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NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

MEETING OF THE AUTHORITY

Date: Friday, 25 September 2015 **Time:** 10.30 am

Venue: Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD

Members are requested to attend the above meeting to be held at the time, place and date mentioned to transact the following business

Clerk to the Nottinghamshire and City of Nottingham Fire and Rescue Authority

ANY COUNCILLOR WHO IS UNABLE TO ATTEND THE MEETING AND WISHES TO SUBMIT APOLOGIES SHOULD DO SO VIA THE PERSONAL ASSISTANT TO THE CHIEF FIRE OFFICER AT FIRE SERVICES HEADQUARTERS ON 0115 8388900

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ABOVE, PLEASE CONTACT THE CONSTITUTIONAL SERVICES OFFICER SHOWN ON THIS AGENDA, IF POSSIBLE BEFORE THE DAY OF THE MEETING.

Constitutional Services Officer: **Catherine Ziane-Pryor**
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NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 26 June 2015 from 10.30am to 11.02am.

Membership

Present	Absent
Councillor Brian Grocock (Vice Chair)	Councillor Darrell Pulk (Chair)
Councillor John Allin	Councillor Chris Barnfather
Councillor Eunice Campbell	Councillor John Clarke
Councillor Neghat Nawaz Khan	Councillor Jon Collins
Councillor Dave Liversidge	Councillor Roger Jackson
Councillor Michael Payne	Councillor Ken Rigby
Councillor Mike Pringle	Councillor Gail Turner
Councillor Gordon Wheeler	
Councillor Malcolm Wood	
Councillor Yvonne Woodhead	
Councillor Liz Yates	

Colleagues, partners and others in attendance:

John Buckley	-	Chief Fire Officer
Wayne Bowcock	-	Deputy Chief Fire Officer
Craig Parkin	-	Assistant Chief Fire Officer
Neil Timms	-	Assistant Chief Officer for Finance and Resources
Peter Hurford	-	Treasurer to the Fire Authority
Malcolm Townroe	-	Clerk and Monitoring Officer
Tracy Crump	-	Head of Human Resources Services
Catherine Ziane-Pryor	-	Governance Officer

Councillor Dave Smith
Councillor John Wilmott
Tim Spencer

9 APOLOGIES FOR ABSENCE

Councillor Darrell Pulk (Other Fire and Rescue Authority Business)
Councillor Chris Barnfather
Councillor John Clarke
Councillor Jon Collins

Councillor Roger Jackson
Councillor Ken Rigby
Councillor Gail Turner

In the absence of Councillor Darrell Pulk, Councillor Brian Grocock, as Vice-Chair, Chaired the meeting.

10 DECLARATIONS OF INTERESTS

Neil Timms, Assistant Chief Officer for Finance and Resources, declared a personal interest in agenda item 10, Strategic Management Team Restructure, and withdrew from the meeting prior to consideration of this item.

11 MINUTES

The minutes of the meeting held on 5 June 2015 were confirmed as a true record and signed by the Chair presiding at the meeting.

12 CHAIRS' ANNOUNCEMENTS

The Chair made the following announcements:

(a) a members' seminar is to be held on 21 July 2015, starting at 9.30am until approximately 1.30pm;

(b) the end of life Fire Engine, referred to in the Chair's announcements of the last meeting, has now departed and is due to arrive in Nepal during August, with three fire fighters due to meet the appliance and train Nepalese firefighters;

(c) the Peer Assessment taking place at Fire Service Headquarters finishes today. The outcomes will be received with interest;

(d) Chief's Challenge, raising funds for the Firefighter's Charity, was launched this morning with a display held in front of Headquarters which alone raised £140;

(e) in recognition of their contribution to the Fire and Rescue Authority, Councillors David Smith and John Wilmott, and former Councillor Tim Spencer, were in attendance and presented with a certificate of gratitude.

13 PROVISIONAL OUT-TURN FOR 2014/2015

Peter Hurford, Treasurer to the Fire and Rescue Authority, presented the report which provides the latest estimates of the financial performance of the service in the year 2014/15.

The following points were highlighted:

(a) the final statement of accounts for 2014/15 will be submitted to the September meeting of the Authority;

(b) the report identifies variances against the original budget and provides a brief commentary on each variance;

(c) whilst the provisional variants for 2014/15 totals £198,000, this is less than 0.5% of the total budget and is part of the Fire and Rescue Authority strategy in preparation of known further financial restraints;

(d) the capital programme is a rolling programme and not all projects for which funds have been allocated will be completed in the current financial year.

Members of the authority thanked Peter Hurford and the Finance Team for their thorough and hard work.

RESOLVED

(1) to note the report;

(2) to approve for the total capital slippage of £5.884 million to be carried forward.

14 COMMITTEE OUTCOMES

The report provided the minutes of the following subcommittee meetings of the Fire and Rescue Authority:

Policy and Strategy Committee 13 March 2015
Community Safety Committee 27 March 2015
Finance and Resources Committee 17 April 2015
Policy and Strategy Committee 17 April 2015
Human Resources Committee 12 June 2015

RESOLVED that the report and minutes are noted.

15 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining items in accordance with section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, as defined in paragraphs 1 & 3 of Schedule 12A to the Act.

16 AMENDMENTS TO PERMANENT ESTABLISHMENT

John Buckley, Chief Fire Officer, presented the report which requests that the Authority approve the recommendations of the Human Resources Committee to amend the permanent establishment.

Resolved to approve the recommendations within the report.

17 REORGANISATION OF THE HYDRANT MAINTENANCE AND EQUIPMENT SECTION

John Buckley, Chief Fire Officer, presented the report requesting that the Authority approved the recommendations of the Human Resources Committee, to reorganise the

Hydrant Maintenance and Equipment Sections, leading to permanent changes to the establishment.

RESOLVED to approve the recommendations within the report.

18 STRATEGIC MANAGEMENT TEAM RESTRUCTURE

Prior to the Authority's consideration of this item, Neil Timms, Assistant Chief Officer, Finance and Resources, withdrew from the meeting following a personal declaration of interest, in that he is a member of the Strategic Management Team.

John Buckley, Chief Fire Officer, presented the report, the recommendations of which had previously been considered and supported by both the Policy and Strategy Committee and the Human Resources Committee.

RESOLVED to approve the recommendations within the report.

19 RESILIENCE PLANNING AND ARRANGEMENTS UPDATE

John Buckley, chief fire officer, presented the report which informs members of the arrangements and plans in place to ensure continuity of service.

RESOLVED to approve the recommendations in the report.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL REVIEW OF GOVERNANCE

Report of the Chief Fire Officer

Date: 25 September 2015

Purpose of Report:

To inform Members of the review of the Authority's governance arrangements that has been recently carried out by the Strategic Director of Finance and Resources.

