUP ACCOUNTS

Details of Subsidiaries included in the Group Accounts

Nottinghamshire Fire and Rescue Service (Trading) Limited.
(Registered Number 7210383)

Summary financial information of the subsidiary for the year ending 31 March:

	31 March 2012 £000	31 March 2011 £000
Revenue	342	165
Profit/(Loss) after Taxation	49	1
Total Assets	143	106
Total Liabilities	(94)	(105)
Equity and Reserves	49	1

Nature of Business and Relationship with the Authority

Nottinghamshire Fire & Rescue Service (Trading) Limited is wholly owned by the Fire Authority, primarily to provide Fire Extinguisher sales and mainentance along with Fire Safety Training Activities.

Accounts

Copies of the accounts of Nottinghamshire Fire and Rescue Service (Trading) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit

Nottinghamshire Fire and Rescue Service (Trading) Limited is exempt under section 477 of the Companies Act 2006 relating to small companies. As part of the audit of the Authority's accounts the group accounts are audited.

Group Accounting Policies

The Authority and Nottinghamshire Fire and Rescue Service (Trading) Limited have used different accounting policies in the preparation of their individual accounts. As part of the preparation of the group accounts the Subsidiary's accounting policies have been aligned with the Authority's to the extent that the resulting adjustments are material for a true and fair presentation. Please refer to Note 1 for the full information on the accounting policies for the Authority.

Effect of Aligning Accounting Policies

Nottinghamshire Fire and Rescue (Trading) Limited (NFRS (T) Ltd) has not adopted IAS 19 relating to employee benefits in the preparation of its individual accounts. Its accounts have been adjusted on consolidation as outlined above and this has resulted in a significant change to the company's profit after taxation. Prior to consolidation the profit after taxation is £49k but after adopting IAS19 on consolidation the loss after taxation is £79k. This difference represents the future pension liability of the company in relation to its employees.

GLOSSARY OF TERMS

Accruals

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

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.

Capital Expenditure

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

Capital Receipts

Income derived from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

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.

Creditors

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

Debtors

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

Depreciation

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

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.

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.

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.

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.

Non-Distributed Costs

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

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.

Provision

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

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.

Revenue Contribution to Capital Outlay

A fixed asset purchased directly from revenue contributions.

Revenue Expenditure and Income

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

APPENDIX B

Nottinghamshire Fire and Rescue Service (Trading) Ltd

Company Limited by Guarantee
Financial Statements

For The Year Ended 31st March 2012
Company Registration Number 7210383

Officers and Professional Advisors
Year Ended 31 March 2012

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 – 10/04/2012
Tom Pettengell	01/09/2010 – 31/12/2011
Chris Barnfather	24/02/2012

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 March 2012, which represents 12 months of trading; the comparatives are for the 7 months ending 31 March 2011.

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 along with some fire safety training activities. The company also has a partnership agreement with a commercial electrical and fire alarm installer and is able to sell its services through this company as necessary.

Business Review and Developments

The company has continued to make a sound and now embedded transition from being a part of Nottinghamshire Fire & Rescue Service into an 'arms-length' trading company. This has been reflected by the hard work of all staff members to re-focus and increase business with a resultant significant increase in the company's profit figures for this financial year over the previous seven months. Profit after taxation for 2011/12 was £48,535 and for 2010/11 was £569. This increase in profit has allowed the company to repay a proportion of the working capital loan received from Nottinghamshire Fire and Rescue Service.

The company has had a solid period of trading over this reporting period, with and has both gained and lost contracts. Unfortunately 12 contracts have been lost, mostly small businesses together with some local primary schools. However, 60 new customers have been gained, including several private sector care homes, which is a new area for the company. Some of the new contracts have been directly through the success of our fire safety training, which has also brought in further customers for the Fire Extinguisher Maintenance business. As such, the company has expanded into the provision of fire safety training courses, including e-learning, over the financial year and this has proved to be a growing area of revenue. To maintain best value for our customers, a new supplier contract has recently been ensured so that prices have not had to be increased.

The new NFRS website has launched which has the company information available on it. 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 Nottinghamshire Fire and Rescue Service (Trading) Limited have been expanded to include fire alarm installation, maintenance, repair and fire alarm testing as part of 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 reduction in public sector spending. Thus the company is actively pursuing a policy of diversification of the customer base to gain and keep customers from SMEs through to larger public and private organisations. We will continue to actively increase new areas of business, balanced against ensuring the viability of the company.

Results

The profit for the year after taxation amounted to £48,535.

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.

