NOTTINGHAMSHIRE
Fire & Rescue Service
*Creating Safer Communities*

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

# FINAL ACCOUNTS 2012/13

## Report of the Treasurer to the Fire and Rescue Authority

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**Agenda Item No:**

**Date:** 27 September 2013

**Purpose of Report:**

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

**CONTACT OFFICER**


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## 1. BACKGROUND

1.1 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, 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 28 June the Fire Authority received a Provisional Outturn report setting out that after contributions to Earmarked Reserves the estimated out-turn against the budget would be of the order of £775k subject to any accounting adjustments.

## 2. REPORT

### THE CORE STATEMENTS IN THE ACCOUNTS

2.1 There are four core statements in the Statement of Accounts, and these are on pages 19 to 23 of the Accounts. The core statements show references to disclosure notes within the Accounts which give further information and explanations about the figures within the core statements.

2.2 The Movement in Reserves Statement shows the movement in the year on the Authority's various reserves, analysed into "usable" and "unusable" reserves. The usable reserves total £14.1m at 31 March 2013, including the General Reserve and Earmarked Reserves and these are available to be spent by the Authority in the future. This statement also shows how the net deficit on the provision of services is adjusted in accordance with accounting regulations to give the net increase in the General Reserves of £645k for the year.

2.3 The Comprehensive Income and Expenditure Statement shows all of the items of income and expenditure which constitute the accounting cost in the year of providing services. Although this Statement shows a deficit of £8.8m, this does not represent the cost to taxpayers, as the deficit is adjusted in accordance with accounting regulations to show the net underspend of £645k, which is the net underspend against the revenue budget.

2.4 The Balance Sheet shows the value of the Authority's assets and liabilities at 31 March 2013. The Authority's net assets are matched by the Authority's reserves. Paragraph 2.13 below gives further explanation of the Pensions Reserve on the Balance Sheet.

2.5 The Cash Flow Statement shows the changes in cash (and cash equivalents) during the year and shows how the Service's activities generate and use cash.

2.6 On pages 98 and 99 of the Accounts are the Pension Fund Statements which show the transactions in the year on fire-fighter pensions and the assets and liabilities as at 31 March 2013 (although not the future liabilities due after the period end – see paragraph 2.14 below).

## THE TREASURER'S FOREWORD

2.7 The Treasurer's Foreword gives a useful overview of both the Accounts themselves and the Authority's activities during the year and beyond from a financial viewpoint. The foreword sets the context for the Accounts and is therefore a useful starting point for someone reading the Authority's accounts for the first time.

## REVENUE EXPENDITURE

2.8 The Authority set a revenue budget of £46.5m for 2012/13 and the end of year position shows an underspend of £645k against this budget (a variance of 1.4%), which is £130k lower than the predicted underspend due to 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.

2.9 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 £645k.

| | **Budget 2012/13 £000's** | **Actual 2012/13 £000's** | **Variance from Budget 2012/13 £000's** |
|---|---|---|---|
| Expenditure: | | | |
| Net expenditure | 46,494 | 45,935 | (559) |
| Financed By: | | | |
| Revenue Support Grant / NNDR | 22,445 | 22,444 | (1) |
| Council Tax Freeze Grant | 699 | 699 | 0 |
| Precept from Constituent Authorities | 23,294 | 23,294 | 0 |
| Surplus on Collection Fund | 57 | 143 | 86 |
| **Net** | | | **(645)** |

## CAPITAL EXPENDITURE

2.10 The Capital Programme for 2012/13 was £5.5m, spending against this was £2.4m leaving an underspend of £3.1m, which was reported to Finance and Resources Committee during the year. The Treasurer's Foreword in the Statement of Accounts includes a detailed analysis and explanation of this variance.

## RESERVES

2.11 The total balance of Earmarked Reserves at the end of the financial year was £4.5m. During the year new Earmarked Reserves were created either to carry forward unspent grants or donations or to set aside funds for specific purposes. The total amount of funds added to Earmarked Reserves was £2.1m.

2.12 Two significant additions were made to Earmarked Reserves in the year: an additional £500k was added to the Fire Control system (Tri-Service) project and this was approved by Members earlier in the year; the sum of £1,476k was added to the Capital Earmarked Reserve from the un-used part of the revenue contribution budget which arose due to the underspend on the capital programme.

## PENSIONS

2.13 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 (Pensions Reserve) of £388m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes which stands at £377m.

2.14 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.

## GENERAL RESERVES

2.15 The General Reserve for the Authority, following the addition of the 2012/13 surplus of £645k, stood at £7.764m at the 31 March 2013.

2.16 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.

**NOTTINGHAMSHIRE FIRE AND RESCUE SERVICE (TRADING) LTD**

2.17 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.

2.18 This is the Trading Company's second full year of trading and the declared profit after taxation is £753, after an exceptional item (upgrading of handheld devices) of £9k. Contributions in the region of £31k 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

2.19 The Company suffered a downturn in profit during the year but has continued to expand into other areas of activity as well as diversifying its customer base to minimise the risks emerging from public sector cuts. The interim accounts for 2013/14 show that the situation has improved.

## 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 2012/13 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 Statement of Accounts for 2012/13, as attached at Appendix A.

9.2 That Members note the financial results for the year for Nottinghamshire Fire and Rescue Service (Trading) Limited, as attached at Appendix B.

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

None.

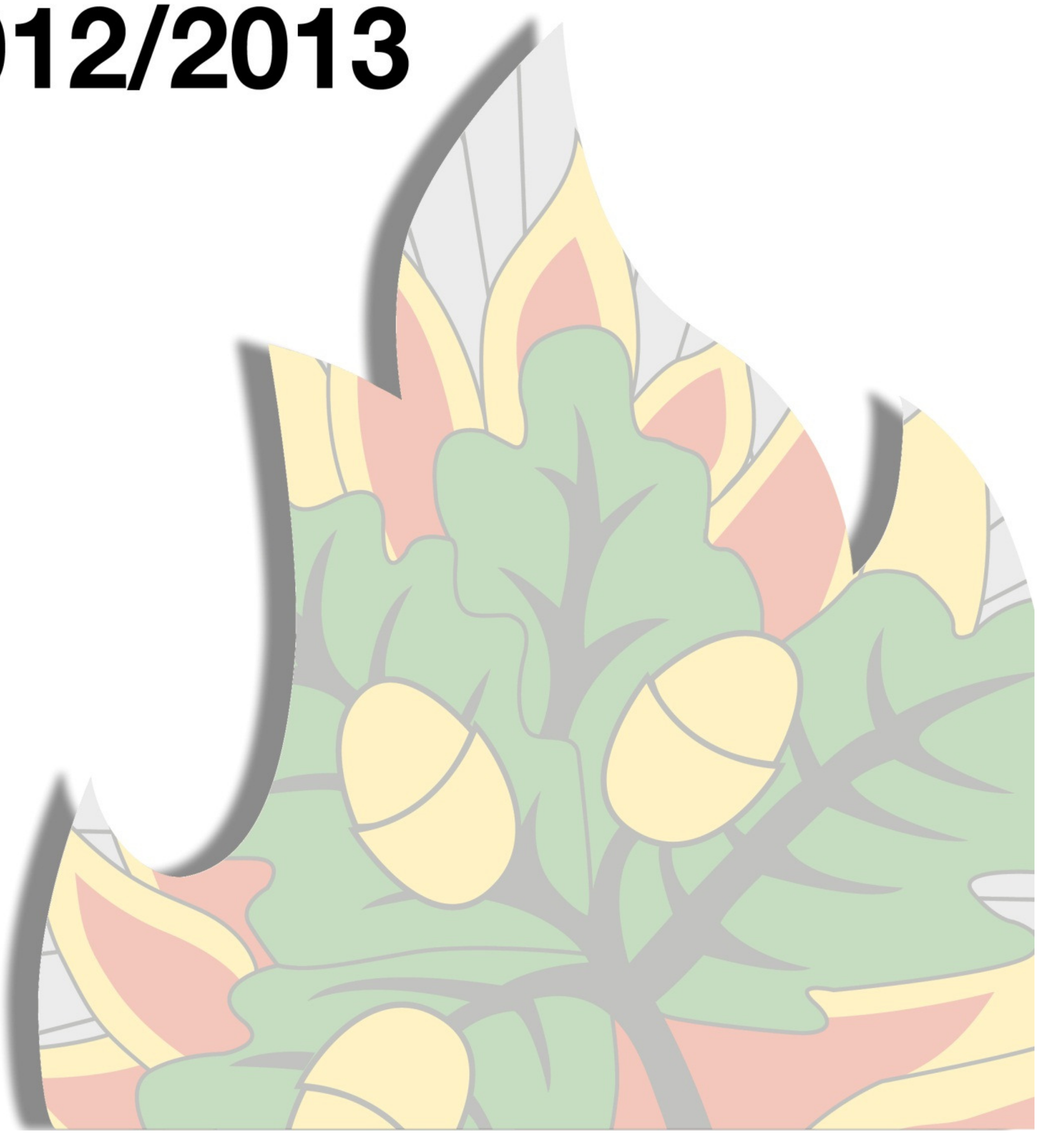
Peter Hurford
**TREASURER TO THE FIRE AND RESCUE AUTHORITY**

**APPENDIX A**

**NOTTINGHAMSHIRE**
**Fire & Rescue Service**
*Creating Safer Communities*

## Nottinghamshire and City of Nottingham Fire Authority

# Statement of Accounts 2012/2013



# NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
# STATEMENT OF ACCOUNTS 2012/13

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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.

The accounts of the Authority can be quite daunting for the reader, especially those who are unfamiliar with accounts in general and local government accounts in particular, so I hope that in taking the time to read my foreword you will be able to better understand how these accounts are constructed and how best to read and interpret them.

The accounts comprise a set of core statements, which contain summarised information. Like all summaries they do not make interesting or understandable reading without reference to the details which, in the case of these accounts, can be found in the accompanying notes. The notes are referenced within the summary statements and it is these notes that enable the reader to understand the detail of what is in a summary item and see how the accounts have been constructed from the underlying financial information.

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 2012/13, 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 Authority holds reserves for two reasons. There are always issues which may arise for which the Authority has no specific budget but in order that these “one off” type events do not unduly impact upon a single year's budget it is wise to maintain some money to deal with these events should they occur. These are what are known as General Fund Balances. Similarly, the Authority may wish to hold back sums of money because it knows that certain items of expenditure will occur but that these are of a “one off” nature and it is uncertain as to when they will occur. These are called earmarked reserves because they are for a specific purpose. As Treasurer I am required to assess the adequacy of these reserves to meet future events and issue a statement annually to that effect. 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.

It is important to note that some of the Authority's reserves which appear on the balance sheet cannot be used to fund expenditure. An example of an unusable reserve would be the Revaluation Reserve, which contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The Authority held £7.764m in General Reserves as well as £4.564m in Earmarked Reserves as at 31st March 2013.

**Comprehensive Income and Expenditure Statement**

This statement brings together all of the items of income and expenditure which constitute the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the net cost to be funded from council tax and other taxation. The reader may wish to refer to the Movement in Reserves Statement to find out the net increase or decrease to the General Fund Balance, which is effectively the underspend or overspend against the revenue budget for the year, and is £645k for 2012/13.

**Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31st March. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority and thus the Balance Sheet is "in balance". The reader will notice that the total on the Balance Sheet is a negative figure of £345.522m, which means that the Authority's liabilities exceed its assets. This would usually be a cause for concern, however in this case the large liability in question relates to future pension liabilities (£388.282m) which at present are funded by Central Government. The underlying financial position of the Fire Authority is a strong one because when this pension liability is excluded, assets exceed liabilities by £42.8m.

**Cash Flow Statement**

This statement, as its name suggests, shows the changes in cash and cash equivalents of the Authority during the reporting period. The starting point for this statement is the net surplus or deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement, as this might suggest what the movement in cash balances has been. There are however a number of charges that are made to the revenue account that are not cash transactions and that merely result in a transfer of funds between the balance sheet and the revenue account.

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.

The resultant figure shows the real movement in cash during the year, which is a reduction in cash of £2,354k.

**Pension Fund Account**

This statement shows the income and expenditure for the year 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, as explained above.

**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.

**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 £46.494m for 2012/13 and the position at the end of the year shows an underspend of £645k. This outturn represents a variation to the original budget of 1.4% and the reasons for this variance are explained below.

The 2012/13 year was another 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 implementation of the findings of the fire cover review and the closure of some operational units. Some of these changes were implemented well ahead of schedule which resulted in a number of underspends being generated.

The savings generated by these initiatives have been taken into account in the formulation of budgets for 2013/14 and subsequent years. The total revenue expenditure in the year before transfers to earmarked reserves was £44.067m, which is significantly less than the 2012/13 budget, thus demonstrating that the Authority is working towards achieving the necessary savings going forward.

| | **Budget 2012/13 £000** | **Actual 2012/13 £000** | **Variance from Budget 2012/13 £000** |
|---|---|---|---|
| Net Expenditure | 46,494 | 45,935 | (559) |
| Financed By: | | | |
| Revenue Support Grant / NNDR | 22,445 | 22,444 | (1) |
| Council Tax Freeze Grant | 699 | 699 | 0 |
| Precept from Constituent Authorities | 23,294 | 23,294 | |
| Surplus / Deficit on Collection Fund | 57 | 143 | 86 |
| **Net** | | | **(645)** |

Significant Variances

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

| | Overspend £000 | Underspend £000 |
|---|---|---|
| Wholetime Operational Pay | | 134 |
| Non-Uniformed Pay | | 291 |
| Retained Pay | | 748 |
| Control Pay | 52 | |
| Staffing Costs Other | 30 | |
| Indirect Employee Expenses | | 71 |
| Pensions & Redundancy | 102 | |
| Building Maintenance | 184 | |
| Rents | | 27 |
| Rates | 40 | |
| Staff Travelling Allowances | | 84 |
| Operational Equipment, Furniture & Materials | | 176 |
| Printing, Stationery, Office Expenses | | 50 |
| Other Services | | 100 |
| Communications & Computing | | 306 |
| Other Expenses | | 376 |
| Legal Services | 27 | |
| Government Grants | | 175 |
| Interest Receivable | | 93 |
| Recovered Costs | | 60 |
| Capital Financing | | 1,421 |
| Subtotal | 435 | 4,112 |
| | | |
| Less contribution from General Reserves not required | | (1,184) |
| Less contribution to Earmarked Reserves | | (1,915) |
| Subtotal | | (3,099) |
| | | |
| **Net Total of Significant Variances** | | **578** |

Explanation of variances

Many of the variances shown in the above table have occurred as a result of deliberate managerial action to reduce budgets going forward and to implement the findings of the Fire Cover Review. The large variance of £748k in Retained pay for example is due mainly to the closure of Retained Units at Highfields, Carlton and Edwinstowe which happened much earlier than anticipated. Wholetime Operational Pay underspent by £134k but this is against an original budget of over £23.5m and so is insignificant.

The underspending on Administrative and Support pay is due to the creation of some new posts as part of the Fire Cover Review and Service restructure - recruitment for these posts was either completed late in the year or was in progress at the year end.