To seek the approval of the Authority to the signing of the Annual Governance Statement by the Chair of the Authority and the Chief Fire Officer.

CONTACT OFFICER

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1. BACKGROUND

1.1 Each year the Authority is required to include an annual governance statement in the final accounts. This statement reviews the governance arrangements and comments on any challenges for those arrangements going forward.

1.2 This report seeks the approval of members to the signing off of the governance statement by the Chair and the Chief Fire Officer.

2. REPORT

2.1 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".

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

2.3 The statement is appended in full as appendix A to this report.

2.4 The key challenges for governance identified in the review are as follows:

i) Noticeable reductions in central government grant will mean the Authority will have to continue to make significant savings over the next two to three years at least, whilst continuing to maintain a service which meets public expectations.

ii) The Authority's prudent financial management, as shown in the Medium Term Financial Strategy, will allow it to phase in the impact of budget reductions and consider further implementation of the Fire Cover Review. This will help to provide continuous stability during a period of immense transition.

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

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

Equalities is a core value of the Authority and it is evident from the review of the governance framework that equalities issues are properly addressed within it.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

8.1 The governance framework of the authority is that series of systems, processes, values and culture which direct and control all decision making and policy development within the organisation. It is important therefore to review this regularly to ensure that this framework remains sufficiently robust and compliant with the code. The risk of not doing so is that the organisation could become dysfunctional and fail to set proper objectives and/or fail to achieve them.

8.2 There is also a requirement under regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

9. RECOMMENDATIONS

9.1 It is recommended that Members approve the content of the annual governance statement.

9.2 It is recommended that a report on the local code on corporate governance be taken to the Policy and Strategy Committee for review and revision as appropriate.

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

None.

John Buckley
CHIEF FIRE OFFICER

Appendix A

NOTTINGHAMSHIRE 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.

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.

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 broader OECD principles which provide a stronger framework for internal decision making.

3.3 Some elements of governance have recently changed and were agreed by the Fire Authority at the annual general meeting in May 2014 which reported in the last Annual Governance Statement. There were essentially three changes to the governance framework which are reflected in the revised framework:

Changes in the Committee Structure to remove the performance monitoring committee.

Changes in the composition of the Corporate Management Board to include a wider group of senior managers and moving meetings to monthly rather than weekly.

Changes to the corporate objectives of Response, Protection, Prevention, Resilience, Diversity and Workforce and Governance Improvement to new Service priorities of Service Delivery, Employees and Workforce, Improvement and Governance, Engagement and Partnerships, Environment and Inclusion and Equality.

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

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

3.5.1 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 covers the period 2014–2019 and the Authority consults with the citizens and other stakeholders to formulate its business plans for each financial year within this plan.

3.5.2 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 Service Priorities:

Service Delivery

We will deliver a professional, effective and value-for-money emergency response service to all those who live, work and travel in the county of Nottinghamshire.

We will continue to use a risk-based approach to improve our service to individuals, communities and local businesses with an emphasis on creating safer communities, and reducing death and injuries. We will do this through our key themes: preparedness, response, prevention and protection.

Employees and Workforce

We will maintain, support and develop our workforce to ensure an environment in which we can deliver a professional and effective service to the people of Nottinghamshire.

We will ensure that our employees have the capacity and skills to meet our delivery objectives and provide a work place where our employees feel supported, valued and competent to undertake their roles.

Improvement and Governance

We will look to continuously improve upon previous achievements and assure our stakeholders that the organisation has an appropriate infrastructure for governance to support future success.

With increasing demand for services likely across the public sector, NFRS will be required to base its decisions upon robust intelligence and work alongside its partner/agency service providers in a more collaborate manner.

Engagements and Partnerships

We will look to develop and maintain effective strategic and community partnerships.

We will continue to work closely with our partners and community organisations in order to identify and keep safe those members of our communities who are most at risk.

Environment

We aim to reduce the Service's impact on the environment through a combination of measures including considering the environment when making decisions, investing in technology and delivering training and education initiatives.

We will continue to be committed to minimising our impact on the environment by integrating environmental considerations in all aspects of our work, by meeting legal standards, seeking competent advice and adopting best practice.

Inclusion and Equality

Provide services tailored to meet the needs of our communities.

Nottinghamshire Fire and Rescue Service prides itself on its approach to inclusion and equality. We work on the principle that to treat people equally, we may need to treat them differently.

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

3.6.1 The Service operates a system of cascading business plans. The IRMP 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 relevant committees. These reports had previously been presented to the Performance Committee.

3.6.2 Each of the Strategic Directors are required to report monthly to the Corporate Management Board on performance within their Directorates and give assurances in relation to the achievement of business plans.

3.7 **The Internal Control Environment:**

3.7.1 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:

3.7.2 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.

3.7.3 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.

The Authority has created a new group called the Service Managers Forum which is comprised of all the Departmental Heads and augmented by specialists as required. As part of a more empowering style of management this group has far reaching decision making powers with only the most significant or challenging decisions reserved for the Corporate Management Board. This has both speeded up the process of decision making and improved quality.

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.

3.7.4 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 and 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

3.7.5 **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.

3.7.6 **Risk Management Strategy**

The Authority has a well-established and embedded risk management strategy. This is managed on two levels, firstly at the corporate/strategic level by The Finance and Resources Committee which receives regular reports on risk exposures both in terms of existing and emergent risk. Members closely scrutinise risk registers and require explanations for changes. The Committee is advised by the ACO Finance and Resources and the Authority's Risk Manager on behalf of the Chief Fire Officer. In addition, the Service also maintains an approach to Risk via its business plan monitoring which is administered through its Corporate Services Department. This ensures the service's Risk Manager can support departmental heads in robustly assessing the risks to the achievement of the services objectives.

3.7.7 **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. The focus on best value has increased in recent years by the requirement to reduce budgets but initiatives such as the recent functional analysis work have helped to ensure that service quality is maintained.

3.7.8 **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 which was undertaken between October 2014 and February 2015. This process also had a measure of Member scrutiny with the Chair of Finance and Resources Committee taking an active role.
At the annual general meeting in May the format and structure of its democratic decision process was reafirmed and pproval was given to the powers and make-up of the following committees:

- The Policy and Strategy Committee

- The Finance & Resources Committee

• The Community Safety Committee

• The Human Resources 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 2014/19 Integrated Risk Management Plan sets out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by the Corporate Services department and managed by the individual departmental management teams. .