Director (Risk & Governance) Sybil Fielding;– responsible for seeking assurance that the company is operating legally and in the best interests of the parent company 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 2012

	Notes	7 Months 31 March 2011 £	12 Months 31 March 2012 £
Revenue	10	165,220	342,479
Operating Costs			
Staff Costs	9	(67,549)	(119,133)
Operating Costs		(53,754)	(88,803)
Administration Costs			
Staff Costs	9	(36,460)	(63,700)
Other Costs		(19,330)	(32,787)
Other Operating Income		12,797	23,916
Operating Profit		**925**	**61,972**
Interest Receivable & Similar Income		3	0
Interest Payable & Similar Charges	12	(207)	(344)
Profit Before Tax		**720**	**61,628**
Tax on Profit or (Loss) on Ordinary Activities		(151)	(13,093)
Profit or (Loss) for the Year		**569**	**48,535**
Retained Earnings at Start of Year		0	569
Dividends			0
Retained Earnings at End of Year		**569**	**49,104**

Statement of Financial Position
31st March 2012

	Notes	7 Months 31 March 2011 £	12 Months 31 March 2012 £
Current Assets			
Cash and Cash Equivalents		39,455	64,712
Trade Receivables	8	55,407	67,304
Inventories	5	11,370	11,578
Total Assets		**106,232**	**143,594**
Current Liabilities – falling due within 1 year	11	50,663	44,490
Non-Current Liabilities			
Loan		54,999	49,999
Total Liabilities		**(105,662)**	**(94,489)**
Total Assets less Current Liabilities		**570**	**49,105**
Equity			
Share Capital		1	1
Retained Earnings		569	49,104
Total Equity		**570**	**49,105**

Cash flow Statement
31st March 2012

The Cash Flow Statement shows the changes in cash and cash equivalents of the Company during the reporting period. The statement shows how the Company generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

	7 Months 31 March 2011		12 Months 31 March 2012	
	2010/11 £	**2010/11 £**	**2011/12 £**	**2011/12 £**
Revenue Activities				
Cash flows from operating activities				
Profit before Taxation		721		61,628
Depreciation	0		0	
Interest Payable	(206)		(344)	
Dividends Received	0		**0**	
Interest Receivable	3		0	
(Increase)/Decrease in Inventories	(11,370)		(208)	
(Increase)/Decrease in Accounts Receivable	(55,407)		(11,897)	
Increase/(Decrease) in Accounts Payable	50,511		(19,115)	
Taxation Paid	0		(151)	
Cash generated from Operations		**(16,469)**		**(31,715)**
Cash flows from Investing Operations				
Acquisition of PPE	0		0	
Dividends Received	0		0	
Interest Receivable	(3)		0	
Net Cash flow from Investing Activities		**(3)**		**0**
Cash flows from Financing Operations				
Issue of Shares	1		**0**	
Dividends Paid	0		0	
Cash Received for Short Term Borrowing	54,999		0	
Interest on Loan	206		344	
Repayment of Long Term Borrowing	0		(5,000)	
Net Cash flow from Financing Activities		**55,206**		**(4,656)**
Net Increase in cash and cash equivalents		**39,455**		**25,257**
Cash and Cash Equivalents at 1 September 2010		**0**		
Cash and Cash Equivalents at 31 March 2011		**39,455**		
Cash and Cash Equivalents at 1 April 2011				**39,455**
Cash and Cash Equivalents at 31 March 2012				**64,712**

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.

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, using the first in, first out (FIFO) method of stock valuation.

6.0 Audit

For the year ending 31st March 2012 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The company's accounts will be reviewed by external auditors as part of the work undertaken to audit the group accounts of Nottinghamshire Fire and Rescue.

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 cannot be recovered.

	7 Months 31 March 2011	**12 Months 31 March 2012**
9.0 Employee Information		
	2011	**2012**
Average monthly number of employees	6.8 FTE	6.8 FTE
	2011	**2012**
	£	**£**
Wages & Salaries	84,838	148,963
National Insurance Contributions	5,519	9,614
Pension Costs	13,652	24,256

	7 Months 31 March 2011	12 Months 31 March 2012
10.0 Revenue	**2011**	**2012**
	£	**£**
Fire Extinguisher Income	83,652	159,989
Fire Extinguisher Maintenance/Service Income	75,451	146,997
Training Income	6,116	35,493
11.0 Current Liabilities due within 1 year	**2011**	**2012**
	£	**£**
Trade Payables	2,392	18,334
Sundry Creditors	32,728	3,194
Corporation Tax Payable	151	13,093
VAT	15,392	9,869
12.0 Interest Payable and Similar Charges	**2011**	**2012**
	£	**£**
Interest payable on loan from Parent Company	207	344
13.0 Long Term Liabilities	**2011**	**2012**
	£	**£**
Amounts due to Parent Undertaking	54,999	49,999

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

14.0 Related Party Transactions

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

	2011	2012
	£	**£**
Sales	19,737	40,011
Purchases	46,238	64,550

Of these amounts, £322 was owed to Nottinghamshire Fire and Rescue as at 31st March 2012 and £5,130 was owed by Nottinghamshire Fire and Rescue Service. The transactions were on an arm's length basis and include services sold to Nottinghamshire Fire and Rescue relating to fire extinguisher maintenance and hydrant maintenance. The company purchased human resources, financial, insurance, health and safety and information technology from Nottinghamshire Fire and Rescue, as well as the use of premises and vehicles.

15.0 Dividends

No dividend has been declared for the year. Profits are retained in the company and used for investment in business activities.