Other Direct employee expenses includes within it a single extraordinary item of expenditure relating to compensation paid to a former employee as a result of an employment tribunal. Other Indirect employee expenses shows an underspend of £71k largely due to a reduction in spending on recruitment and relocation in the year, and due to an underspend on training. This area of the budget was directly impacted by the high number of staff vacancies in the year.

Redundancy and Severance costs relate to two employees and the associated Pension Strain.

Premises Costs relating to building maintenance were overspent by £184k although this was again the result of deliberate action by management. Using resources to remove backlog maintenance is a prudent approach as it will reduce ongoing demand.

Operational Equipment, Furniture and Materials shows an underspend of £176k but this is mainly due to Community Safety delivery equipment which has not been purchased as the number of staff vacancies in the department has meant that the budget cannot be properly spent. Printing and stationery budgets are underspending as a result of staff implementing budget savings and seeking out reductions.

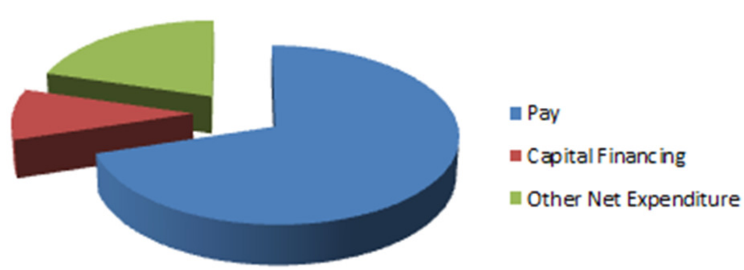
Communications and computing is an area where managers have been keen to examine maintenance contracts with a view to making savings as well as reducing contractors' costs where possible. Again this is an area where savings have been achieved much earlier than anticipated.

The Other Expenses heading contains over £300k of unspent central contingency which has been set aside out of base budgets. This sum has been significantly reduced in 2013/14.

The Authority again received a number of Government Grants which were not anticipated at budget time resulting in additional income of £175k. Similarly income has been received across a whole range of headings in excess of that anticipated. These income heads include areas such as court costs recovered and recharge income which is difficult to estimate.

A surplus of £93k has been made on interest received but this is mainly due to the revenue budget underspend and cash-backed reserves which have been invested.

The Pie Chart below shows how the Authority's revenue expenditure was split between Pay, Capital Financing and Other Net Expenditure.



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 2013):

| | **2012/13** |
|---|---|
| | **£000s** |
| Fire Appliances | 688 |
| Blidworth Fire Station | 465 |
| Edwinstowe Fire Station | 325 |
| Sustainable Energy Project | 136 |
| Service Development Centre Shower Block | 70 |
| HR System | 149 |
| Office 2010 Windows 7 Upgrade | 150 |
| Control System | 130 |

The Fire Authority had a Capital Programme for 2012/13, 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 £1.7m (budgets carried forward) from 2011/12:

| | **Capital Programme** | **Actual** | **Variance from Budget** |
|---|---|---|---|
| | **2012/13** | **2012/13** | **2012/13** |
| | **£000** | **£000** | **£000** |
| Property Programme | 3,385 | 1,018 | (2,367) |
| Transport Programme | 983 | 803 | (180) |
| IT and Communications Programme | 1,205 | 609 | (596) |
| **Total** | **5,573** | **2,430** | **(3,143)** |

Significant Variances

The Property programme underspent by £2.367m. As reported to the Finance and Resources Committee during the year this is due to a slow down in the progress of the Capital Programme during the implementation of the Fire Cover Review. The rebuild project for Retford Fire Station is about to begin and the search continues for suitable land to replace Central Fire Station.

The Transport programme underspent by £180k and this budget will be slipped forward to 2013/14 to fund the remainder of the costs associated with the Aerial Ladder Platform (ALP).

The Information and Communications Technology programme also underspent during the year. Four projects make up the total of this underspend. The contract for the new HR system has recently been awarded and the minor projects of mobile computing and the CFRMIS Database upgrade will be completed as resources permit. The business process automation project was deliberately delayed awaiting the outcome of the middleware decision coming from the Tri-Service Control project to see what could be utilised from this.

Financing of Capital Expenditure

The Authority did not undertake any borrowing during the year, and repaid £2.059m of debt to the PWLB. The Authority's level of borrowing at the year end was £26m, with £2m of this held as investments and not yet applied to finance capital expenditure. This compares to long term assets on the Balance Sheet valued at £53.8m. The capital financing requirement as at 31 March 2013 is £25m, which demonstrates that the current level of net borrowing is prudent.

During the year, capital expenditure was financed by a combination of government capital grant and revenue contributions.

Movements in Debtors and Creditors

There has been an increase in debtors over the preceding year amounting to £1,805k. Of this sum, £1,672k was in prepayments, and this was primarily due to the unspent portion of the capital grant for the Tri-Service Control project.

There has been a decrease in creditors over the preceding year amounting to £239k. The table belows shows the movements by type of creditor:

| | 2011/2012 | 2012/2013 | Inc/(Dec) |
|---|---|---|---|
| | **£000's** | **£000's** | **£000's** |
| Accounts Payable | 1730 | 1579 | -151 |
| Sundry Creditors | 2720 | 2632 | -88 |
| Total | 4450 | 4211 | -239 |

Explanation of major movements in creditors:

Accounts Payable (this relates to invoices received in respect of the 2012/13 year, but unpaid at 31st March). The oustanding balance has decreased by £151k. There are a number of individual movements within this overall decrease, the major changes by creditor are: Angloco Ltd increase £430k, Ampton increase £55k, Lombard decrease £79k, Vaughandale Construction decrease £96k, HMRC decrease £714k and Lindum Group increase £102k.

Sundry Creditors (this relates to goods and services received in the 2012/13 year, but for which invoices had not been received at 31st March). The balance due to creditors has reduced by £88k. This figure is made up of both increases and decreases in outstanding balances : capital expenditure incurred but invoices not received decrease £471k, employees creditors increased by £670k, mainly due to the amount due to HMRC for March 2013 being paid in April 2013, other creditors have reduced by £395k.

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2013/14 and beyond. The effect of this will be that these earmarked reserves will support the 2013/14 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 9.

Pension Funds

Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability of £388m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £377m. 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 Significant, Material and Unusual Items

The site of the former Dunkirk Fire Station has now been marketed for sale by Nottingham City Council, which jointly owns the site with the Authority, and a sale price subject to planning permission has been agreed. It is hopeful that planning permission may be obtained later in 2013/14. The fire station building has been demolished, but the land that it stood on has been classified as an asset held for sale and has been revalued accordingly. This has resulted in a significant increase in the value of surplus assets (within Total Long Term Assets) on the Authority's Balance Sheet, from £749k to £2,068k. The gain in value is held in the Revaluation Reserve and is not available for spending.

The house adjacent to Carlton Fire Station, which had been re-classified as an asset "held for sale", has now been sold and the capital receipt will used to finance new capital expenditure next year.

The Authority finalised the implementation of an internal restructure during 2012/13 and a number of voluntary redundancies were made, the costs of which were largely met from the earmarked reserve set aside for this purpose. There were a further two posts where officers were compensated for agreeing to leave the organisation by taking early retirement. Also, an agreement was reached in 2012/13 for two employees to leave in 2013/14 on the basis of voluntary redundancy, and another employee will be leaving in 2013/14 with an agreed employment termination benefit. A provision has been made for the costs associated with these three employees who will leave next year.

The Tri-Service Control project for which central government grant funding was received has progressed as planned and contracts are to be awarded in early 2013/14.

The Comprehensive Income and Expenditure Statement includes a line for actuarial gains or losses on pension assets and liabilities within Other Comprehensive Income and Expenditure. For 2011/12 the value on this line was £4,977k and for 2012/13 the value of the losses increased to £35,774k. The reason for this is that in 2011/12, the net actuarial losses were relatively low because the effect of a change in the discount rate was countered by the effect of a change in the inflation rate. In 2012/13, however, the impact of changes in these same two assumptions was quite different. The discount rate decreased from 5.1% to 4.4%, which substantially increased the overall value of the pension liability, whereas the inflation rate assumption only reduced from 2.6% to 2.4% so this did not sufficiently offset the losses caused by the discount rate changes.

## Economic Climate

The financial year 2012/13 has seen little improvement in the prospects for the UK economy which continues to be under threat of a triple dip recession. The legacy of the banking crisis continues to have an impact and the Euro zone is particularly volatile at present. Further quantitative easing and consequent low interest rates have reduced the level of investment interest the Authority may expect to receive even though current levels of balances mean that the Authority has more money to invest. Conversely, the Authority may benefit from lower interest rates on borrowing.

The main focus of investing surplus cash will be to protect the Authority's capital, and higher interest rates will not be taken at the expense of security. Regular risk assessments continue to take place which result in regular amendments to the approved counterparty list.

The falling price of property may also have a significant impact on the Authority's finances as the balance sheet value of properties may fall. This devaluation effect seems to have been slowing down during 2012/13 and the outlook for 2013/14 and beyond is more positive

It is a general assumption that Fire and Rescue Services throughout the country may experience increasing demand for their services as the economy shrinks however there is no indication of this so far.

By far the most significant consideration for the medium term is the general state of Central Government Finances. The UK as a whole is in huge deficit and Central Government may need to make further cuts in expenditure and increases in taxation to turn this situation around. The prospect of the Fire and Rescue Service suffering additional significant reductions in external funding is by far the greatest risk that the Authority has to face at present.

Nevertheless the Authority's reserves are sufficient to withstand any short terms changes in the funding regime and budget plans are in place to respond to anticipated reductions.

## 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 2013. 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 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 were therefore prepared for 2011/12 but I have since concluded that this did not provide any significant benefit to the reader, so for 2012/13 only separate accounts have been prepared for both the Authority and the trading company.

Further detail about the company's trading results and overall financial position, as well as about its interaction with the Authority, can be found in notes 33 and 40. For 2012/13, Nottinghamshire Fire and Rescue Service (Trading) Limited made a profit before tax of less than £1k.

Plans for 2013/14

Elected Members of the Fire Authority approved a council tax for 2013/14, which was the same as in 2012/13 and this decision enabled the Authority to benefit from a Government “Council Tax Freeze” grant. The revenue budget for 2013/14 has been set at £43.899m, some £2.6m less than that set for 2012/2013. This is part of an overall requirement to reduce budgets over the period to 2015/16. The financial challenges are not limited to reductions in budgets and government grants but also to changes in the financial framework relating to business rates retention and council tax support (previously council tax benefit). It is still unclear as to how these changes will eventually affect the Fire Authority once they work through the system.

Nevertheless the challenge for the Fire Authority is not only how to survive during a period of financial austerity but how to continue to improve and develop services against this financial backdrop.

With this in mind the strategy of the Authority has been to use fluctuations in balances to cushion the transitional effect of reductions and therefore to take opportunities to increase these balances whenever possible to support an overall strategy of budget reduction going forward. Government funding for 2015/16 has not yet been announced but assumptions generally are that more significant reductions will be made. Public Sector pension reform is expected to be implemented within the next two years and I hope that we will begin to understand the financial impacts of pension changes during 2013/14, so that budget planning can take account of this.

The Authority made major structural changes in 2012/13 as a result of the Fire Cover Review (FCR) and it was decided to press on with these changes and plans whilst taking a measured approach to planning any future reductions. To this end the FCR proposals have been implemented and a new Integrated Risk Management Plan / Community Safety Plan is in preparation which seeks to continue to move the organisation forward. It is my opinion that this measured approach to service remodelling, supported by the use of balances, is the most appropriate strategy to implement the changes required and preserve the financial stability of the Authority. A new Medium Term Financial Strategy has been prepared and approved by Members.

The budget planning work which will take place during the year will continue to seek further savings from within existing base budgets 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 again play a crucial role.

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 has already started on the next Plan and this work will continue in 2013/14.

I am pleased to note that the two major projects I referred to in my previous foreword to the accounts are making good progress. These are the Tri-Service Control project and the new HR System project. Neither of these have been affected by budget reductions.

The 2013/14 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.

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 2013 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 28 June 2013 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 27 September 2013.

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

Signed ____________________________________________

(Chair of the Fire Authority)

Dated ____________________________________________

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

We have audited the financial statements of Nottinghamshire and City of Nottingham Fire Authority for the year ended 31 March 2013 on pages 19 to 101. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the 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. Our 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 us 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'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, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

**Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 102 to 110 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11 of the Audit Commission Act 1998; or

- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

**Conclusion on Nottinghamshire and City of Nottingham Fire Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Authority's responsibilities**

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.

**Auditor's responsibilities**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Nottinghamshire and City of Nottingham Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

**Certificate**

We certify that we have completed the audit of the financial statements of Nottinghamshire and City of Nottingham Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**John Cornett**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Date:

## INTRODUCTION TO THE CORE STATEMENTS

### Movement in Reserves Statement - Page 19

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 21

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 22

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 23

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 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** | **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 8) | 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 9) | 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** | **7,118** | **3,761** | **0** | **1,800** | **12,679** | **(316,419)** | **(303,740)** |

## MOVEMENT IN RESERVES STATEMENT

| Movement in Reserves during 2012/13 | 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 2012 carried forward** | **7,118** | **3,761** | **0** | **1,800** | **12,679** | **(316,419)** | **(303,740)** |
| Surplus or (deficit) on the provision of Services | (8,850) | 0 | 0 | 0 | **(8,850)** | 0 | **(8,850)** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | **0** | (32,933) | **(32,933)** |
| **Total Comprehensive Income and Expenditure** | **(8,850)** | 0 | 0 | 0 | **(8,850)** | **(32,933)** | **(41,783)** |
| Adjustment between accounting basis & funding basis under regulations (Note 8) | 10,298 | 0 | 102 | (130) | **10,270** | (10,270) | **0** |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | **1,448** | **0** | **102** | **(130)** | **1,420** | **(43,203)** | **(41,783)** |
| Transfers to/from Earmarked Reserves (Note 9) | (802) | 802 | 0 | 0 | 0 | 0 | 0 |
| **Increase/(Decrease) in 2012/13** | **646** | **802** | **102** | **(130)** | **1,420** | **(43,203)** | **(41,783)** |
| **Balance at 31 March 2013 carried forward** | **7,764** | **4,563** | **102** | **1,670** | **14,099** | **(359,622)** | **(345,523)** |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2011/12 Restated | | | | | 2012/13 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure | Gross Income | Net Expenditure | | Notes | Gross Expenditure | Gross Income | Net Expenditure |
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 6,302 | (515) | 5,787 | Community Safety | | 5,822 | (444) | 5,378 |
| 40,854 | (239) | 40,615 | Firefighting and Rescue Operations | | 40,700 | (654) | 40,046 |
| 469 | (277) | 192 | Fire Service Emergency Planning | | 625 | (112) | 513 |
| 593 | 0 | 593 | Corporate and Democratic Core | | 603 | 0 | 603 |
| 91 | 0 | 91 | Non Distributed Costs | | 211 | 0 | 211 |
| **48,309** | **(1,031)** | **47,278** | **Cost of Services** | | **47,961** | **(1,210)** | **46,751** |
| 1 | 0 | 1 | Other Operating Expenditure | 10 | 0 | (3) | (3) |
| 19,643 | (1,253) | 18,390 | Financing and Investment Income and Expenditure | 11 | 19,040 | (1,108) | 17,932 |
| 0 | (57,783) | (57,783) | Taxation and Non-Specific Grant Income | 12 | 0 | (55,830) | (55,830) |
| **67,953** | **(60,067)** | **7,886** | **Surplus (-) or Deficit on Provision of Services** | | **67,001** | **(58,151)** | **8,850** |
| | | (509) | (Surplus) or deficit on revaluation of Property, Plant and Equipment Assets | | | | (2,841) |
| | | 4,977 | Actuarial (gains)/losses on Pension Assets/Liabilities | | | | 35,774 |
| | | **4,468** | **Other Comprehensive Income and Expenditure** | | | | **32,933** |
| | | **12,354** | **Total Comprehensive Income and Expenditure** | | | | **41,783** |