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. This Committee have considered the desirable risk appetite of the organisation in a proactive way, and set risk targets for the Service to report against. Risk Management is an integral part of project management and business planning within the Corporate Services department and both this and operational risk management, which is managed within the Risk Response function, are considered strong. The Service also maintains a comprehensive approach to health and safety which is undertaken by the Service's Health and Safety advisor and monitored by the Health Safety and Wellbeing Committee. This group of Officers and representative Bodies reports quarterly to the Corporate Management Board.

4.4.4 The Authority employed appropriate professional staff:

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

This arrangement also includes support for the Authority's wider governance structure.

- A Responsible Finance Officer has been appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Management Team ensure that the Authority approve a realistic and affordable financial plan for both revenue and capital expenditure which links to the IRMP. 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 members 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 External Auditor approved an unqualified Statement of Accounts for 2013/14 and it is anticipated this will be repeated in 2014/15. 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.

4.4.10 Specific training is to be organised for elected Members to fully understand the format and nature of the accounts such that they can apply meaningful scrutiny and ask relevant and searching questions of officers

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 2014/15, 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 10 July 2015 concluded that:

> "From the work carried out during the 2014/15 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 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. This communication is in the form of a written report which was presented to Members in September 2014.

4.6.2 The principal purposes of the Auditors' report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2014 and any material misstatements in the accounts
- To report on any key issues for governance
- To report on the Auditors' Value for Money conclusion
- To give an "audit opinion" on the financial statements
- To report on the implementation of any recommendations in the previous year's ISA 260 report

- To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements

4.6.3 The ISA 260 report confirmed that the accounts production and audit processes were good, with no specific risks identified. In addition, the organisational control environment was found to be effective overall, with no significant weaknesses in controls over key financial systems.

5.0 **SIGNIFICANT ISSUES FOR GOVERNANCE**

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

5.2 The Authority's prudent financial management, as shown in the Medium Term Financial Strategy, will allow it to phase in the impact of budget reductions and consider further implementation of the Fire Cover Review. This will help to provide continuous stability during a period of immense transition.

5.3 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	John Buckley
CHAIRMAN	CHIEF FIRE OFFICER

NOTTINGHAMSHIRE

Fire & Rescue Service

Creating Safer Communities

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

LOCAL CODE ON CORPORATE GOVERNANCE

AIMS OF THE LOCAL CODE ON CORPORATE GOVERNANCE

Nottinghamshire and City of Nottingham Fire and Rescue Authority and its Officers are committed to ensuring that it has an excellent system of corporate governance. The Authority embraces the principles of good governance: openness, inclusivity, integrity and accountability.

The Authority is dependent on its Members and officers in delivering excellent corporate governance, and requires them to conduct themselves in accordance with the high standards expected by the citizens of Nottinghamshire. The Service will respond positively to the recommendations of external audit and statutory inspectors and implement agreed actions effectively.

AIMS

The Authority is committed to delivering excellent corporate governance in all aspects of its work, including:

1. Focusing on the community

The Authority and its Officers will:

- Work for and with our communities;
- Exercise leadership in our local communities;
- Contribute to and promote the well-being of our communities.

2. Arrangements for service delivery

The Authority and its Officers will:

- Aim to improve its services to local communities;
- Ensure that its policies are implemented;
- Act upon its decisions.

3. The structures and processes in place

The Authority and its Officers will maintain effective political and managerial structures and processes to govern decision making and the exercise of authority within the organisation.

4. Managing risk and establishing internal control

The Authority and its Officers will establish and maintain a strategy, framework and processes to manage risk and demonstrate effective internal control.

5. Maintaining standards of conduct

The Authority will work to ensure that high standards of behaviour are shown by its Members, officers and agents. The Service has drawn together a detailed framework for establishing excellent corporate governance as set out in this statement. Compliance with the framework will be monitored each year and reported to the Policy and Strategy Committee.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

LOCAL CODE ON CORPORATE GOVERNANCE

LOCAL CODE ON CORPORATE GOVERNANCE

Nottinghamshire and City of Nottingham Fire and Rescue Authority is committed to ensuring that it has an excellent system of corporate governance and embraces the core principles of good governance:

1. Focusing on the purpose of the organisation and on outcomes for the community and creating and implementing a vision for the local area.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.

3. Promoting values for the organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

5. Developing the capacity and capability of Members and officers to be effective.

6. Engaging with local people and other stakeholders to ensure robust public accountability.

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. By publishing this Local Code on Corporate Governance the Authority is demonstrating its commitment to achieving these aims.

The Authority, in embracing the core principles, will contribute to leadership for Nottinghamshire by providing a vision for our Fire and Rescue Service and leading by example in the way it makes decisions, and implements those decisions.

The Authority will produce an annual governance statement in order to report publicly on the extent to which it complies with the core principles including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. This complies with regulation 4(2) Accounts and Audit regulations.

The Service's Chief Fire Officer will be responsible for overseeing the implementation and monitoring of the Local Code on Corporate Governance, reviewing its operation in practice and recommending any changes that may be necessary to maintain it and ensure its effectiveness in practice. The Chief Fire Officer and Strategic Directors will be responsible for ensuring that officers in their departments are aware of and embrace the principles of good corporate governance set out in this Code.

The core principles have been translated into a framework which seeks to ensure that they are fully integrated in the conduct of the Service's business and establishes a means of demonstrating compliance. The framework is based on the SOLACE/CIPFA 2007 publication "Delivering Good Governance in Local Government".

The authority will respond positively to the recommendations of external audit and statutory inspectors in respect of corporate governance and implement agreed actions effectively.

THE CORE PRINCIPLES - FRAMEWORK

1. Focusing on the purpose of the service and on outcomes for the community and creating and implementing a vision for the local area, by:

a. Exercising strategic leadership by developing and clearly communicating the Service's purpose and vision and its intended outcomes for citizens and service users. To achieve this, the Authority will:

i) Develop and promote the Service's purpose and vision
ii) Review on a regular basis the Service's vision for the area and its implication for the Service's governance arrangements
iii) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners
iv) Produce an annual report to coincide with the Statement of Accounts, by the 30 September each year

b. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning. To achieve this, the Authority will:

i) Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.
ii) Put in place effective arrangements to identify and deal with failure in service delivery.

c. Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money. To achieve this, the Authority will:

i) Maintain a Value For Money programme to ensure that Value for Money can be demonstrated.