## BALANCE SHEET

| 31 March 2012 £000 | | Notes | 31 March 2013 £000 |
|---|---|---|---|
| | Property, Plant & Equipment | | |
| 39,220 | - Land and Buildings | 13 | 40,979 |
| 7,571 | - Vehicles, Plant and Equipment | 13 | 8,022 |
| 3,366 | - Assets Under Construction | 13 | 2,482 |
| 749 | Surplus Assets | 13 | 2,069 |
| 122 | Intangible Assets | 14 | 250 |
| 0 | Long Term Investments | | 0 |
| 0 | Long Term Debtors | | 0 |
| **51,028** | **TOTAL LONG TERM ASSETS** | | **53,802** |
| | | | |
| 10,582 | Short Term Investments | 15 | 12,128 |
| 95 | Assets Held For Sale | 19 | 0 |
| 350 | Inventories | 16 | 294 |
| 4,328 | Short Term Debtors | 17 | 5,864 |
| 3,218 | Cash and Cash Equivalents | 18 | 864 |
| **18,573** | **TOTAL CURRENT ASSETS** | | **19,150** |
| | | | |
| (2,454) | Short Term Borrowings | 15 | (3,121) |
| (4,450) | Short Term Creditors | 20 | (4,211) |
| (333) | Short Term Provisions | 21 | (142) |
| (187) | Other Short Term Liabilities - Finance Leases | 35 | (100) |
| (41) | Grants Receipts in Advance - Revenue | 32 | (35) |
| **(7,465)** | **TOTAL CURRENT LIABILITIES** | | **(7,609)** |
| | | | |
| (100) | Long Term Provisions | 21 | (55) |
| (25,540) | Long Term Borrowing | 15 | (22,475) |
| | Other Long Term Liabilities | | |
| (339,939) | - Pensions Liability | 37 | (388,282) |
| (296) | - Finance Leases | 35 | (53) |
| **(365,875)** | **TOTAL LONG TERM LIABILITIES** | | **(410,865)** |
| | | | |
| **(303,739)** | **TOTAL NET ASSETS** | | **(345,522)** |
| | | | |
| | Usable Reserves | | |
| 7,119 | - General Fund Balance | 22 | 7,764 |
| 3,761 | - Earmarked Reserves | 22 | 4,564 |
| 0 | - Capital Receipts Reserve | 22 | 102 |
| 1,800 | - Capital Grants Unapplied | 22 | 1,670 |
| | Unusable Reserves | | |
| 14,963 | - Capital Adjustment Account | 23 | 17,624 |
| 8,710 | - Revaluation Reserve | 23 | 11,096 |
| (339,939) | - Pension Reserve | 23 | (388,282) |
| 10 | - Financial Instruments Adjustment Account | 23 | 0 |
| (2) | - Collection Fund Adjustment Account | 23 | 84 |
| (161) | - Accumulated Absences Adjustment Account | 23 | (144) |
| | | | |
| **(303,739)** | **TOTAL RESERVES** | | **(345,522)** |

## CASH FLOW STATEMENT

| 2011/12 £000 | | 2012/13 £000 |
|---|---|---|
| 7,886 | **Net (Surplus)/Deficit on the Provision of Services** | **8,850** |
| (16,233) | Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements | (14,402) |
| 3,286 | Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 1,589 |
| (5,061) | Net Cash Flows from Operating Activities (Note 24) | (3,963) |
| 2,733 | Investing Activities (Note 25) | 3,929 |
| 309 | Financing Activities (Note 26) | 2,388 |
| (2,019) | Net Increase or Decrease in Cash and Cash Equivalents | 2,354 |
| (1,199) | Cash and Cash Equivalents at the Beginning of the Reporting Period | (3,218) |
| **(3,218)** | **Cash and Cash Equivalents at the End of the Reporting Period (Note 18)** | **(864)** |

Note: In the 2011/12 Statement of Accounts, the "Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements" figure was (£15,901,000), and the "Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activites" figure was £2,954,000. In 2011/12 interest charges of £332,000 were included in the latter figure and should have been included in the former figure. This has been corrected in the comparative figures shown above.

**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 2012/13 financial year and its position at the year end of 31 March 2013. 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 2012/2013 (the Code) and the Service Reporting Code of Practice 2012/2013 supported by International Financial Reporting Standards (IFRS).

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 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) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
d) 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).
e) 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, 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) has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters. It is an unfunded pension scheme, meaning that 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. The cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Department for Communities and Local Government (DCLG). Any surplus funding is paid over to the DCLG.
- 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. Like the 1992 FPS, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the DCLG and any surplus being paid over to them.
- 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 treated as an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

The arrangements for the two Firefighters' pension schemes and the Firefighters' Compensation Scheme are determined by the Department for Communities and Local Government.

The Authority is required by the CIPFA Code of Practice to account for pensions in accordance with International Accounting Standard 19 Employee Benefits (IAS 19). One of the objectives of IAS 19 is to ensure that an employer's financial statements reflect a liability when employees have provided services in exchange for benefits to be paid in the future. Further detail on accounting policies is given in note 37 to the core financial statements.

In order to identify the amount of top-up grant receivable from / surplus payable to the Department for Communities and Local Government the Authority is required to produce separate Pension Fund Statements for the firefighters' pension schemes. Additional accounting policies can be found in the notes to these 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 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 Reporting Period

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 the Balance Sheet date. 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 the Balance Sheet date. 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.  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 the Authority.

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.

Further details about the Authority's interests in these companies are disclosed in the note on Interests in Companies.

**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 (unless the arrangement specifies a rental pattern which is not straight line, in which case this will be disclosed).

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.

### Operating Leases (the Authority as Lessor)

Income from operating leases is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, with the exception of the lease relating to the property at Clifton. In this instance, as the annual payments vary, the income is recognised based on the specific cash flows as notated in the lease agreement.

## 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.

**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.

<u>Depreciation and Amortisation</u>

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 2012/13 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 22.

Earmarked Reserve

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

**Capital Reserves**

There are four capital related reserves shown in the Balance Sheet. Of these four reserves the Usable Capital Receipts Reserve and the Capital Grants Unapplied Reserve are 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.

The Capital Grants Unapplied Reserve

This reserve is credited with capital grants received, which have yet to be used to finance capital expenditure.

Movements on these reserves are shown in notes 22 and 23.

**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**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

### IFRS 7 *Financial Instruments*

The International Accounting Standards Board issued amendments to IFRS 7 Financial Instruments: Disclosures in December 2011, which are set out in "Disclosures - Offsetting Financial Assets and Financial Liabilities" and will apply to accounting periods beginning on or after 1 January 2013. This change to the accounting standard requires further financial instrument disclosures which are designed to enable users of financial statements to evaluate the effect or potential effect of netting arrangements.

Netting, or offsetting, takes place when entities present their rights and obligations to each other as a net amount in their statements of financial position, in accordance with IAS 32 Financial Instruments: Presentation. The new disclosure requirements will apply to such offsetting and will also apply to financial instruments which are subject to a master netting arrangement or similar agreement, even if not set off in the statement of financial position.

The CIPFA Code of Practice 2013/14 will include the new disclosure requirements. Authorities will need to disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities which have been netted, as well as those instruments which are subject to a master netting arrangement or similar agreement and have not been netted:

a) the gross amounts of those recognised financial assets and recognised financial liabilities

b) the amounts that are set off when determining the net amounts presented in the balance sheet

c) the net amounts presented in the balance sheet

d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included, and this will include:

> (i) amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria and
>
> (ii) amounts related to financial collateral (including cash collateral)

e) the net amount after deducting the amounts in d) from the amounts in c) above.

An authority shall include a description in the disclosures of the rights of set-off associated with the authority's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with d) above, including the nature of those rights.

These changes do not come into effect until 2013/14. However, if they were to come into effect in 2012/13 the following disclosure note would have been added to Note 15 Financial Instruments:

"The values for financial instruments in the above table and on the Balance Sheet are all gross figures i.e. no netting of financial instruments has taken place".

### International Accounting Standard 19 *Employee Benefits*

The International Accounting Standards Board has published a final version of the revised International Accounting Standard 19 Employee Benefits (IAS 19) that will apply to accounting periods beginning on or after 1 January 2013. This change to the accounting standard will affect the IAS 19 pension charges in the Comprehensive Income and Expenditure Statement.

In summary, the main changes to the Comprehensive Income and Expenditure Statement are:

- The removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and the interest expense on liabilities, both of which are calculated with reference to the discount rate.
- Terminology changes:
    - **Interest on assets:** this is interest on assets held and cashflows occurring during the period, calculated using the discount rate applying at the start of the period.
    - **Net interest cost:** this is the interest on pension liabilities less interest on assets.
    - **Service cost:** this is comprised of what is currently known as the current services cost, the past service cost, and any gains or losses on settlements and curtailments.
    - **Remeasurements (assets):** this is the return on plan assets net of expenses and interest income. It replaced actuarial gains and losses on assets.
    - **Remeasurements (liabilities):** this replaces actuarial gains and losses on liabilities, and in most circumstances will be the same as actuarial gains and losses on liabilities under the previous version of IAS 19.

For the Local Government Pension Scheme (LGPS), administration expenses which are currently deducted from the actual and expected return on assets will in future be accounted for within the Comprehensive Income and Expenditure Statement.

For the Firefighter Pension Schemes, interest on the current service cost is included in the current service cost itself, rather than in the interest cost on liabilities as it is currently. As explained above, the current service cost will be a component of the new ‘service cost’.

These changes do not come into effect until 2013/14. However, if they were to come into effect in 2012/13 they would have the following impact:

- For the LGPS, it would have increased the net interest charge recognised in the Comprehensive Income and Expenditure Statement by £189k. Administration expenses of £2k would be accounted for in the Comprehensive Income and Expenditure Statement.
- For the Firefighter Schemes, the net interest charge recognised in the Comprehensive Statement of Income and Expenditure will decrease by £172k and the service cost will increase by £172k.

## 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 2013/14 revenue budget is expected to reduce by around £5m 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 38 Contingent Assets and 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 2013 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.<br><br>It is estimated that the annual depreciation charge for buildings would increase by £46k 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 37 |

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

## 5. PRIOR PERIOD ADJUSTMENTS

Firefighters' Pension Top-Up Grant (International Accounting Standard 19)

Previously the top-up grant was credited to the Cost of Services in the Comprehensive Income and Expenditure Statement, and was effectively netted off against the gross current service cost. However, the Code of Practice permits an alternative treatment whereby the grant is credited as a contribution towards corporate costs in Other Operating Expenditure. The Authority has opted to adopt this alternative treatment in 2012/13 as it is thought to be a more transparent approach. The 2011/12 comparative figures shown in the Comprehensive Income and Expenditure Statement have therefore been restated to reflect this change to accounting policy. The impact of the change is shown in the table below:

| **2011/12 Prior to restatement** | | | | **2011/12 Restated** | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure** | **Gross Income** | **Net Expenditure** | | **Gross Expenditure** | **Gross Income** | **Net Expenditure** |
| 5,350 | -515 | 4,835 | Community Safety | 6,302 | -515 | 5,787 |
| 33,768 | -239 | 33,529 | Firefighting and Rescue Operations | 40,854 | -239 | 40,615 |
| 400 | -277 | 123 | Fire Service Emergency Planning | 469 | -277 | 192 |
| 593 | 0 | 593 | Corporate and Democratic Core | 593 | 0 | 593 |
| 91 | 0 | 91 | Non Distributed Costs | 91 | 0 | 91 |
| **40,202** | **-1,031** | **39,171** | **Cost of Services** | **48,309** | **-1,031** | **47,278** |
| 1 | 0 | 1 | Other Operating Expenditure | 1 | 0 | 1 |
| 19,643 | -1,253 | 18,390 | Financing and Investment Income and Expenditure | 19,643 | -1,253 | 18,390 |
| 0 | -49,676 | -49,676 | Taxation and Non-Specific grant income | 0 | -57,783 | -57,783 |
| **59,846** | **-51,960** | **7,886** | **(Surplus)/Deficit on the Provision of Services** | **67,953** | **-60,067** | **7,886** |

## 6. MATERIAL ITEMS OF INCOME AND EXPENSE

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

| **Description of Item** | **Income or Expense** | **2012/13** | **2011/12** |
|---|---|---|---|
| | | **£000** | **£000** |
| Depreciation and Amortisation of Non Current Assets | Expense | 3,427 | 2,750 |
| Capital Grant | Income | (1,487) | (3,286) |

## 7. EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 28 June 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

New arrangements for the retention of business rates come into effect on 1 April 2013, and local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by authorities, but would have been transferred to the Department for Communities and Local Government. As a precepting authority, the Fire Authority will be required to account for its share of these liabilities on 1 April 2013. The value of these liabilities will be £398k.

The financial statements and notes have not been adjusted for this, as the liability did not exist at the balance sheet date of 31 March 2013.

## 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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.

| 2012/13 | 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 | (3,360) | 0 | 0 | 3,360 |
| Revaluation losses on Property Plant and Equipment | 934 | 0 | 0 | (934) |
| Amortisation of intangible assets | (67) | 0 | 0 | 67 |
| Capital Grants and contributions applied | 1,487 | 0 | 130 | (1,617) |
| 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 | (99) | 0 | 0 | 99 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | 2,368 | 0 | 0 | (2,368) |
| Capital expenditure charged against the General Fund balances | 813 | 0 | 0 | (813) |
| **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 | 102 | (102) | 0 | 0 |
| Use of Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 0 | 0 |

| **2012/13** | **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 | (10) | 0 | 0 | 10 |
| **Adjustments primarily involving the Pension Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (25,143) | 0 | 0 | 25,143 |
| Employers pension contributions and direct payments to pensioners payable in the year | 12,574 | 0 | 0 | (12,574) |
| **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 | 86 | 0 | 0 | (86) |
| **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 | 17 | 0 | 0 | (17) |
| **Total Adjustments** | **(10,298)** | **(102)** | **130** | **10,270** |

| 2011/12 | 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 | (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 | 1800 | 0 | -1800 | 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 | 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 | (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** |

## 9 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves either to meet General Fund expenditure in the year, or because the earmarked reserve was no longer required.

| | Balance at 1 April 2011 £000 | Transfers out 2011/12 £000 | Transfers in 2011/12 £000 | Balance at 31 March 2012 £000 | Transfers out 2012/13 £000 | Transfers in 2012/13 £000 | Balance at 31 March 2013 £000 |
|---|---|---|---|---|---|---|---|
| **Earmarked Reserves Funded by Grants:** | | | | | | | |
| LPSA Reward Grant | **(451)** | 56 | 0 | **(395)** | 0 | 0 | **(395)** |
| Bendigo Project | **(9)** | 0 | 0 | **(9)** | 0 | 9 | **0** |
| Extrication Team | **(3)** | 3 | 0 | **0** | 0 | 0 | **0** |
| Fire Setters | **(28)** | 0 | 0 | **(28)** | 0 | 15 | **(13)** |
| SRB / CAP - Stockhill Community Safety | **(3)** | 3 | 0 | **0** | 0 | 0 | **0** |
| Fire Investigation | **(155)** | 0 | 0 | **(155)** | 1 | 0 | **(154)** |
| Safe as Houses - Smoke Alarms | **(22)** | 0 | 0 | **(22)** | 0 | 0 | **(22)** |
| Community Fire Safety - Innovation Fund | **(31)** | 0 | 0 | **(31)** | (173) | 0 | **(204)** |
| Resilience Crewing and Training | **(158)** | 0 | 0 | **(158)** | 24 | (122) | **(256)** |
| Gedling - P.C.T. (Primary CareTrust) | **(3)** | 3 | 0 | **0** | 0 | 0 | **0** |
| Thoresby Estate Charitable Trust | **(5)** | 0 | 0 | **(5)** | 1 | (1) | **(5)** |
| Fire Fighter 4 Life Course | **(2)** | 2 | 0 | **0** | 0 | 0 | **0** |
| Area 4 Committee | **(1)** | 0 | 0 | **(1)** | 0 | 0 | **(1)** |
| Fire Prevention Grant | **(173)** | 0 | 0 | **(173)** | 173 | 0 | **0** |
| Vodafone Donation | **(3)** | 1 | 0 | **(2)** | 1 | 0 | **(1)** |
| Enhanced Command Support | **(140)** | 0 | 0 | **(140)** | 0 | 0 | **(140)** |
| CACFO Equal Opportunities | **(1)** | 1 | 0 | **0** | 0 | 0 | **0** |
| Migration Impacts Fund | **(16)** | 0 | 0 | **(16)** | 0 | 16 | **0** |
| Safe as Houses - Safety Equipment | **(3)** | 0 | 0 | **(3)** | 0 | 0 | **(3)** |
| New Burdens FiReControl | **(439)** | 429 | 0 | **(10)** | 5 | 0 | **(5)** |

| | Balance at 1 April 2011 £000 | Transfers out 2011/12 £000 | Transfers in 2011/12 £000 | Balance at 31 March 2012 £000 | Transfers out 2012/13 £000 | Transfers in 2012/13 £000 | Balance at 31 March 2013 £000 |
|---|---|---|---|---|---|---|---|
| **Earmarked Reserves Funded by Grants:** | | | | | | | |
| Community Safety within Bassetlaw | **0** | 0 | (6) | **(6)** | 0 | 0 | **(6)** |
| Gedling Donation | **0** | 0 | -3 | **(3)** | 0 | 3 | **0** |
| New Risks Programme DCLG | **0** | 0 | -145 | **(145)** | 145 | 0 | **0** |
| Enhanced Logistical Support DCLG | **0** | 0 | -76 | **(76)** | 34 | 0 | **(42)** |
| Precept Support Fund | **0** | 0 | 0 | **0** | 0 | (27) | **(27)** |
| **SubTotal** | **(1,646)** | **498** | **(230)** | **(1,378)** | **211** | **(107)** | **(1,274)** |
| **Earmarked Reserves Created by Revenue:** | | | | | | | |
| Pensions - Ill Health | **(250)** | 0 | 0 | **(250)** | 0 | 170 | **(80)** |
| Fire Safety - On Fire Fund | **(174)** | 0 | 0 | **(174)** | 34 | 0 | **(140)** |
| Princes Trust | **(143)** | 56 | (59) | **(146)** | 86 | 0 | **(60)** |
| Fire Control Transition | **(200)** | 0 | (270) | **(470)** | 110 | (500) | **(860)** |
| Agresso Development | **(50)** | 5 | 0 | **(45)** | 15 | 0 | **(30)** |
| Training BCM & Values | **(13)** | 0 | 0 | **(13)** | 2 | 0 | **(11)** |
| ICT Sharepoint / Internet / Intranet | **(97)** | 0 | 0 | **(97)** | 0 | 0 | **(97)** |
| Operational Equipment | **(130)** | 85 | 0 | **(45)** | 0 | 3 | **(42)** |
| Estates Invest to Save | **(472)** | 266 | 0 | **(206)** | 206 | 0 | **0** |
| Equal Pay | **(50)** | 30 | 0 | **(20)** | 0 | 20 | **0** |
| Scania Flowmeters - SDC | **(10)** | 3 | 0 | **(7)** | 7 | 0 | **0** |

| | Balance at 1 April 2011 £000 | Transfers out 2011/12 £000 | Transfers in 2011/12 £000 | Balance at 31 March 2012 £000 | Transfers out 2012/13 £000 | Transfers in 2012/13 £000 | Balance at 31 March 2013 £000 |
|---|---|---|---|---|---|---|---|
| **Earmarked Reserves Created by Revenue:** | | | | | | | |
| Fire Cover Review Consultation etc | **(47)** | 27 | 0 | **(20)** | 0 | 20 | **0** |
| Capital Reserve | **(380)** | 0 | 0 | **(380)** | 0 | (1,476) | **(1,856)** |
| UKRO Competition | **(5)** | 0 | 0 | **(5)** | 1 | 4 | **0** |
| Organisational Transition - One-off Costs | **(500)** | 0 | 0 | **(500)** | 393 | 0 | **(107)** |
| Swan Project Ashfield | **0** | 0 | (5) | **(5)** | 0 | 0 | **(5)** |
| FEU Conference | **0** | 0 | 0 | **0** | 0 | (2) | **(2)** |
| **Subtotal** | **(2,521)** | **472** | **(334)** | **(2,383)** | **854** | **(1,761)** | **(3,290)** |
| **Total** | **(4,167)** | **970** | **(564)** | **(3,761)** | **1,065** | **(1,868)** | **(4,564)** |

## 10 OTHER OPERATING EXPENDITURE

| 2011/12 £000 | | 2012/13 £000 |
|---:|---|---:|
| 1 | (Gains)/Losses on the disposal of non-current assets | (3) |
| **1** | **Total** | **(3)** |

## 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2011/12 £000 | | 2012/13 £000 |
|---:|---|---:|
| 1,086 | Interest payable and similar charges | 1,037 |
| 73 | Interest paid in relation to Finance Leases | 86 |
| 17,394 | Pensions interest cost and expected return on pensions assets | 16,952 |
| (163) | Interest receivable and similar income | (143) |
| **18,390** | **Total** | **17,932** |

## 12 TAXATION AND NON-SPECIFIC GRANT INCOME

| 2011/12 £000 | | 2012/13 £000 |
|---:|---|---:|
| 23,177 | Council tax income | 23,437 |
| 17,289 | Non domestic rates | 22,017 |
| 8,107 | Pension top up grant | 7,737 |
| 580 | Council tax freeze grant | 698 |
| 0 | Council tax reform grant | 27 |
| 5,344 | Non ringfenced government grants | 427 |
| 3,286 | Capital grants and contributions | 1,487 |
| **57,783** | **Total** | **55,830** |

The figures in the table above show that the total income received in respect of non domestic rates and non ringfenced government grants was consistent between 2011/12 and 2012/13. However in 2012/13 Central Government adjusted the Authority's external funding by significantly reducing revenue support grant and increasing non domestic rate income. This was in preparation for the localisation of non domestic rates with effect from 1 April 2013.

## 13 PROPERTY PLANT AND EQUIPMENT

| Movements in 2012/13 | 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 2012** | 49,248 | 22,180 | 1,275 | 3,366 | **76,069** |
| Additions | 1,006 | 332 | 0 | 896 | **2,234** |
| Donations | 0 | 0 | 0 | 0 | **0** |
| Revaluation Increases/(decreases) recognised in the Revaluation Reserve | 1,391 | 0 | 1,450 | 0 | **2,841** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 532 | 0 | 402 | 0 | **934** |
| Derecognition - Disposals | 0 | (4) | 0 | 0 | **(4)** |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Assets Under Construction | 0 | 1,781 | 0 | (1,781) | **0** |
| Correction of classification | 5 | (5) | 0 | 0 | **0** |
| **At 31 March 2013** | **52,182** | **24,284** | **3,127** | **2,481** | **82,074** |
| **Accumulated Depreciation & Impairment** | | | | | |
| **At April 2012** | (10,028) | (14,609) | (526) | 0 | **(25,163)** |
| Depreciation & Impairment Charges | (1,175) | (1,653) | (532) | 0 | **(3,360)** |
| **At 31 March 2013** | **(11,203)** | **(16,262)** | **(1,058)** | **0** | **(28,523)** |
| **Net Book Value** | | | | | |
| **at 31st March 2013** | **40,979** | **8,022** | **2,069** | **2,481** | **53,551** |
| **at 31st March 2012** | **39,220** | **7,571** | **749** | **3,366** | **50,906** |

| **Comparative 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 Assets under Construction | (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)** |
| Other movements in Depreciation & Impairment | (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** |

## Capital Commitments

At 31 March 2013 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £1,253k. Similar commitments at 31 March 2012 were £187k. The major commitments for 2013/14 are:

- Edwinstowe Fire Station Conversion £406k
- Central Fire Station £60k
- Replacement Alp £648k
- Van Conversion £68k
- Light Vehicles £48k
- Blidworth - Retention £11k
- Sustainability - Retention £12k

## 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 2013, covering 9 properties and was carried out by Richard Hemsworth 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 | 8,022 | 0 | **8,022** |
| Valued at Fair Value as at: | | | | |
| 31 March 2013 | 12,311 | 0 | 0 | **12,311** |
| 31 March 2012 | 5,352 | 0 | 0 | **5,352** |
| 31 March 2011 | 17,137 | 0 | 2,068 | **19,205** |
| 31 March 2010 | 1,059 | 0 | 0 | **1,059** |
| 31 March 2009 | 4,540 | 0 | 0 | **4,540** |
| 31 March 2008 | 581 | 0 | 0 | **581** |
| **Total Cost or Valuation** | **40,980** | **8,022** | **2,068** | **51,070** |

## 14 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 2012/13 £000 | Software 2011/12 £000 |
|---|---|---|
| Balance at start of year: | | |
| • Gross carrying amounts | 364 | 335 |
| • Accumulated amortisation | (242) | (185) |
| Net carrying amount at start of year | 122 | 150 |
| Purchases | 195 | 29 |
| Amortisation for the period | (67) | (57) |
| Net carrying amount at end of year | 250 | 122 |
| Comprising: | | |
| • Gross Carrying Amounts | 559 | 364 |
| • Accumulated amortisation | (309) | (242) |
| | 250 | 122 |

## 15 FINANCIAL INSTRUMENTS

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

| | Long Term | | Current | |
|---|---|---|---|---|
| | **31 March 2013 £000** | **31 March 2012 £000** | **31 March 2013 £000** | **31 March 2012 £000** |
| **Investments** | | | | |
| Loans and Receivables | 0 | 0 | 12,128 | 10,582 |
| Cash and cash equivalents | | | 864 | 3,218 |
| **Total Investments** | **0** | **0** | **12,992** | **13,800** |
| **Debtors** | | | | |
| Loans and Receivables | 0 | 0 | 5,198 | 3,704 |
| **Total Debtors** | **0** | **0** | **5,198** | **3,704** |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost | (22,475) | (25,540) | (3,121) | (2,454) |
| **Total Borrowings** | **(22,475)** | **(25,540)** | **(3,121)** | **(2,454)** |
| **Other Long-Term Liabilities** | | | | |
| Finance lease liabilities | (53) | (296) | | |
| **Total other long-term liabilities** | **(53)** | **(296)** | | |
| **Creditors** | | | | |
| Financial liabilities at amortised cost | 0 | 0 | (3,947) | (4,096) |
| **Total Creditors** | **0** | **0** | **(3,947)** | **(4,096)** |

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 2013 £000** | **31 March 2012 £000** |
|---|---|---|
| **Debtors** | | |
| Debtors - as shown on Balance Sheet | 5,864 | 4,328 |
| Less: Council tax debtors | (666) | (624) |
| **Debtors Classified as Financial Instruments** | **5,198** | **3,704** |
| **Creditors** | | |
| Creditors - as shown on Balance Sheet | (4,211) | (4,450) |
| Less: Council tax prepayments / overpayments | 299 | 395 |
| Grant Receipts in Advance - as shown on Balance Sheet | (35) | (41) |
| **Creditors Classified as Financial Instruments** | **(3,947)** | **(4,096)** |

**Income, Expense, Gains and Losses**

| | 2012/13 | | | 2011/12 | | |
|---|---|---|---|---|---|---|
| | **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 | 1,037 | 0 | **1,037** | 1,086 | 0 | **1,086** |
| **Total expense in Surplus or Deficit on the Provision of Services** | **1,037** | **0** | **1,037** | **1,086** | **0** | **1,086** |
| Interest Income | 0 | (143) | **(143)** | 0 | (163) | **(163)** |
| 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)** | **(143)** | **(152)** | **(9)** | **(163)** | **(172)** |
| **Net gain/(loss) for the year** | **1,028** | **(143)** | **885** | **1,077** | **(163)** | **914** |

**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 trade debtors and other receivables is taken to be the invoiced or billed amount.

**Fair Values of Assets and Liabilities**

| | 31 March 2013 | | 31 March 2012 | |
|---|---|---|---|---|
| | **Carrying Amount £000** | **Fair Value £000** | **Carrying Amount £000** | **Fair Value £000** |
| **Financial Liabilities at amortised cost** | | | | |
| **- PWLB Loans** | (21,586) | (23,191) | (23,983) | (24,660) |
| **- Other Loans** | (4,011) | (3,966) | (4,011) | (3,818) |

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

| | 31 March 2013 | | 31 March 2012 | |
|---|---|---|---|---|
| | **Carrying Amount £000** | **Fair Value £000** | **Carrying Amount £000** | **Fair Value £000** |
| **Loans and receivables** | 12,992 | 13,015 | 13,800 | 13,801 |

## 16 INVENTORIES

| | Consumable Stores | |
|---|---|---|
| | **31 March 2013** | **31 March 2012** |
| | **£000** | **£000** |
| **Balance Outstanding at start of year** | **350** | **308** |
| Purchases | 333 | 354 |
| Recognised as an expense in year | (402) | (316) |
| Written off balances | (4) | 4 |
| Internal Stock Adjustments | 17 | 0 |
| **Balance outstanding at year end** | **294** | **350** |

## 17 DEBTORS

| | **31 March 2013** | **31 March 2012** |
|---|---|---|
| | **£000** | **£000** |
| Central Government bodies | 2,112 | 376 |
| Other Local Authorities | 837 | 805 |
| NHS Bodies | 1 | 1 |
| Other entities and individuals | 2,914 | 3,146 |
| **Total Short Term Debtors** | **5,864** | **4,328** |
| Other Entities and Individuals | 0 | 0 |
| **Long Term Debtors** | **0** | **0** |
| **Total** | **5,864** | **4,328** |

In 2011/2012 a provision for bad and doubtful debts was incorrectly allocated. The total of the provision related to outstanding council tax debtors and therefore should have been allocated to Other Local Authorities and not to Other Entities and Individuals. The figures for the comparative year have been adjusted accordingly.