Examples of how the Authority demonstrates commitment to this core principle:

- Local Code on Corporate Governance;
- Partnership protocols;
- Annual financial statements;
- Annual business plan;
- Performance management framework;
- Customer Comments Procedure.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles, by

a. Ensuring effective leadership throughout the Service and being clear about the boundaries that exist between Officer and Members functions and of the roles and responsibilities of the scrutiny function. To achieve this, the Authority will:

i) Set out a clear statement of the respective roles and responsibilities of the Strategic Management Team (SMT) and of SMTs Members individually and the Service's approach towards putting this in to practice.
ii) Set out a clear statement of the respective roles and responsibilities of other Officers and Members generally.

b. Ensuring that a constructive working relationship exists between Elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard. To achieve this, the Authority will:

   i) Determine a scheme of delegation and reserve powers within the Members Handbook including a formal schedule of those matters specifically reserved for collective decision of the Authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.
   ii) Make the Chief Fire Officer responsible and accountable to the Authority for all aspects of operational management.
   iii) Develop protocols to ensure that the Chair of the Fire Authority and Chief Fire Officer negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.
   iv) Make the Authority's Section 151 Officer responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
   v) Make the Clerk to the Fire Authority responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

c. Ensuring relationships between the Authority, its partners and the public are clear so that each knows what to expect of the other. To achieve this, the Authority will:

   i) Develop protocols to ensure effective communication between Members and officers in their respective roles
   ii) Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective remuneration panel if required
   iii) Ensure that effective mechanisms exist to monitor service delivery
   iv) Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated
   v) When working in partnership, ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority
   vi) When working in partnership ensure that there is clarity about the legal status of the partnership and ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions

Examples of how the Service could demonstrate its commitment to this core principle:

- The Authority's Standing Orders;
- Records of decisions and supporting materials;
- Conditions of employment;
- Scheme of delegation;
- Job descriptions/specification;
- Member/officer protocol;
- Corporate plans;
- Budgets;
- Protocols for partnership working including an assessment toolkit and exit strategies.

3. Promoting values for the Service and demonstrating the values of good governance through upholding high standards of conduct and behaviour, by

a. Ensuring the Authority's Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance. To achieve this, the Authority will:

i) Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
ii) Ensure that standards of conduct and personal behaviour expected of Members and officers, of work between Members and officers and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols
iii) Put in place arrangements to ensure that Members and officers of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice

b. Ensuring that organisational values are put into practice and are effective. To achieve this the Authority will:

i) Develop and maintain shared values including leadership values for both the Authority Members and officers reflecting public expectations, and communicate these with Members, officers, the community and partners
ii) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
iii) Develop and maintain an effective Standards Committee
iv) Use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority
v) In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively

Examples of how the Service could demonstrate its commitment to this core principle:

- Codes of conduct;
- Performance appraisal;
- Customer Comments procedures;
- Anti-fraud and –corruption policy;
- Standing Orders;
- Financial Regulations;
- Regular reporting to Full Authority;
- Decision-making practices;
- Gifts and hospitality policy;
- Protocols for partnership working.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk, by

a. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny. To achieve this the Authority will:

i) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall
ii) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
iii) Put in place arrangements to safeguard Members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice
iv) Develop and maintain an effective Performance Committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee
v) Ensure that effective, transparent and accessible arrangements are in place for dealing with Customer comments

b. Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs. To achieve this the Authority will:

i) Ensure that those making decisions for the Authority are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications
ii) Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately

c. Ensuring that an effective risk management system is in place. To achieve this the Authority will:

i) Ensure that risk management is embedded into the culture of the Authority, with Members and Officers at all levels recognising that risk management is part of their jobs
ii) Ensure that effective arrangements for whistleblowing are in place to which officers, staff and all those contracting with or appointed by the Authority have access

d. Using their legal powers to the full benefit of the citizens and communities in their area. To achieve this the Authority will:

i) Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities
ii) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law
iii) Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes

Examples of how the Service could demonstrate its commitment to this core principle:

- Members' code of conduct;
- Training for committee Members;

- Publication of SMT and PaCT meetings within the service;
- Customer Comments procedure;
- Risk management protocol;
- Standing orders and financial regulations;
- Whistleblowing policy;
- Monitoring officer provisions.

5. Developing the capacity and capability of members and officers to be effective, by

a. Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles. To achieve this the Authority will:

   i) Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis
   ii) Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council

b. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group. To achieve this the Authority will:

   i) Assess the skills required by Members and officers and make a commitment to develop those skills to enable roles to be carried out effectively
   ii) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
   iii) Ensure that effective arrangements are in place for reviewing the performance of the Strategic Management Team as a whole and of individual Members and agreeing an action plan which might, for example, aim to address any training or development needs

c. Encouraging new talent for membership of the Authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal. To achieve this the Authority will:

   i) Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority
   ii) Ensure that career structures are in place for Members and officers to encourage participation and development

Examples of how the Service could demonstrate its commitment to this core principle:

- Training and development plans;
- Induction programme;
- Personal development reviews;
- Update courses/information;
- Succession planning;
- Provision and maintenance of the Members' Handbook.

6. Engaging with local people and other stakeholders to ensure robust public accountability, by

a. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships. To achieve this the Authority will:

i) Make clear to themselves, all officers and the community to whom they are accountable and for what
ii) Consider those institutional stakeholders to whom the Authority is accountable and assess the effectiveness of the relationships and any changes required

b. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning. To achieve this the Authority will:

i) Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively
ii) Hold meetings that are open to the public unless there are good reasons for confidentiality
iii) Ensure that arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
iv) Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result
v) On an three year basis, publish a community safety plan which will be updated annually, giving information on the Authorities vision, strategy, plans and as well as information about its outcomes achievements the in the previous period
vi) Ensure that the Authority as a whole is open and accessible to the community, service users and its officers and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so

c. Making the best of human resources by taking an active and planned approach to meet responsibility to officers. To achieve this the Authority will:

i) Develop and maintain a clear policy on how officers and their representatives are consulted and involved in decision making

Examples of how the Service could demonstrate its commitment to this core principle:

- Annual report;
- Partnership framework;
- Community Safety plan and annual updates;
- Standing Orders.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

FINAL ACCOUNTS 2014/15

Report of the Treasurer to the Fire and Rescue Authority

Date: 25 September 2015

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 2014/15, 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 26 June the Fire Authority received a Provisional Outturn report setting out that the estimated out-turn underspend against the budget would be of the order of £198k subject to any accounting adjustments. The final out-turn for the year is a revenue budget underspend of £193k.

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 18 to 22 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 £11.1m at 31 March 2015, 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 £193k 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 £12.2m, this does not represent the cost to taxpayers, as the deficit is adjusted in accordance with accounting regulations to give the net underspend of £193k, 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 2015. 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 92 and 93 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 2015 (although not the future liabilities due after the period end – see paragraph 2.13 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 £42.9m for 2014/15 and the end of year position shows an underspend of £198k against this budget (a variance of 0.5%). A detailed explanation of the main reasons for the variance is included within the Treasurer's Foreword on pages 6 and 7 in the Statement of Accounts at Appendix A, but the most significant variances were an underspend against the pay budget of £1,062k, an overspend on industrial action of £431k and contributions to earmarked reserves of £780k.

2.9 The table below shows the underspend and how this relates to the funding for the year.

	Budget 2013/14 £000's	**Actual 2013/14 £000's**	**Variance from Budget 2013/14 £000's**
Expenditure:			
Net expenditure	42,892	42,694	(198)
Financed By:			
Revenue Support Grant	12,511	12,511	0
Non Domestic Rates	9,652	9,647	(5)
Precept from Constituent Authorities	20,729	20,729	0
Net			**(193)**

Capital Expenditure

2.10 The Capital Programme for 2014/15 was £11.0m, spending against this was £4.5m leaving an underspend of £6.5m, which was reported to Finance and Resources Committee during the year. The Treasurer's Foreword in the Statement of Accounts includes an analysis and an explanation of this variance.

Reserves

2.11 The total balance of Earmarked Reserves at the end of the financial year was £3.8m. During the year new Earmarked Reserves were created either to carry forward unspent grants or donations or to set aside funds for specific purposes. A number of Earmarked Reserves were at least partially utilised in the year and, overall, the level of Earmarked Reserves increased by just £27k in the year.

2.12 Some significant additions were made to Earmarked Reserves in the year: the Pensions Ill Health reserve was increased by £130k to replace the amount used within the year; The Organisational Transition reserve was increased by £200k and the sum of £100k was set aside for backlog building maintenance to help ensure that the Authority's estate is maintained in a good state of repair. In addition, a Communications Development reserve was set up during the year with a contribution of £200k.

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 £460m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes which stands at £443m.

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, after taking account of the underspend for the year of £193k, stood at £6.535m at 31 March 2015.

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 (IRMP). 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 attached as Appendix B.

2.18 This is the Trading Company's fourth full year of trading and the declared profit after taxation is £60,790. Contributions in the region of £49k have also been made to the benefit of the Fire Authority for the Company's use of support services and assets. This offsets some of the costs of these services falling on the Fire Authority itself. A dividend of £15k was paid to the Fire Authority as sole shareholder during the year, leaving cumulative Retained Earnings of £166,547. Members are requested to note the outturn.

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 2014/15 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 2014/15, as attached at Appendix A.

9.2 That Members note the financial results for the 2014/15 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

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham Fire Authority

Statement of Accounts 2014/2015

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY STATEMENT OF ACCOUNTS 2014/15

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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 many summaries they do not necessarily make meaningful 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 2014/15, 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 £6.535m in General Reserves as well as £3.831m in Earmarked Reserves as at 31st March 2015.

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 a £193k underspend for 2014/15.

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 £415.929m, 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 (£459.916m) 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 £43.987m.

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 an increase in cash of £1.273m.

Pension Fund Account

This statement shows the income and expenditure for the year relating to the Firefighters’ Pension Schemes. The net amount payable for the year i.e. the extent to which pension benefits payable exceeded contributions, is £7.665m.

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.

Key Figures

Revenue Budget Underspend: this was £193k for 2014/15, with the main reasons for this variance given in the section below "Significant Variances"

Cost of Services: this was £46.759m for 2014/15 (£49.744m 2013/14) and is shown in the Comprehensive Income and Expenditure Statement. There were two main reasons for the significantly lower expenditure in 2014/15: firstly expenditure on pay was around £1m less in 2014/15 which was in line with budgetary reductions made; secondly the current service cost for the Firefighter pension scheme was just over £1m less in 2014/15 (this cost does not impact directly on the General Fund), and finally there were revaluation losses on property, plant and equipment of around £0.75m in 2014/15 (again these do not impact on the General Fund).

Total Net Assets: this was £415.929m for 2014/15 (£348.114m 2013/14) and is shown on the Balance Sheet. The main reason for the movement between the 2 years was a £68m increase in the pension liability (see section "Other Significant, Material and Unusual items").

Total Usable Reserves: this was £11.086m for 2014/15 (£13.448m 2013/14) and is shown on the Balance Sheet. The main reason for the movement between the 2 years is the use of both accumulated capital receipts and part of an unapplied capital grant to finance capital expenditure in the year.

Debtors: this was £4.774m for 2014/15 (£5.784m 2013/14) and is shown on the Balance Sheet. The main reasons for the movement between the 2 years were that the capital grant for the Tri-Service Control project was written down by £446k during the year in respect of expenditure incurred, and there was a reduction in the amount owed by the Firefighter Pension Fund to the General Fund - a change of £636k.

Creditors: this was £3.377m for 2014/15 (£4.422m 2013/14) and is shown on the Balance Sheet. The main reasons for the movement between the 2 years were that payments due to suppliers at the end of the year were £883k less and this was simply a matter of timing, with most of the larger outstanding invoices as at 31st March 2014 paid in April 2014. In addition a one-off amount of £304k was owed to Her Majesty's Revenue and Customs as at 31st March 2014.

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 £42.892m for 2014/15 and the position at the end of the year shows an underspend of £193k. The outturn represents a variation to the original budget of 0.5% and the reasons for this variance are explained below.

The 2014/15 year was another challenging one financially, with the amount of grant funding from Central Government again being reduced, and further grant reductions expected in future years. A number of planned savings were implemented during the year with the aim of reducing costs going forward and preserving the Authority's strong, underlying financial position.

	Budget 2014/15 £000	**Actual 2014/15 £000**	**Variance from Budget 2014/15 £000**
Net Expenditure	42,892	42,694	(198)
Financed By:			
Revenue Support Grant	12,511	12,511	0
Non Domestic Rates	9,652	9,647	(5)
Precept from Constituent Authorities	20,729	20,729	0
Net			**(193)**

Significant Variances

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

Explanation of variances

The overall variance against the revenue budget of £193k is a relatively small one, although within this are a few significant over and underspends.

Pay budgets underspent by £1,062k, partly because budgetary assumptions were different from actuals but mainly due to vacancies within the establishment (particularly for Administrative and Support Staff) as well as reducing incident numbers which impacted on the Retained Duty System budget.