## 18 CASH AND CASH EQUIVALENTS

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

| | **31 March 2013** | **31 March 2012** |
|---|---|---|
| | **£000** | **£000** |
| Cash held by the Authority | 2 | 1 |
| Bank Current Accounts | 9 | 3,217 |
| Short-term deposits with banks and building societies | 853 | 0 |
| **Total Cash and Cash Equivalents** | **864** | **3,218** |

## 19 ASSETS HELD FOR SALE

| | Current | | Non-Current | |
|---|---|---|---|---|
| | 2012/13 | 2011/12 | 2012/13 | 2011/12 |
| | £000 | £000 | £000 | £000 |
| **Balance outstanding at start of year** | **0** | **0** | **95** | **0** |
| Assets newly classified as held for sale: | | | | |
| Property, Plant and Equipment | 0 | 0 | 0 | 95 |
| Assets Sold In Year: | | | | |
| Property, Plant and Equipment | 0 | 0 | (95) | 0 |
| **Balance outstanding at year-end** | **0** | **0** | **0** | **95** |

## 20 CREDITORS

| | 31 March 2013 | 31 March 2012 |
|---|---|---|
| | £000 | £000 |
| Central Government bodies | (857) | (714) |
| Other local authorities | (1,302) | (1,485) |
| NHS Bodies | 0 | (10) |
| Other entities and individuals | (2,052) | (2,241) |
| **Short Term Creditors** | **(4,211)** | **(4,450)** |

## 21 PROVISIONS

| | PROVISIONS | | | |
|---|---|---|---|---|
| | Long Term | Short Term | | Total |
| | Insurances | Retained Duty System | Exit Packages | |
| | £000 | £000 | £000 | £000 |
| **Balance at 1 April 2012** | **(100)** | **(333)** | **0** | **(433)** |
| Additional provisions made in 2012/13 | 0 | 0 | (95) | (95) |
| Amounts used in 2012/13 | 0 | 287 | 0 | 287 |
| Unused amounts reversed in 2012/13 | 45 | 0 | 0 | 45 |
| **Balance at 31 March 2013** | **(55)** | **(46)** | **(95)** | **(196)** |

Insurances
Movement on the existing insurance provision is shown above. The provision has decreased by £45k 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. Uninsured losses to the value of £18k have been paid in the year from budget, which has therefore had no impact on the provision.

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 amounts of compensation have continued to be paid, although there remain some amounts of compensation to be paid as well as the possibility that further applications for compensation may be made. The remaining provision should cover any outstanding liabilities.

Exit Packages
This liability arises from decisions made in 2012/13 to allow employees to leave the Authority in 2013/14.

## 22 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 2013 | 31 March 2012 |
|---|---|---|
| | **£000** | **£000** |
| General Fund | 7,764 | 7,119 |
| Earmarked Reserves | 4,564 | 3,761 |
| Capital Receipts Reserve | 102 | 0 |
| Capital Grants Unapplied | 1,670 | 1,800 |
| **Total Usable Reserves** | **14,100** | **12,680** |

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 2013 | 31 March 2012 |
|---|---|---|
| | **£000** | **£000** |
| **Balance at 1 April** | **7,119** | **5,524** |
| Transfer into General Fund Reserve | 645 | 1,595 |
| **Balance at 31 March** | **7,764** | **7,119** |

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 2013 | 31 March 2012 |
|---|---|---|
| | **£000** | **£000** |
| **Balance at 1 April** | **3,761** | **4,171** |
| Application of Earmarked Reserves to finance expenditure | (1,065) | (974) |
| Transfer from General Fund Reserve | 2,128 | 564 |
| Write back reserves no longer required | (260) | 0 |
| **Balance at 31 March** | **4,564** | **3,761** |

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 2013 | 31 March 2012 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **0** | **25** |
| Capital Receipts in Year | 102 | 0 |
| Capital Receipts applied in year to finance capital | 0 | (25) |
| **Balance at 31 March** | **102** | **0** |

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 2013 | 31 March 2012 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **1,800** | **0** |
| Capital Grants received in Year | 1,487 | 3,286 |
| Capital Grants applied in year to finance capital | (1,617) | (1,486) |
| **Balance at 31 March** | **1,670** | **1,800** |

## 23 UNUSABLE RESERVES

| 31 March 2012 £000 | | 31 March 2013 £000 |
|---|---|---|
| 8,710 | Revaluation Reserve | 11,096 |
| 14,963 | Capital Adjustment Account | 17,625 |
| 9 | Financial Instruments Adjustment Account | 0 |
| (339,939) | Pensions Reserve | (388,282) |
| (2) | Collection Fund Adjustment Account | 84 |
| (161) | Accumulated Absences Account | (144) |
| **(316,420)** | **Total Unusable Reserves** | **(359,621)** |

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.

| 2011/12 £000 | | | 2012/13 £000 |
|---|---|---|---|
| **8,751** | **Balance at 1 April** | | **8,710** |
| 417 | Upward revaluations of assets | 2,841 | |
| (29) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 0 | |
| 388 | | | 2,841 |
| **9,139** | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | **11,551** |
| (258) | Difference between fair value depreciation and historical cost depreciation | (455) | |
| (171) | Correction of opening asset balances | 0 | |
| (429) | Amount written off to the Capital Adjustment Account | | (455) |
| **8,710** | **Balance at 31 March** | | **11,096** |

## 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 Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains gains recognised on donated assets that have yet to be consumed by the Authority, and 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2011/12 £000 | | | 2012/13 £000 |
|---|---|---|---|
| **12,672** | **Balance at 1 April** | | **14,963** |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES) | | |
| (2,693) | • Charges for depreciation and impairment of non-current assets | (3,360) | |
| 30 | • Revaluation losses on Property, Plant and Equipment and reversal of previous impairments | 934 | |
| (56) | • Amortisation of intangible assets | (67) | |
| (1) | • Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 0<br>(99) | |
| **(2,720)** | | | **(2,592)** |
| 258 | Adjusting amounts written out of the Revaluation Reserve | | 455 |
| 121 | Correction of 2010/11 Impairments | | 0 |
| 171 | Correction of Revaluation Reserve opening asset balances | | 0 |
| **(2,170)** | Net written out amount of the cost of non-current assets consumed in the year | | **(2,137)** |
| | Capital financing applied in the year: | | |
| 25 | • Use of Capital Receipts Reserve to finance new capital expenditure | 0 | |
| 1,486 | • Capital grants and contributions credited to the CIES that have been applied to capital financing | 1,487 | |
| 0 | • Gain arising from the receipt of Donated assets credited to the CIES | 0 | |
| 1,582 | • Statutory provision for the financing of capital investment charged against the General Fund balance | 2,368 | |
| | • Application of grants to capital financing from Capital Grants Unapplied Account | 130 | |
| 1,368 | • Capital expenditure charged against the General Fund balance | 814 | |
| 4,461 | | | 4,799 |
| **14,963** | **Balance at 31 March** | | **17,625** |

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 2013 will be charged to the General Fund by 2013/14.

| **2011/12** | | | **2012/13** |
|---|---|---|---|
| **£000** | | | **£000** |
| **19** | **Balance at 1 April** | | **9** |
| (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) |
| **9** | **Balance at 31 March** | | **0** |

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 (CIES) 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.

| **2011/12** | | **2012/13** |
|---|---|---|
| **£000** | | **£000** |
| **(322,457)** | **Balance at 1 April** | **(339,939)** |
| (4,977) | Actuarial gains or losses on pensions assets and liabilities | (35,774) |
| (25,467) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (25,143) |
| 12,962 | Employers pensions contributions and direct payments to pensioners payable in the year | 12,574 |
| **(339,939)** | **Balance at 31 March** | **(388,282)** |

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.

| 2011/12 | | 2012/13 |
|---|---|---|
| £000 | | £000 |
| **57** | **Balance at 1 April** | **(2)** |
| (59) | 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 | 86 |
| **(2)** | **Balance at 31 March** | **84** |

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.

| 2011/12 | | | 2012/13 |
|---|---|---|---|
| £000 | | | £000 |
| **(148)** | **Balance at 1 April** | | **(161)** |
| 148 | Settlement or cancellation of accrual made at the end of the preceding year | 161 | |
| (161) | Amounts accrued at the end of the current year | (144) | |
| (13) | 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 | | 17 |
| **(161)** | **Balance at 31 March** | | **(144)** |

## 24 CASHFLOW STATEMENT - OPERATING ACTIVITIES

| 2011/12 £000 | | 2012/13 £000 |
|---|---|---|
| **7,886** | **Net (Surplus) or Deficit on the Provision of Services** | **8,850** |
| | **Adjust net surplus or deficit on the provision of services for non cash movements** | |
| (2,693) | Depreciation | (3,360) |
| 30 | Impairment and downward valuations | 934 |
| (57) | Amortisation | (67) |
| | Increase/Decrease in impairment for bad debts | (14) |
| (771) | Increase/Decrease in Creditors | 194 |
| 166 | Increase/Decrease in Debtors | 341 |
| 43 | Increase/Decrease in Inventories | (56) |
| (12,505) | Pension Liability | (12,569) |
| (113) | Contributions to/(from) Provisions | 237 |
| (1) | Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets] | (99) |
| (332) | Accrued Interest | 57 |
| **(16,233)** | | **(14,402)** |
| | **Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities** | |
| 3,286 | Capital Grants credited to surplus or deficit on the provision of services | 1,487 |
| 0 | Proceeds from the sale of property plant and equipment, investment property and intangible assets | 102 |
| **3,286** | | **1,589** |
| **(5,061)** | **Net Cash Flows from Operating Activities** | **(3,963)** |

## CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2011/12 £000 | | 2012/13 £000 |
|---|---|---|
| (131) | Interest received | (86) |
| 1,076 | Interest paid | 1,121 |

## 25 CASHFLOW STATEMENT - INVESTING ACTIVITIES

| 2011/12 £000 | | 2012/13 £000 |
|---|---|---|
| 2,524 | Purchase of property, plant and equipment, investment property and intangible assets | 4,028 |
| 50,500 | Purchase of short-term and long-term investments | 31,500 |
| 0 | Proceeds from the sale of property, plant and equipment, investment property and intangible asset | (102) |
| (47,005) | Proceeds from short-term and long-term investments | (30,010) |
| (3,286) | Other receipts from investing activities | (1,487) |
| **2,733** | **Net cash flows from investing activities** | **3,929** |

## 26 CASHFLOW STATEMENT - FINANCING ACTIVITIES

| 2011/12 £000 | | 2012/13 £000 |
|---|---|---|
| 281 | Cash payments for the reduction of the outstanding liabilities relating to Finance leases | 328 |
| 28 | Repayments of short and long-term borrowing | 2,060 |
| **309** | **Net cash flows from financing activities** | **2,388** |

## 27 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 8 "Adjustments between Accounting basis and Funding Basis under Regulations" provides a reconciliation between the total Comprehensive Income and Expenditure and the amount of resource consumed by the Authority in accordance with statutory provisions.

## 28 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 Notes 32 and 33 for details of 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 Notes 32 and 33 for details of 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 Notes 32 and 33 for details of transactions in the year.

## 29 MEMBERS' ALLOWANCES

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

| | **2012/13** | **2011/12** |
|---|---|---|
| | **£000** | **£000** |
| Allowances | 110 | 110 |
| Expenses | 5 | 5 |
| **Total** | **115** | **115** |

## 30 OFFICERS' REMUNERATION

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

| | | Salary, Fees and Allowances | Expenses Allowances | Compensation for loss of employment | Total Remuneration excluding Pension Contributions | Pension Contribution | Total |
|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ |
| Chief Fire Officer (CFO) | 2012/13 | 141,540 | 52 | 0 | 141,592 | 30,148 | 171,740 |
| | 2011/12 | 139,540 | 52 | 0 | 139,592 | 29,722 | 169,314 |
| Deputy Chief Fire Officer (left 26th May 2012) | 2012/13 | 17,639 | 7 | 75,000 | 92,646 | 3,757 | 96,403 |
| | 2011/12 | 112,222 | 52 | 0 | 112,274 | 24,575 | 136,849 |
| Deputy Chief Fire Officer (start date 25/05/2012) | 2012/13 | 94,573 | 57 | 0 | 94,630 | 20,144 | 114,774 |
| | 2011/12 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assistant Chief Fire Officer 2 (Secondment from 1/12/10 to 30/04/12) | 2012/13 | 112,155 | 52 | 0 | 112,207 | 23,889 | 136,096 |
| | 2011/12 | 104,724 | 52 | 0 | 104,776 | 22,292 | 127,068 |
| Assistant Chief Fire Officer 1 (promoted 25/05/12) | 2012/13 | 18,915 | 11 | 0 | 18,926 | 4,029 | 22,955 |
| | 2011/12 | 104,699 | 52 | 0 | 104,751 | 22,292 | 127,043 |
| Assistant Chief Officer | 2012/13 | 90,951 | 4,072 | 0 | 95,023 | 14,784 | 109,807 |
| | 2011/12 | 90,352 | 4,103 | 0 | 94,455 | 14,713 | 109,168 |
| Area Manager 1 | 2012/13 | 74,920 | 3,475 | 0 | 78,395 | 14,788 | 93,183 |
| | 2011/12 | 73,963 | 721 | 0 | 74,684 | 14,007 | 88,691 |
| Area Manager 2 | 2012/13 | 74,920 | 4,177 | 0 | 79,097 | 14,788 | 93,885 |
| | 2011/12 | 73,963 | 4,029 | 0 | 77,992 | 14,007 | 91,999 |
| Area Manager 3 | 2012/13 | 73,541 | 1,627 | 0 | 75,168 | 14,788 | 89,956 |
| | 2011/12 | 74,007 | 3,131 | 0 | 77,138 | 14,007 | 91,145 |
| Area Manager 4* (left 15th October 2012) | 2012/13 | 40,747 | 1,205 | 0 | 41,952 | 8,666 | 50,618 |
| | 2011/12 | 66,721 | 3,262 | 0 | 69,983 | 14,173 | 84,156 |

| | | Salary, Fees and Allowances | Expenses Allowances | Compensation for loss of employment | Total Remuneration excluding Pension Contributions | Pension Contribution | Total |
|---|---|---|---|---|---|---|---|
| Area Manager 5 | 2012/13 | 0 | 0 | 0 | 0 | 0 | 0 |
| (left 09/07/11) | 2011/12 | 20,887 | 1,133 | 0 | 22,020 | 3,859 | 25,879 |
| Temporary Area Manager 1 | 2012/13 | 25,099 | 854 | 0 | 25,953 | 4,754 | 30,707 |
| (01/06/11 to 31/07/12) | 2011/12 | 55,044 | 4,260 | 0 | 59,304 | 12,672 | 71,976 |
| Temporary Area Manager 2 | 2012/13 | 46,604 | 3,145 | 0 | 49,749 | 9,522 | 59,271 |
| (start date 07/07/12) | 2011/12 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **2012/13** | **811,604** | **18,734** | **75,000** | **905,338** | **164,057** | **1,069,395** |
| **Total** | **2011/12** | **916,122** | **20,847** | **0** | **936,969** | **186,319** | **1,123,288** |

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

*Area Manager 4 The holder of this post was on secondment to the Department of Communities and Local Government. All costs were recovered from this agency.