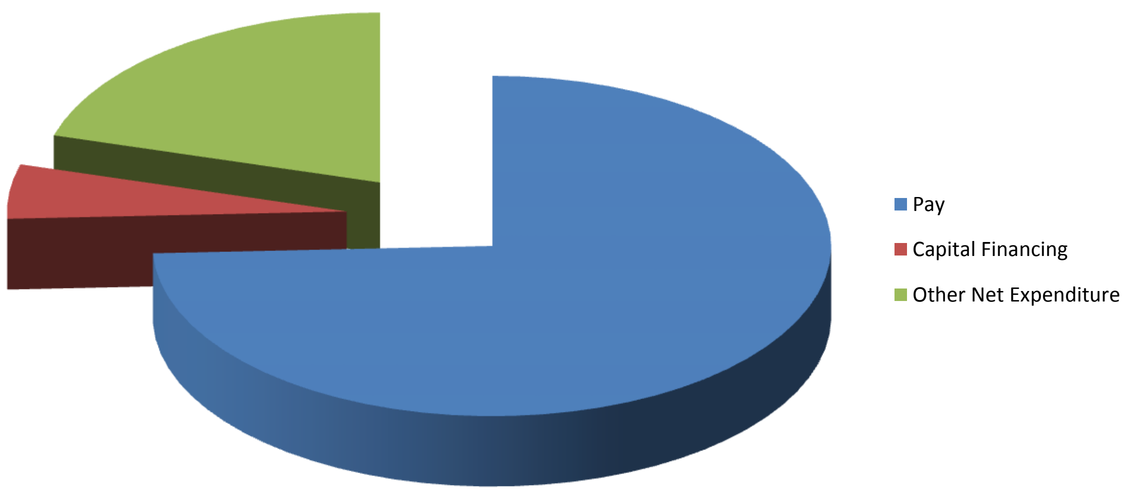
The industrial action called by the Fire Brigades Union over pension issues continued during the year, with a net total expenditure of £431k. This was an overspend as no budgetary provision was made for the cost of this action.

The fuel budget underspent by £140k due to both a fall in fuel prices over the year and a reduction in incident numbers leading to reduced consumption of fuel.

A number of historic pension calculations in respect of firefighter pensions were resolved at the end of the year, with a charge of £258k against the General Fund to reimburse the Firefighter Pension Fund. A provision had not been made for this in the previous financial year as the amount could not be estimated at that time.

A number of contributions were made during the year to either set up new earmarked reserves or to augment existing earmarked reserves. A contribution of £200k was used to create a new earmarked reseve for Communications Development. The following earmarked reserves were increased: Pensions / Ill Health by £130k; Organisation Transition by £200k; Backlog Building Maintenance by £100k. Existing earmarked reserves were re-designated to provide a reserve for a Fire Control Collaboration project - £220k Along with some other minor contributions to earmarked reserves, the total contribution to earmarked reserves is £1,011k.

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 “non current 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 non current assets were acquired or upgraded (including assets under construction as at 31 March 2014):

	2014/15
	£000s
Fire Appliances	1,333
Light Vehicles	113
Retford Fire Station	1,598
London Road Fire Station (project start)	330
Telephone PABX	145
Mobilising System	499
Total	4,018

The Fire Authority had a Capital Programme for 2014/15, 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 £5.5m (budgets carried forward) from 2013/14:

	Capital Programme 2014/15 £000	Actual 2014/15 £000	Variance from Budget 2014/15 £000
Property Programme	5,577	1,944	(3,633)
Transport Programme	2,691	1,490	(1,201)
Equipment	250	0	(250)
IT and Communications Programme	2,479	1,033	(1,446)
Total	**10,997**	**4,467**	**(6,530)**

Significant Variances

The Property programme underspent by £3.633m. The main reason for this was the delay in acquiring land required to build a new fire station to replace the current Central Fire Station. The delay occurred for reasons outside of the Authority's control and the impact of this pushed back the whole project, although the land was eventually acquired in April 2015.

The Transport programme underspent by £1.201m and this budget will be slipped forward to fund the build of appliances which started in the year as well as light vehicles. The majority of this slippage related to vehicles which were under construction but not completed by the year end.

The Information and Communications Technology programme also underspent during the year, by £1.446m. Most projects either completed in the year or made good progress, but budget will be slipped forward to fund the completion of the new Mobilising system as well as further Business Process Automation initiatives.

Financing of Capital Expenditure

The Authority did not undertake any borrowing during the year, and repaid £2.068m of debt to the Public Work Loans Board (PWLB). The Authority's level of borrowing at the year end was £20.4m, with £1.1m 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 £55.342m. The capital financing requirement as at 31 March 2015 is £22.160m, which demonstrates that the current level of net borrowing is prudent.

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

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2015/16 and beyond. The effect of this will be that these earmarked reserves will support the 2015/16 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 within the revenue budget .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 £459.916m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £442.718m. 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

During the year, a brand new fire station at Retford was opened. Unfortunately the project to replace Central Fire Station with a new fire station at London Road suffered some setbacks with regards to the acquisition of land on the London Road site. This matter finally concluded in April 2015 and work is now underway on the site.

The Authority has started to share some fire stations with the East Midlands Ambulance Service - their ambulance crews are now able to use some facilities in between calls. This collaboration is bringing a modest amount of income into the Authority but, more importantly, it demonstrates how emergency service personnel can share resources and bring about cost savings for the public purse.

The project to implement a new Tri-Service Mobilising system has also been delayed somewhat and the system is now expected to be functional during 2015/16.

Planned budgetary reductions continued in the year, with phase 2 of the voluntary redundancy programme fully implemented by 31st March. This affected a number of administrative and support employees, whilst the number of Wholetime employees was also scaled down by reducing the number of Wholetime appliances by 1 - this latter reduction will be achieved through natural wastage by 2015/16. In addition 1 Retained appliance was removed during the year and this resulted in some redundancies.

One of the most significant issues for the Authority this year was the continued industrial action by the Fire Brigades Union over pension issues. This year, the net cost of this action was £431k, bringing the total net cost since the start of the action in 2013/14 to £571k. We have continued to provide fire cover to our communities during all of the strike periods.

The Authority's pension liability, shown on the Balance Sheet, has increased from £390.847m last year to £459.916m at 31st March 2015. This change is also reflected in the Comprehensive Income and Expenditure Statements on the line "Remeasurements on the net defined benefit pensions liability", which shows a cost of £56.688m for 2014/15. The main reason for this is that the financial assumption concerning the rate of interest used to discount post employment benefit obligations has been reduced, which has had the effect of significantly increasing the liability (this particular assumption is based on corporate bond yields) although there is no direct impact on the General Fund.

Economic Climate

The financial year 2014/15 saw the highest level of UK growth (2.8% for 2014) in recent years.

There had been an expectation that the bank rate would increase during the financial year, however this did not occur because inflation was largely maintained above the level of pay increases in the UK. Inflation levels fell to close to zero and by the end of the year it was thought that the bank rate may not change until well into 2016.

Short term PWLB borrowing rates were largely maintained throughout the year, but the longer term PWLB rates fell during the year.

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

The Authority has a Medium Term Financial Strategy in place - its 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 2015. In addition, details of all transactions over £250 in value are published on the Authority's website, in line with the Government's transparency code 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 activities are to sell fire extinguisher maintenance services and fire safety training to external customers. The financial position of the company is not material in terms of the overall financial position of the Authority so separate accounts are 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 2014/15, Nottinghamshire Fire and Rescue Service (Trading) Limited made a profit before tax of £76k.

Plans for 2015/16

Elected Members of the Fire Authority approved a council tax increase of 1.95% for 2015/16, with a Band D council tax of £72.44, and the revenue budget for 2015/16 has been set at £41.2m, some £1.7m less than that set for 2014/15. This is part of an overall requirement to reduce budgets over the period to 2017/18 alongside reductions in grant from central government.

Despite this, the Fire Authority is committed not only to surviving during this period of financial austerity but also to continuing to improve and develop services against this financial backdrop. The three core values of the Authority are to deliver high quality services, with an engaged and motivated workforce, within a framework of strong governance and financial stability.

With this in mind our strategy 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. Whilst funding for 2016/17 is not yet known, further reductions are expected for the foreseeable future so we will continue to re-engineer services in order to keep within the lower overall budget, and this will undoubtably bring about further changes to our workforce.

The new 2015 Firefighter Pension Scheme is introduced from 1st April 2015, along with the introduction of a Modified Pension Scheme for some Retained firefighters, and the Authority will be working alongside regional Fire and Rescue partners on the Government-led project to upgrade mobile communications for emergency services organisations. In addition, it is expected that good progress will be made on the building of a new fire station at London Road although this won't be completed until 2016/17.

The 2015/16 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. We have planned to use mainly borrowing and internal financing to finance the capital programme in 2015/16.

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 2015 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 19 June 2015 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 25 September 2015.

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 and Rescue Authority for the year ended 31 March 2015 on pages 19 to 107. 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 2014/15.

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 the Treasurer's Responsibilities, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 97 to 105 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 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 and Rescue 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 October 2014, 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 2015.

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 October 2014, we are satisfied that, in all significant respects, Nottinghamshire and City of Nottingham Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

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

Andrew Cardoza
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
25 September 2015

INTRODUCTION TO THE CORE STATEMENTS

Movement in Reserves Statement - Page 18

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 20

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.

IAS 1 requires that where the Statement includes amounts in "Other Comprehensive Income and Expenditure" which will not be reclassified subsequently to the Surplus or Deficit on the Provision of Service as well as amounts which will be, then these two types of transactions should be shown separately on the face of the Statement. The Authority does not have transactions which will be reclassified subsequently to the Surplus or Deficit on the provision of Services, so the items in "Other Comprehensive Income and Expenditure" have not been separated in this way.

Balance Sheet - Page 21

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority as at the Balance Sheet date. 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

Cash Flow Statement - Page 22

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 2013/14	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 2013	**7,764**	**4,563**	**102**	**1,670**	**14,099**	**(359,622)**	**(345,523)**
Surplus or (deficit) on the provision of Services	(14,525)	0	0	0	**(14,525)**	0	**(14,525)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	11,934	**11,934**
Total Comprehensive Income and Expenditure	**(14,525)**	**0**	**0**	**0**	**(14,525)**	**11,934**	**(2,591)**
Adjustment between accounting basis & funding basis under regulations (Note 8)	12,345	0	2,033	(504)	**13,874**	(13,874)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(2,180)**	**0**	**2,033**	**(504)**	**(651)**	**(1,940)**	**(2,591)**
Transfers to/from Earmarked Reserves (Note 9)	757	(757)	0	0	**0**	0	**0**
Increase/(Decrease) in 2013/14	**(1,423)**	**(757)**	**2,033**	**(504)**	**(651)**	**(1,940)**	**(2,591)**
Balance at 31 March 2014	**6,341**	**3,806**	**2,135**	**1,166**	**13,448**	**(361,562)**	**(348,114)**

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2014/15	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 2014 carried forward	**6,341**	**3,806**	**2,135**	**1,166**	**13,448**	**(361,562)**	**(348,114)**
Surplus or (deficit) on the provision of Services	(12,245)		0		**(12,245)**		**(12,245)**
Other Comprehensive Income and Expenditure	0				**0**	(55,571)	**(55,571)**
Total Comprehensive Income and Expenditure	**(12,245)**	**0**	**0**	**0**	**(12,245)**	**(55,571)**	**(67,816)**
Adjustment between accounting basis & funding basis under regulations (Note 8)	12,464		(2,135)	(446)	**9,883**	(9,883)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**219**	**0**	**(2,135)**	**(446)**	**(2,362)**	**(65,454)**	**(67,816)**
Transfers to/from Earmarked Reserves (Note 9)	(25)	25	0		**0**		**0**
Increase/(Decrease) in 2014/15	**194**	**25**	**(2,135)**	**(446)**	**(2,362)**	**(65,454)**	**(67,816)**
Balance at 31 March 2015 carried forward	**6,535**	**3,831**	**0**	**720**	**11,086**	**(427,016)**	**(415,930)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14					2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	**£000**	**£000**			**£000**	**£000**	**£000**
6,515	(467)	6,048	Community Safety		5,938	(479)	5,459
42,886	(676)	42,210	Firefighting and Rescue Operations		40,684	(581)	40,103
629	(175)	454	Fire Service Emergency Planning		701	(138)	563
607	0	607	Corporate and Democratic Core		705	0	705
429	(4)	425	Non Distributed Costs		0	(71)	(71)
51,066	**(1,322)**	**49,744**	**Cost of Services**		**48,028**	**(1,269)**	**46,759**
670	0	670	Other Operating Expenditure	10	0	(44)	(44)
17,977	(100)	17,877	Financing and Investment Income and Expenditure	11	18,294	(86)	18,208
0	(53,766)	(53,766)	Taxation and Non-Specific Grant Income	12	0	(52,678)	(52,678)
69,713	**(55,188)**	**14,525**	**Surplus (-) or Deficit on Provision of Services**		**66,322**	**(54,077)**	**12,245**
		(931)	(Surplus) or deficit on revaluation of non-current assets				(1,117)
		0	Impairment Losses on Non-Current Assets Charged to Revaluation Reserve				
		(11,004)	Remeasurements on the net defined benefit pension liability				56,688
		(11,935)	**Other Comprehensive Income and Expenditure**				**55,571**
		2,590	**Total Comprehensive Income and Expenditure**				**67,816**