The table below shows the number of employees whose remuneration was £50,000 or more, in bands of £5,000. It includes the senior officers shown in the previous table. 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** | **2012/13 Number of employees** | **2011/12 Number of employees** |
|---|---|---|
| £50,000-£54,999 | 24 | 31 |
| £55,000-£59,999 | 10 | 8 |
| £60,000-£64,999 | 2 | 1 |
| £65,000-£69,999 | 3 | 1 |
| £70,000-£74,999 | 3 | 3 |
| £75,000-£79,999 | 0 | 0 |
| £80,000-£84,999 | 0 | 0 |
| £85,000-£89,999 | 1 | 0 |
| £90,000-£94,999 | 1 | 1 |
| £95,000-£99,999 | 1 | 0 |
| £100,000-£104,999 | 0 | 0 |
| £105,000-£109,999 | 0 | 2 |
| £110,000-£114,999 | 2 | 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 | 0 | 1 |
| £140,000-£144,999 | 1 | 0 |
| £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 | |
|---|---|---|---|---|---|---|---|---|
| | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 |
| £0-£20,000 | 34 | 0 | 0 | 3 | 34 | 3 | 133,614 | 32,975 |
| £20,001 - £40,000 | 2 | 0 | 0 | 3 | 2 | 3 | 49,170 | 94,241 |
| £40,001 - £60,000 | 0 | 0 | 0 | 5 | 0 | 5 | 0 | 242,318 |
| £60,001 - £80,000 | 0 | 0 | 0 | 2 | | 2 | 0 | 136,926 |
| **Total** | **36** | **0** | **0** | **13** | **36** | **13** | **182,784** | **506,460** |

Of the 13 exit packages shown in the above table, 3 related to employees who were still employed at 31 March and were accounted for as a provision. The value of these is £95,311.

## 31 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. In 2012/13 the Authority's external auditors changed from the Audit Commission to KPMG - the figures for 2011/12 below relate to the former and the figures for 2012/13 relate to the latter.

| | 2012/13 | 2011/12 |
|---|---|---|
| | £000 | £000 |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 41 | 63 |
| Fees payable in respect of statutory inspections | 1 | 1 |
| **Total** | **42** | **64** |

## 32 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Other grants have been credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. These grants are detailed in note 12.

| | 2012/13 | 2011/12 |
|---|---|---|
| | £000 | £000 |
| **Credited to Services** | | |
| Firelink grant (part of the Fire Revenue grant) | (221) | (196) |
| New Dimension grant (part of the Fire Revenue grant) | (123) | (48) |
| New Risk Programme | 0 | (145) |
| Enhanced Logistical Support | 0 | (76) |
| Control Room Research | 0 | (20) |
| Sponsorship of events and awards | (2) | (3) |
| Miscellaneous Community Safety donations | (3) | (13) |
| **Total** | **(349)** | **(501)** |

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 if the conditions are not met. The balances at the year-end are as follows:

### Current Liabilities

| | 31 March 2013 | 31 March 2012 |
|---|---|---|
| | £000 | £000 |
| **Grants Receipts in Advance (Revenue Grants)** | | |
| Local Resilience Forum | (11) | (11) |
| Multi Agency Coordination Centre | (20) | (20) |
| Regional Recruitment Portal | (4) | (10) |
| **Total** | **(35)** | **(41)** |

## 33 RELATED PARTIES

The Authority is required to disclose material transactions with related parties, which are 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 ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

**Central Government**

Central government has 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 32.

**Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2012/13 is shown in Note 29. The Authority is made up of 12 members from Nottinghamshire County Council and 6 members from Nottingham City Council. During 2012/13 and 2011/12, the values of transactions and balances between the Authority, Nottinghamshire County Council and Nottingham City Council, are shown in the tables below. Three members are Directors of Nottinghamshire Fire & Rescue Service (Trading) Limited (see Entities Controlled or Significantly Influenced by the Authority).

**2012/13**

| Entity | Expenditure £000 | Income £000 | Creditor £000 | Debtor £000 |
|---|---|---|---|---|
| Nottinghamshire County Council | 204 | 4 | 22 | 1 |
| Nottingham City Council | 794 | 20 | 3 | 0 |
| **Total** | **998** | **24** | **25** | **1** |

**2011/12**

| Entity | Expenditure £000 | Income £000 | Creditor £000 | Debtor £000 |
|---|---|---|---|---|
| Nottinghamshire County Council | 682 | 7 | 4 | 0 |
| Nottingham City Council | 399 | 8 | 214 | 0 |
| **Total** | **1081** | **15** | **218** | **0** |

During 2012/13, there were no members who had any material interests in other organisations that would have the potential to control or influence the Authority or be controlled or influenced by the Authority. This excludes Nottinghamshire Fire and Rescue Service (Trading) Limited (see below and note 40, Interests in Companies).

**Officers**

During 2012/13 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 and Rescue (Trading) Limited (see below and note 40, Interests in Companies).

**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 2012/13 was £10.7k and in this year £400 income was received, leaving a balance at 31 March 2013 of £11.1k.

The 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 2012/13 was £20k, and in the year there were no transactions leaving a balance at 31 March 2013 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. The opening balance at the start of 2012/13 was £10k and in the year expenditure of £6k was incurred, leaving a balance at 31 March 2013 of £4k.

The Authority has an arrangment with Nottinghamshire Police, whereby the Police leases a Fire Authority building through an Operating Lease. Rentals are not on the straight line basis (see note 35, Leases ) The rent payable is based on 75% of the Commercial Rent assessed each year (See also the specific Accounting Policy in Note 1).

**Entities Controlled or Significantly Influenced by the Authority**
The Authority is the sole shareholder of Nottinghamshire Fire & Rescue Service (Trading) Limited, with 2 officers and 3 members forming the Board of Directors. During 2012/13 the value of transactions entered into between the Authority and the company was: expenditure of £40k and income of £63k (less than £1k was unpaid and £17k was owed at 31 March 2013). 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 and the amount of the loan outstanding at 31 March 2013 was £40k. Note 40 provides more details regarding the company’s transactions for the year 2012/13.

## 34 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 change in the CFR is analysed in the second part of this note.

| | 2012/13 | 2011/12 |
|---|---|---|
| | £000 | £000 |
| **Opening Capital Financing Requirement** | **27,372** | **28,953** |
| *Capital Investment* | | |
| Property, Plant and Equipment - (Operational) | 1,339 | 1,084 |
| Property, Plant and Equipment - (Non Operational) | 896 | 1,767 |
| Intangible Assets | 195 | 29 |
| | | |
| *Sources of Finance* | | |
| Capital Receipts | 0 | (25) |
| Government grant and other contributions | (1,616) | (1,486) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (814) | (1,368) |
| Minimum Revenue Provision | (2,368) | (1,582) |
| | | |
| **Closing Capital Financing requirements** | **25,004** | **27,372** |
| | | |
| **Explanation of Movements in Year** | | |
| Decrease in underlying need to borrow (unsupported by government financial assistance) | (2,368) | (1,581) |
| **Decrease in Capital Financing Requirement** | **(2,368)** | **(1,581)** |

## 35 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 2013 | 31 March 2012 |
|---|---|---|
| | £000 | £000 |
| Vehicles, Plant and Equipment | 153 | 483 |
| | **153** | **483** |

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 2013 | 31 March 2012 |
|---|---|---|
| | £000 | £000 |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| • current | 100 | 187 |
| • non-current | 53 | 296 |
| Finance costs payable in future years | 41 | 155 |
| **Minimum lease payments** | **194** | **638** |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 127 | 242 | 100 | 187 |
| Later than one year and not later than five years | 66 | 388 | 53 | 290 |
| Later than five years | 0 | 8 | 0 | 6 |
| | **193** | **638** | **153** | **483** |

Operating Leases

The Authority has paid rentals in respect of completed finance leases, where a short term secondary lease has been negotiated prior to returning the equipment to the lessor or, purchasing the equipment from the lessor. The amounts paid under such secondary leases are:

| 2012/13 £000's | 2011/12 £000's |
|---|---|
| 52 | 101 |

These payments, whilst originally relating to finance leases, have been accounted for as an operating lease, as they are short term (less than one year) All expenditure has been charged to the Comprehensive Income and Expenditure Statement, cost of service. Asset values and deferred liabilities have been fully written down at the date of the cessation of the primary lease and not reinstated.

**Authority as Lessor**

Operating Leases

The Authority has entered into an operating Lease arrangement with Nottinghamshire Police in respect of one of its properties, which is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1) The rent received in 2012/13 is trivial as the lease commenced 15th November 2012, with the first quarter rent free thus rent received for 2012/13 is for the period 16/02/2013 to 31/03/2013.

Future contracted receipts are:

| | £000's |
|---|---|
| Within 1 year | 12 |
| Within 2 to 5 years | 50 |
| Over 5 years | 75 * |

*The rent receiveable in these years is £15,000 or 75% of the commercial rent applicable in each year, whichever is the greater. The figure stated above is based on the minimum amount receiveable.

## 36 TERMINATION BENEFITS

The Authority terminated the contracts of 10 employees in 2012/13, incurring liabilities of £411k (£183k in 2011/12). The decision was also taken in 2012/13 to terminate the contracts of 3 employees in 2013/14, incurring liabilities of £95k. See note 30 for more details regarding the cost of exit packages.

## 37 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. It is an unfunded pension scheme, meaning that 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. The cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Department for Communities and Local Government (DCLG). Any surplus funding is paid over to the DCLG.
- 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. Like the 1992 FPS, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the DCLG and any surplus being paid over to them.

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 (IAS 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.

**Accounting treatment of the Pension Top-up Grant receivable from the Government**
A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the 1992 FPS and the 2006 NFPS. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 98 to 101) and is therefore not the Authority's income, however in IAS 19 terms it is a current contribution towards the Authority's liabilities for retirement benefits. The grant is therefore credited to other operating income in the Comprehensive Income and Expenditure Statement. The grant is not treated as an asset of the firefighters' pension schemes, but as a source of income to the schemes it does reduce the year end pension liability.

The inclusion of the top up grant in other operating income in the Comprehensive Income and Expenditure Statement is different to the approach taken in 2011/12, when it was credited to the net cost of services. As a result of this the 2011/12 comparative figures in the Comprehensive Income and Expenditure Statement have been restated. Further detail can be found in Note 5 Prior Period Adjustments.

**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.

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 £000** | | **Firefighters' £000** | |
|---|---|---|---|---|
| | **2012/13** | **2011/12** | **2012/13** | **2011/12** |
| Comprehensive Income and Expenditure Statement | | | | |
| *Cost of Services:* | | | | |
| • current service cost | 1,174 | 977 | 6,822 | 7,071 |
| • losses on curtailments | 195 | 25 | 0 | 0 |
| *Financing and Investment Income and Expenditure* | | | | |
| • interest cost | 1,300 | 1,240 | 16,617 | 17,245 |
| • expected return on scheme assets | (965) | (1,091) | 0 | 0 |
| Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 1,704 | 1,151 | 23,439 | 24,316 |
| *Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement* | | | | |
| • actuarial gains and losses | (1,637) | 4,977 | 37,411 | 0 |
| Total Post-employment Benefit Charged to the Comprehensive Income and Expendiure Statement | 67 | 6,128 | 60,850 | 24,316 |
| *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 | (1,704) | (1,151) | (23,439) | (24,316) |
| *Actual amount charged against the General Fund Balance for pensions in the year:* | | | | |
| • employers contributions payable to scheme | 920 | 806 | 11,654 | 12,156 |

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line was at 31 March 2013 a loss of £105.492m for the firefighter schemes and a loss of £8.827m for the LGPS. The cumulative amounts as at 31 March 2012 were a loss of £68.081m for the firefighter schemes and a loss of £10.464m for the LGPS

Further Analysis of Firefighter's Pension Scheme

| | **Firefighters' Pension Scheme 1992 £000** | | **Firefighters' Pension Scheme 2006 £000** | | **Firefighters' Compensation Scheme £000** | |
|---|---|---|---|---|---|---|
| | **2012/13** | **2011/12** | **2012/13** | **2011/12** | **2012/13** | **2011/12** |
| Comprehensive Income and Expenditure Statement | | | | | | |
| *Cost of Services:* | | | | | | |
| • current service cost | 4,783 | 5,222 | 1,475 | 1,278 | 564 | 571 |
| *Financing and Investment Income and Expenditure* | | | | | | |
| • interest cost | 15,331 | 16,021 | 431 | 349 | 855 | 875 |
| Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 20,114 | 21,243 | 1,906 | 1,627 | 1,419 | 1,446 |
| *Other Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement* | | | | | | |
| • actuarial gains and losses | 33,097 | 0 | 2,262 | 0 | 2,052 | 0 |
| Total Post-employment Benefit Charged to the Comprehensive Income and Expendiure Statement | 53,211 | 21,243 | 4,168 | 1,627 | 3,471 | 1,446 |
| *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 | (20,114) | (21,243) | (1,906) | (1,627) | (1,419) | (1,446) |
| *Actual amount charged against the General Fund Balance for pensions in the year* | 11,569 | 11,837 | (527) | (234) | 612 | 553 |

**Assets And Liabilities In Relation To Post-Employment Benefits**

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

84

| | 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 |
| | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 |
| **Opening balance at 1 April** | **(28,407)** | **(22,194)** | **(304,001)** | **(294,595)** | **(7,444)** | **(5,583)** | **(16,789)** | **(15,896)** |
| Current service cost | (1,174) | (977) | (4,783) | (5,222) | (1,475) | (1,278) | (564) | (571) |
| Interest cost | (1,300) | (1,240) | (15,331) | (16,021) | (431) | (349) | (855) | (875) |
| Contributions by scheme participants | (293) | (313) | (1,478) | (1,489) | (497) | (411) | 0 | 0 |
| Actuarial gains/(losses) | (9) | (4,271) | (33,097) | 0 | (2,262) | 0 | (2,052) | 0 |
| Benefits paid (net of transfers in) | 850 | 595 | 13,047 | 13,326 | (30) | 177 | 612 | 553 |
| Settlements/ Curtailments | (195) | (25) | 0 | 0 | 0 | 0 | 0 | 0 |
| Unfunded pension payments (LGPS only) | 21 | 18 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Closing Balance at 31 March** | **(30,507)** | **(28,407)** | **(345,643)** | **(304,001)** | **(12,139)** | **(7,444)** | **(19,648)** | **(16,789)** |

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

| | Local Government Pension Scheme | |
|---|---|---|
| | £000 | £000 |
| | 2012/13 | 2011/12 |
| Opening balance at 1 April | 16,702 | 15,811 |
| Expected return on scheme assets | 965 | 1,091 |
| Actuarial gains/(losses) | 1,646 | (706) |
| Employer contributions (including unfunded benefits) | 920 | 806 |
| Contributions paid by scheme participants | 293 | 313 |
| Estimated benefits paid (including unfunded benefits) | (871) | (613) |
| Settlements | 0 | 0 |
| **Closing balance at 31 March** | **19,655** | **16,702** |

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 market expectations at the beginning of the year. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectivley at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on the scheme assets in the year was £2,611k, compared with £386k in the previous year.

**Scheme History**

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Present value of liabilities:** | | | | | |
| Local Government Pension Scheme | (16,249) | (26,198) | (22,194) | (28,407) | (30,507) |
| Firefighter's Pension Scheme 1992 | (214,852) | (301,812) | (294,595) | (304,001) | (345,643) |
| Firefighter's Pension Scheme 2006 | (1,786) | (5,276) | (5,583) | (7,444) | (12,139) |
| Firefighter's Compensation Scheme | (15,202) | (15,202) | (15,896) | (16,789) | (19,648) |
| **Fair value of assets in the Local Government Pension Scheme** | **9,506** | **13,667** | **15,811** | **16,702** | **19,655** |
| **Surplus/(deficit) in the scheme:** | | | | | |
| Local Government Pension Scheme | (6,743) | (12,531) | (6,383) | (11,705) | (10,852) |
| Firefighter's Pension Scheme 1992 | (214,852) | (301,812) | (294,595) | (304,001) | (345,643) |
| Firefighter's Pension Scheme 2006 | (1,786) | (5,276) | (5,583) | (7,444) | (12,139) |
| Firefighter's Compensation Scheme | (15,202) | (22,098) | (15,896) | (16,789) | (19,648) |
| **Total Surplus/(Deficit)** | **(238,583)** | **(341,717)** | **(322,457)** | **(339,939)** | **(388,282)** |

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £388m 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 2012/13 was £678k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2014 is £731k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £11.4m inclusive of government top-up grant.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities of the Local Government Pension Scheme and the Firefighters' Schemes have been assessed by Barnett Waddingham Public Sector Consulting and Mercers Human Resource Consulting respectively, both of whom are independent firms of actuaries.
The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' Schemes were carried out on 31 March 2010 and 31 March 2011 respectively. In updating the net liability figure as at 31 March 2013 both firms of actuaries have adopted the roll-forward approach. This approach takes into account the cashflows paid into and out of each scheme before taking into consideration any changes in the financial assumptions since March 2012.

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

| | Local Government Pension Scheme | | Firefighters' Schemes 1992 and 2006 | | Firefighters' Compensation Scheme | |
|---|---|---|---|---|---|---|
| | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 |
| *Long-term expected rate of return on assets in the scheme:* | | | | | | |
| Equity Investments | 5.7%* | 6.2% | - | - | - | - |
| Gilts | | 3.3% | - | - | - | - |
| Other Bonds | | 4.6% | - | - | - | - |
| Other | | 5.9% | - | - | - | - |
| *Mortality assumptions:* | | | | | | |
| *Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):* | | | | | | |
| • Men | 18.7 | 18.6 | 27.4 | 26.9 | 24.8 | 24.3 |
| • Women | 22.8 | 22.7 | 29.7 | 29.1 | 27.1 | 26.5 |
| *Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):* | | | | | | |
| • Men | 20.7 | 20.6 | 29.4 | 28.5 | 26.8 | 25.9 |
| • Women | 24.6 | 24.5 | 31.7 | 30.8 | 29.1 | 28.1 |
| Rate of inflation (RPI) | 3.4% | 3.3% | - | - | - | - |
| Rate of inflation (CPI) | 2.6% | 2.5% | 2.4% | 2.6% | 2.4% | 2.6% |
| Rate of increase in salaries | 4.8% | 4.7% | 3.9% | 4.1% | 3.9% | 4.1% |
| Rate of increase in pensions | 2.6% | 2.5% | 2.4% | 2.6% | 2.4% | 2.6% |
| Rate for discounting scheme liabilities | 4.7% | 4.6% | 4.4% | 5.1% | 4.4% | 5.1% |

* Due to changes to IAS 19 disclosure requirements a breakdown of this figure is no longer required

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

**Local Government Pension Scheme**

**2011/12:** it is assumed that retiring members will exchange half of their commutable pension for a cash lump sum at retirement.
**2012/13:** as for 2011/12

**Firefighters' Scheme 1992 and 2006**

**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.
**2012/13:** as for 2011/12

| | |
|---|---|
| **Firefighters' Compensation Scheme** | **2011/12**: it is assumed that no members of the Compensation Scheme would exchange their pension benefits for a lump sum at retirement.<br>**2012/13:** as for 2011/12 |

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 | £29,733k | £30,507k | £31,305k |
| Firefighters' Pension Scheme 1992: | Adjustment to discount rate | +0.1% | 0.0% | |
| | Present value of pension liability | £339,409k | £345,643k | |
| Firefighters' Pension Scheme 2006: | Adjustment to discount rate | +0.1% | 0.0% | |
| | Present value of pension liability | £11,675k | £12,139k | |
| Firefighters' Compensation Scheme: | Adjustment to discount rate | +0.1% | 0.0% | |
| | Present value of pension liability | £19,257k | £19,648k | |

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 2013 | 31 March 2012 |
|---|---|---|
| Equity Investments | 73% | 70% |
| Gilts | 7% | 7% |
| Other Bonds | 6% | 5% |
| Other assets | 14% | 18% |
| | 100% | 100% |

**History of Experience Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

| | 2007/08<br>31 March 2009 | 2008/09<br>31 March 2010 | 2009/10<br>31 March 2011 | 2010/11<br>31 March 2012 | 2011/12<br>31 March 2013 |
|---|---|---|---|---|---|
| **Local Government Pension Scheme:** | | | | | |
| Differences between the expected and actual return on assets | (30.2%) | 19.4% | 4.6% | (4.2%) | 8.4% |
| Experience gains and losses on liabilities | 0.0% | 0.0% | (7.2%) | (0.2%) | 0.0% |
| **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 | 0.0% | 0.0% | 0.3% | 0.0% | 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 | 0.0% | 0.0% | 17.7% | 0.0% | 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 | 0.0% | 0.0% | 53.6% | 0.0% | 0.0% |

## 38 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2013, the Authority had the following contingent liabilities:

A House of Lords ruling found the exclusion of Retained Firefighters from the Pension Scheme and their sick pay arrangements to be unlawful. The provision established for compensation payments is described in Note 20 Provisions, but this does not allow for the cost of retrospective access for Retained Duty Staff to the Firefighters' Pension Scheme, which would cover the period July 2000 to April 2006, with funding to be met by both employer and employee contributions. The legislation to enable Retained Firefighters to purchase retrospective pension benefits is not yet in place, neither has it been established whether Authorities or whether Central Government will fund the liability. The financial impact of this contingent liability cannot easily be quantified as take up levels are not known, but if the Authority is required to fund the liability then General Reserves will be used.

The Authority is involved in a dispute with a former employee about an Injury Award. The outcome of the dispute is not yet known but any potential liability is unlikely to be of a significant or material value.

At 31 March 2013, the Authority had the following contingent asset:

A test legal case is being put together to try to reclaim from Her Majesty's Revenue and Customs the amount by which compensation payments to Retained Firefighters, in respect of the ruling re the less favourable treatment of part time workers, were grossed up to allow for taxation to be paid. If the case is successful, the Authority can expect to be reimbursed by around £95k.

## 39 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 2012/13 was approved by the Authority on 24 February 2012. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £31.6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £28.8m. 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 2013 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 seven deposits as at 31 March 2013 showing on the Balance Sheet and four of these were repaid to the Authority before the date this Statement of Accounts was authorised for issue. The remaining deposits are expected to be repaid by August 2013.

| | Amount at 31 March 2013 | Estimated Maximum Exposure to Credit Risk | Historical experience of default |
|---|---|---|---|
| | £000 | £000 | % |
| Deposits with Banks and Financial Institutions | 12,992 | 0 | 0% |
| Customers | 76 | 0 | 0.16% |
| | **13,068** | **0** | |

Of the £76k shown in the above table as due from customers, £30k was not yet due for payment as at 31 March 2013 and £46k was past its due date for payment. The past due amount is analysed by age as follows:

| | 31 March 2013 | 31 March 2012 |
|---|---|---|
| | £000 | £000 |
| Less than one month overdue | 18 | 13 |
| 1 to 2 months overdue | 7 | 0 |
| 2 to 5 months overdue | 4 | 1 |
| More than 5 months overdue | 17 | 7 |
| | **46** | **21** |

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 0% and 100% of borrowings may fall due for repayment after 10 years, and between 30% and 100% of borrowings may fall due for repayment after 20 years. 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 2013** | **31 March 2012** |
|---|---|---|
| | **£000** | **£000** |
| Less than 1 year | 3,064 | 2,090 |
| Between 1 and 2 years | 2,068 | 3,064 |
| Between 2 and 5 years | 4,225 | 4,214 |
| Between 5 and 10 years | 4,283 | 6,356 |
| Between 10 and 15 years | 3,000 | 3,006 |
| Over 15 years | 8,900 | 8,900 |
| | **25,540** | **27,630** |

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 | 27 |
| Decrease in fair value of fixed rate borrowings | 2,296 |

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

## 40 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 maintained 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, payments in advance for rent, water and insurance have been finalised and amounts owing to HMRC for unallowable VAT have been met. An Actuarial assessment of the Local Government Pension Scheme position in relation to the Company was undertaken in 2012/13 and a final payment determined to ensure that there is no future pension deficit. Run off Director's and Officers Liability Insurance for a period of six years has been procured. All costs have been met through the receipt of Section 31 grant from DCLG payable to Leicestershire Fire and Rescue Service.

The residual balance of Section 31 grant has been paid back to DCLG.

During the course of this financial year, arrangements have been made with Companies House to officially dissolve the Company. The Company has been de-registered for VAT and the bank account closed.There is no expectation that the Nottinghamshire and City of Nottingham Fire Authority will be liable for any further costs or liabilities arising.

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:

| | 2012/13<br>£000 | 2011/12<br>£000 |
|---|---|---|
| **Profit and Loss** | | |
| Turnover | 749 | 1,737 |
| Profit on Ordinary Activities before Taxation | 0 | 0 |
| Profit on Ordinary Activities after Taxation | 0 | 0 |
| **Balance Sheet** | | |
| Net Current Assets | 0 | 0 |

The accounts of the company can be obtained from:

Leicestershire Fire and Rescue Service
Headquarters
12 Geoff Monk Way
Birstall
Leicester
LE4 3BU

**Nottinghamshire Fire and Rescue Service (Trading) Limited.**

**Principal activities**

Nottinghamshire Fire and Rescue Service (Trading) Limited 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 together with some safety training activity.
The company is considered to be a related party to the Authority, and details of transactions between the two entities have been disclosed in Note 33.

**Review of Business and Future Developments**

Over the reporting period, the company has continued to trade effectively but has suffered a downturn in profitability and the growth seen in the previous year in the customer base has effectively stalled due to the adverse economic climate. The company's main markets are with local SMEs and with public sector organisations. The economic climate has resulted in a loss of some 74 customers/sites over the financial year; these losses being due to the restructuring of Council services which has resulted in one large contract being lost and other small business which have ceased trading. The strong trading position in financial year 2011/12, the previous trading year, was probably due to several large one-off installations, which have not been repeated in 2012/13.
New business has been relatively slow due to the economic climate and strong competition in the market place. Throughout the year there has been a steady flow of new customers on the smaller scale of approximately 8 to 10 per month. Marketing activities have introduced 85 new customers, although the new customers are mainly for fire safety training.
Business developments in the year have involved a significant upgrade to the hand-held devices used by field staff, to be implemented during the summer of 2013. Also credit and debit card payments have been introduced to speed up customer payments, reduce late payments and improve cash flow.

**Key Financial Information for Nottinghamshire Fire and Rescue Service (Trading) Limited:**

| | 2012/13 £000 | 2011/12 £000 |
|---|---|---|
| **Profit and Loss** | | |
| Turnover | 325 | 342 |
| Operating Profit | 8 | 62 |
| Exceptional item of expenditure* | 7 | 0 |
| Profit on Ordinary Activities before Taxation | 1 | 62 |
| Profit on Ordinary Activities after Taxation | 1 | 49 |
| **Balance Sheet** | | |
| Net Current Assets | 50 | 49 |

*The exceptional item of expenditure related to the upgrade to hand held devices.

The accounts of the company can be obtained from:

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

# PENSION STATEMENTS

## PENSION FUND ACCOUNT

| 2011/12 £000 | | 2012/13 £000 |
|---|---|---|
| | **Contributions Receivable** | |
| | Fire Authority: | |
| (3,420) | Contributions in relation to pensionable pay | (3,303) |
| (86) | Other (Ill Health Retirements) | (48) |
| (1,909) | Firefighters' contributions | (1,975) |
| **(5,415)** | **Total Contributions Receivable** | **(5,326)** |
| | **Transfers in from other authorities** | |
| (136) | Transfers in from other schemes | (231) |
| | **Benefits Payable** | |
| 9,374 | Pensions | 10,252 |
| 3,678 | Commutations and lump sum retirement benefits | 2,823 |
| **13,052** | **Total Benefits Payable** | **13,075** |
| | **Payments to and on account of Leavers** | |
| 229 | Transfers out to other schemes | 112 |
| **7,730** | **Net Amount payable for the year before top-up grant from Communities & Local Government** | **7,630** |
| (6,471) | Top-up grant received from Communities & Local Government | (6,270) |
| **(1,259)** | **Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government** | **(1,360)** |

## 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 37.

| **2011/12 £000** | | **2012/13 £000** |
|---|---|---|
| | **Current Assets** | |
| 11 | Contributions from employer | 10 |
| 9 | Contributions from members | 9 |
| 84 | Transfer into Scheme Receivable | 1 |
| 824 | Prepaid Pensions | 872 |
| 1,259 | Pension top-up grant receivable from CLG | 1,360 |
| **2,187** | **Total** | **2,252** |
| | **Current Liabilities** | |
| (2,187) | Amount owing (to)/from General Fund | (2,252) |
| **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

General Principles

The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Accruals

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

Administration Costs

The cost of managing pension activities, which includes part of the costs of Personnel, Payroll and Finance staff as well as part of the cost of Pension Services provided by the County Council and the cost of actuarial services, are not accounted for within the Pension Fund but are included in the Authority's 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 37 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 2013 relate to April 2013 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 2013, one transfer into the Fire Authority Scheme had been settled but the money had not been received. This income has been accrued for. 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 2013, there were no transfers under negotiation awaiting settlement.

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 2013 were still outstanding at 31 March 2013. 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 £1,360k. The difference between the grant payable and the cash deficit of £2,252k as at 31 March 2013 is the total of the accruals included in the Pension Fund.

# 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 on-going 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 A key element of the Internal Control Environment is the development and maintenance of Strategic, Corporate and Departmental risk registers which are understood and managed by senior managers.

2.4 The governance framework has been in place at the Authority for a number of years however it is kept under regular review and modified periodically. The system of internal control was in place throughout 2012/13.

## 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. The Code can be found on the Authority's website.

3.2 In developing a code of corporate governance the Authority has sought compliance with the CIPFA/SOLACE guidelines but has also sought to develop internal governance structures that also follow the OECD principles which provide a stronger framework for internal decision making.

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

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

3.4.1 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.

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

**Prevention** – we will

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

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

Work with partners to make our communities safer

Use and share data to identify those most at risk

**Protection** – we will

Maintain a risk based approach to enforce our statutory responsibilities.

Assist and support those responsible for fire safety within businesses

Work to reduce the economic costs of fire

**Response** – we will

Use our resources to meet the risks within our community

Gather and use risk based information to inform our response

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

**Resilience** - we will

Respond to growing risks from the environment

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

**Diversity and Workforce** - we will

Recruit a workforce that reflects our community

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

**Governance and improvement** - we will

Strive to become an excellent authority

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

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

3.5.1 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.

3.5.2 Governance has been strengthened in the latter part of 2012/2013 by requiring each of the Strategic Directors to report formally to the Corporate Management Board on performance within their Directorates and give assurances in relation to the achievement of business plans.

**3.6 The Internal Control Environment:**

3.6.1 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:

3.6.2 **Policy and Decision Making Process**

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

### 3.6.3 Management Structure

The Authority has a clear management structure with defined roles and responsibilities. The Corporate Management Board has recently been extended to include all department heads as well as the Directors. This is because weaknesses were identified in the previous structure of steering groups which could make the decision making process opaque and blur lines of accountability. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process. Some steering groups still exist but this is more to do with resolving interdependencies between departmental business and setting priorities.

The Authority has an approved scheme of delegation to officers that is reviewed periodically by the Chief Fire Officer and the Clerk, with any changes being approved by the Fire Authority.

### 3.6.4 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 risk. The list below outlines some of the key policies and process in place to enhance the internal control system, that are reviewed as and when required:

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

### 3.6.5 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.

3.6.6 **Risk Management Strategy**

Although the Authority has a well embedded Risk Management Strategy, recent internal audits have a identified a need to update this process. This work has commenced and a new Strategic Risk register has been agreed. Responsibility for the monitoring of this register rests with the Finance and Resources Committee who will now receive six monthly updates on the levels of risk attributed to those areas identified by officers and agreed by members. A revised corporate risk register will be compiled on completion of the forthcoming Integrated Risk Management Plan which will identify priorities from April 2014 onwards. Consultation on this plan will commence in 2013 with the Corporate Risks associated with the identified objectives following the consultation. In the interim a revised Corporate Risk Register will be monitored against the existing objectives. A new Risk Management Policy Statement and Procedures have already been agreed at Corporate Level.

3.6.7 **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.

3.6.8 **Financial Management**

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

## 4.0 REVIEW OF EFFECTIVENESS

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

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

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

## 4.3 The Authority and Its Committees

### 4.3.1 The Authority

The Authority has reviewed the vision and strategic service objectives as part of the budgeting process. At the 29th June 2012 Authority meeting Members reviewed the performance of the Senior Management Team and set their objectives for 2012/2013.

In February of 2012 the Authority reviewed Governance arrangements and made changes to Standing Orders. At the annual general meeting in May the format and structure of its democratic decision process was reaffirmed by reviewing and approving the powers and make-up of the following committees:

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

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

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

## 4.4 Management Review

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

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority's management structure and processes. The 2010/13 Service Plan set out the Authority's key objectives 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. Directors will assess achievement against key objectives and departmental KPIs which are reported monthly to the Corporate Management Board. In addition a range of performance indicators are also reported to the Performance Monitoring Committee on a quarterly basis.

4.4.3 Risk management at the strategic/corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management. In a proactive way this Committee have considered the desirable risk appetite of the organisation. 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 Service Delivery function, are considered strong. The Service also maintains a comprehensive approach to health and safety which is undertaken by the Service's Health and Safety advisor and monitored by the Health Safety and Wellbeing Committee. This group of Officers and representative Bodies reports quarterly to the Corporate Management Board.

4.4.4 The Authority employed appropriate professional staff:

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

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

4.4.5 In addition to the Treasurer the Authority also employs a Director of Finance and Resources who fulfils the role of Chief Financial Officer. This Director is a member of the Strategic Management Team and the Corporate Management Board and is responsible for advising both senior managers and elected member on all financial matters.

In effect this is a role shared with the Treasurer who is seen to act independently of the Strategic Management Team advice to the Fire Authority. In reality these two officers work very closely together. Both of these officers are professionally qualified and have many years' experience within Local Government finance.

4.4.6 A review has been carried out of the role of Chief Financial Officer and, always accepting that the key statutory responsibilities under Section 114 and Section 151 are held by the Treasurer, all of the principles set out in the CIPFA document *The Role of the Chief Financial Officer* are met.

4.4.7 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.

4.4.8 Functional Heads also exercise a detailed degree of budget monitoring against the capital programme.

4.4.9 The Audit Commission approved an unqualified Statement of Accounts for 2011/12 and it is anticipated this will be repeated in 2012/13 albeit by new the authority's new external auditors KPMG. A presentation by the 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.

### 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 2012/13, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to Chief Fire Officer, the Director of Finance and Resources and the relevant managers as appropriate. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee. Audit reports are also fed into the performance management function within the Corporate Services Department to ensure that recommendations are implemented to agreed timescales.

The Annual Internal Audit Report to the Finance and Resources Committee on 5 April 2013 concluded that:

"From the work carried out during the 2012/13 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 KPMG. Under the Code of Audit Practice, the External Auditor is required to focus on corporate performance management and financial management arrangements, as these form a key part of the system of internal control and comprise the arrangements for:

establishing strategic and operational objectives, determining policy and making decisions;
ensuring compliance with established policies, procedures, laws and regulations including the general duty of best value, where applicable;

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

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

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

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

4.6.2 The External Auditor reported on these matters in the 2011/2012 Annual Governance report which was presented to the Fire Authority in September 2012. This document reflects the Auditor's findings and conclusions from auditing the Statement of Accounts for 2011/12.

## 5.0 SIGNIFICANT ISSUES FOR GOVERNANCE

5.1 Noticeable reductions in central government grant have meant that the Authority has had to make significant savings over the previous two years of the current 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, 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. Additional work has now commenced to enable further rationalisation of existing resources whilst continuing to maintain an appropriate level of emergency provision against a backdrop of successful risk reduction strategies.

5.3 The Authority's prudent financial management, as shown in the Medium Term Financial Strategy, has allowed the impact of budget reductions to be phased. This will help to provide continuous stability during a period of immense transition. This will continue to be the philosophy to reduce any impact on staff and the public. A new Medium Term Financial Strategy covering the new IRMP period will be drawn up as soon as this is published.

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. With the potential of up to two thirds of the FA changing, liaison with the County Council, the LGA and the Monitoring Officer will ensure members are well equipped to deal with the challenges the FA face.

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.

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

# 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 2013
## Company Registration Number 7210383

# Officers and Professional Advisors
# Year Ended 31 March 2013

**The Board of Directors**

| Name | Date of Appointment |
|---|---|
| Richard Heffer | 01/09/2010 |
| Ian Pritchard | 01/09/2010 |
| Sybil Fielding | 01/09/2010 |
| Chris Barnfather | 01/09/2010 |

**Company Secretary** Richard Heffer

**Business Address**
Nottinghamshire Fire & Rescue Service (Trading) Ltd
Bestwood Lodge
Arnold
Nottingham
Nottinghamshire
NG5 8PD

**Registered Office**
Nottinghamshire Fire & Rescue Service (Trading) Ltd
Bestwood Lodge
Arnold
Nottingham
NG5 8PD

## Directors Report

The Directors present their Report and the Financial Statements of the Company for the year ended 31st March 2013, which represents 12 months trading; the comparatives are for the 12 months ended 31st march 2012.

## 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 together with some safety training activity. 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

Over the reporting period, the company has continued to trade effectively but has suffered a downturn in profitability and the growth seen in the previous year in our customer base has effectively stalled due to the adverse economic climate. Our main markets are with local SMEs and with public sector organisations. The economic climate has resulted in a loss of some 74 customers/sites over the financial year; these losses being due to the restructuring of Council services which has resulted in one large contract being lost and other small business which have ceased trading. On reflection, our strong trading position in financial year 2011/2012, the previous trading year, was probably due to several large one-off installations, which have not been repeated in the current financial year.

New business has been relatively slow due to the economic climate and strong competition in the market place. Throughout the year we have had a steady flow of new customers on the smaller scale of approximately 8 to 10 per month. We have gained 85 new customers through our marketing activities, although the new customers are mainly for fire safety training. One of our new customers is a nursing home group, which has taken a contract for both fire extinguisher maintenance and fire safety training. This is a new market area we are looking to diversify into.

To improve the business, we have invested in a significant upgrade to the hand-held devices used for our field staff. This will be implemented during the summer of 2013. Further, we have also introduced credit and debit card payments to speed up customer payments, to improve late payments and improve cash flow.

**Results**

The profit for the year after taxation amounted to £753.

**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 | 12 Months 31 March 2012 £ | 12 Months 31 March 2013 £ |
|---|---|---|---|
| **Revenue** | 10 | 342,479 | 324,739 |
| Operating Costs | | | |
| Staff Costs | 9 | (119,133) | (122,888) |
| Operating Costs | | (88,803) | (110,860) |
| | | | |
| **Administration Costs** | | | |
| Staff Costs | 9 | (63,700) | (64,302) |
| Other Costs | | (32,787) | (38,823) |
| Other Operating Income | | 23,916 | 22,592 |
| **Operating Profit** | | **61,972** | **10,458** |
| Interest Receivable & Similar Income | | 0 | 0 |
| Interest Payable & Similar Charges | 12 | (344) | (267) |
| Exceptional item – upgrading hand held devices | | 0 | (9,250) |
| **Profit Before Tax** | | **61,628** | **941** |
| | | | |
| Tax on Profit or (Loss) on Ordinary Activities | | (13,093) | (188) |
| **Profit or (Loss) for the Year** | | **48,535** | **753** |
| | | | |
| Retained Earnings at Start of Year | | 569 | 49,104 |
| Dividends | | 0 | 0 |
| **Retained Earnings at End of Year** | | **49,104** | **49,857** |

## Statement of Financial Position
## 31st March 2013

| | Notes | 7 Months 31 March 2012 £ | 12 Months 31 March 2013 £ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Cash Equivalents | | 64,712 | 47,145 |
| Trade Receivables | 8 | 67,304 | 81,427 |
| Inventories | 5 | 11,578 | 7,591 |
| **Total Assets** | | **143,594** | **136,163** |
| **Current Liabilities –** falling due within 1 year | 11 | 44,490 | 46,306 |
| **Non-Current Liabilities** | | | |
| Loan | | 49,999 | 39,999 |
| **Total Liabilities** | | **(94,489)** | **86,305** |
| **Total Assets less Current Liabilities** | | **49,105** | **49,858** |
| **Equity** | | | |
| Share Capital | | 1 | 1 |
| Retained Earnings | | 49,104 | 49,857 |
| **Total Equity** | | **49,105** | **49,857** |

## Cash flow Statement
## 31st March 2013

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 2012 | | 12 Months 31 March 2013 | |
|---|---|---|---|---|
| | **2011/12** | **2011/12** | **2012/13** | **2012/13** |
| | **£** | **£** | **£** | **£** |
| **Revenue Activities** | | | | |
| **Cash flows from operating activities** | | | | |
| Profit before Taxation | | 61,628 | | 941 |
| Depreciation | 0 | | 0 | |
| Interest Payable | (344) | | (267) | |
| Dividends Received | 0 | | **0** | |
| Interest Receivable | 0 | | 0 | |
| (Increase)/Decrease in Inventories | (208) | | 3,987 | |
| (Increase)/Decrease in Accounts Receivable | (11,897) | | (14,123) | |
| Increase/(Decrease) in Accounts Payable | (19,115) | | 1,816) | |
| Taxation Paid | (151) | | (188) | |
| **Cash generated from Operations** | | **(31,715)** | | **(8,777)** |
| **Cash flows from Investing Operations** | | | | |
| Acquisition of PPE | 0 | | 0 | |
| Dividends Received | 0 | | 0 | |
| Interest Receivable | 0 | | 0 | |
| **Net Cash flow from Investing Activities** | | **0** | | **0** |
| **Cash flows from Financing Operations** | | | | |
| Issue of Shares | 0 | | **0** | |
| Dividends Paid | 0 | | 0 | |
| Cash Received for Short Term Borrowing | 0 | | 0 | |
| Interest on Loan | 344 | | 267 | |
| Repayment of Long Term Borrowing | (5,000) | | (10,000) | |
| **Net Cash flow from Financing Activities** | | **(4,653)** | | **(9,733)** |
| **Net Increase in cash and cash equivalents** | | **25,257** | | **(17,567)** |
| Cash and Cash Equivalents at 1 September 2010 | | **39,455** | | |
| Cash and Cash Equivalents at 31 March 2011 | | **64,712** | | |
| **Cash and Cash Equivalents at 1 April 2011** | | | | **64,172** |
| **Cash and Cash Equivalents at 31 March 2012** | | | | **47,145** |

# 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 2013, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

### 7.0 Directors Emoluments

The company directors did not receive any emoluments from the company during the accounting year.

### 8.0 Trade Receivables

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

| | 12 Months 31 March 2012 | 12 Months 31 March 2013 |
|---|---|---|
| **9.0 Employee Information** | | |
| | **2012** | **2013** |
| Average monthly number of employees | 6.8 FTE | 6.8 FTE |

| | **2012** | **2013** |
|---|---|---|

| | £ | £ |
|---|---|---|
| Wages & Salaries | 148,963 | 152,717 |
| National Insurance Contributions | 9,614 | 10,039 |
| Pension Costs | 24,256 | 24,435 |

| | **7 Months 31 March 2012** | **12 Months 31 March 2013** |
|---|---|---|

**10.0 Revenue**

| | **2012** | **2013** |
|---|---|---|
| | **£** | **£** |
| Fire Extinguisher Income | 159,989 | 153,087 |
| Fire Extinguisher Maintenance/Service Income | 146,997 | 139,693 |
| Training Income | 35,493 | 31,959 |

**11.0 Current Liabilities due within 1 year**

| | **2012** | **2013** |
|---|---|---|
| | **£** | **£** |
| Trade Payables | 18,338 | 29,312 |
| Sundry Creditors | 3,194 | 8,456 |
| Corporation Tax Payable | 13,093 | 188 |
| VAT | 9,869 | 8,538 |

**12.0 Interest Payable and Similar Charges**

| | **2012** | **2013** |
|---|---|---|
| | **£** | **£** |
| Interest payable on loan from Parent Company | 344 | 267 |

**13.0 Long Term Liabilities**

| | **2012** | **2013** |
|---|---|---|
| | **£** | **£** |
| Amounts due to Parent Undertaking | 49,999 | 39,999 |

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**

The company has entered into the following transactions with Nottinghamshire Fire and Rescue Service during the course of the 2012/2013 financial year.

| | **2012** | **2013** |
|---|---|---|
| | **£** | **£** |
| Sales | 40,011 | 39,880 |
| Purchases | 64,550 | 63,187 |

Of these amounts £16,619 was owed to Nottinghamshire Fire and Rescue as at 31st March 2013 and £158 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.

## 16.0 Exceptional Items

An amount of £7,000 was spent in the year on the upgrade of the hand held devices (Gabriel Fire Data Base and PDA). This amount, has been shown as a separate item on the face of the Comprehensive Income & Expenditure Statement, to reflect the operating profit had this work not been undertaken.