BALANCE SHEET

31 March 2014 £000		Notes	31 March 2015 £000
	Property, Plant & Equipment		
40,335	- Land and Buildings	13	42,981
7,382	- Vehicles, Plant and Equipment	13	8,434
3,143	- Assets Under Construction	13	2,051
61	Surplus Assets	13	55
239	Intangible Assets	14	187
991	Intangible Assets Under Construction	14	1,634
52,151	**TOTAL LONG TERM ASSETS**		**55,342**
10,065	Short Term Investments	15	4,536
372	Inventories	16	440
5,784	Short Term Debtors	17	4,774
1,800	Cash and Cash Equivalents	18	3,073
18,021	**TOTAL CURRENT ASSETS**		**12,823**
(2,124)	Short Term Borrowings	15	(127)
(4,422)	Short Term Creditors	20	(3,377)
(355)	Short Term Provisions	21	(242)
(53)	Other Short Term Liabilities - Finance Leases	35	0
(28)	Grants Receipts in Advance - Revenue	32	(24)
(6,982)	**TOTAL CURRENT LIABILITIES**		**(3,770)**
(48)	Long Term Provisions	21	(71)
(20,408)	Long Term Borrowing	15	(20,337)
	Other Long Term Liabilities		
(390,847)	- Pensions Liability	37	(459,916)
(411,303)	**TOTAL LONG TERM LIABILITIES**		**(480,324)**
(348,114)	**TOTAL NET ASSETS**		**(415,929)**
	Usable Reserves		
6,342	- General Fund Balance	22	6,535
3,804	- Earmarked Reserves	22	3,831
2,135	- Capital Receipts Reserve	22	0
1,167	- Capital Grants Unapplied	22	720
	Unusable Reserves		
19,422	- Capital Adjustment Account	23	22,414
9,903	- Revaluation Reserve	23	10,692
(390,847)	- Pension Reserve	23	(459,916)
0	- Financial Instruments Adjustment Account	23	0
127	- Collection Fund Adjustment Account	23	(17)
(167)	- Accumulated Absences Adjustment Account	23	(188)
(348,114)	**TOTAL RESERVES**		**(415,929)**

CASH FLOW STATEMENT

2013/14 £000		2014/15 £000
14,527	**Net (Surplus)/Deficit on the Provision of Services**	**12,245**
(19,822)	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(14,172)
3,121	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,132
(2,174)	Net Cash Flows from Operating Activities (Note 24)	(795)
(1,926)	Investing Activities (Note 25)	(2,546)
3,164	Financing Activities (Note 26)	2,068
(936)	Net (Increase) or Decrease in Cash and Cash Equivalents	(1,273)
(864)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(1,800)
(1,800)	**Cash and Cash Equivalents at the End of the Reporting Period (Note 18)**	**(3,073)**

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 2014/15 financial year and its position at the year end of 31 March 2015. 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 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 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 2014/15, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

b) Non Distributed Costs, which includes past service costs relating to retirement benefits; impairment losses relating to surplus non current assets; revenue expenditure involved in holding surplus assets.

These two cost categories are defined in the CIPFA 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 non current 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 and Non Domestic Rates

Council tax and non domestic rates are collected from taxpayers by billing authorities both for themselves and substantively as agents, collecting council tax and non domestic rates on behalf of precepting authorities and central government and distributing it to them. This authority is a precepting authority, and council tax and non domestic rates 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 and non domestic rates 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 and non domestic rates 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 and non domestic rates arrears and deducted from council tax and non domestic rates arrears debtors

c) Council tax and non domestic rates 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

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. They are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits. 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.

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.

Financial assets and financial liabilities are presented gross in the Statement of Accounts, unless the Authority has a legal right to set off the amounts in which case the gross amounts are disclosed in a note.

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.

Further details about the Authority's interest in this company is 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 Leases. 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.

Depreciation and Amortisation

Depreciation is provided for on non current 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 estimated remaining useful life
- Land, assets under construction and assets held for sale: 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 the useful life.

Part year depreciation is charged from the start of the month of acquisition.

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 non current 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.

Re-classification of Assets Under Construction to Operational Assets

Assets under construction which are subsequently identified as being operational will be reclassified in the quarter following the date when the asset became operational.

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 carried 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 2014/15 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.

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 13 *Fair Value Measurement*

IFRS 13 was issued in 2011 and is adopted by the Code of Practice with effect from the 2015/16 financial year. The standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value, and requires disclosures about fair value measurement. Some types of transactions are exempted from this standard e.g. leases and inventories.

The IFRS 13 definition of fair value is based on exit values and market prices for assets and liabilities. For property, plant and equipment it requires a valuation to be at the asset's highest and best use and is a measure of financial capacity. CIPFA / LASAAC have stated that the most appropriate measure of operational property, plant and equipment should be based on the service potential that the assets provide in support of services. This means that these assets will be measured at either existing use value or depreciated replacement cost as appropriate to the asset in question, as is already the case.

Those property, plant and equipment assets that do not provide service potential for the Authority i.e. those classified as Surplus Assets will not be measured for their service potential but for the economic benefits inherent in the assets i.e. at fair value in accordance with IFRS 13. This is a change as currently such assets are measured at existing use value based on their use before becoming surplus to requirements.

This standard will apply from 1st April 2015 and is adopted by the Authority from this date. If it had been adopted for the 2014/15 financial year there would not have been a material impact on these financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

This collection of amendments to IFRSs is adopted by the Code of Practice with effect from the 2015/16 financial year. It includes:

- IFRS 1 (First Time Adoption of International Financial Reporting Standards) : clarification about which version of an IFRS should be applied in an entity’s first financial statements when IFRSs have been adopted. This has no impact on the Authority.
- IFRS 3: (Business Combinations) clarification that the accounting for the formation of joint arrangements as defined in IFRS 11 is excluded from the scope of IFRS 3 Business Combinations. This has no impact on the Authority.
- IFRS 13: (Fair Value Measurement) clarification that the “portfolio exception” which allows the measurement of the fair value of a group of financial assets and financial liabilities to be on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9. This has no impact on the Authority.
- IAS 40: (Investment Property) relating to the inter-relationship of IFRS 3 and IAS 40 when classifying property. Clarification that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination. This has no impact on the Authority.

These revised standards will apply from 1st April 2015 and are adopted by the Authority from this date, although none of the changes impact on the Authority’s transactions and balances at this time.

IFRIC 21 *Levies*

This interpretation was issued in May 2013 and is adopted by the Code of Practice with effect from the 2015/16 financial year. It clarifies that in determining when an entity should account for a liability to pay a levy imposed by Government (other than income taxes), the obligating event that gives rise to the liability is the activity described in the relevant legislation that triggers the levy payment.

This standard will apply from 1st April 2015 and is adopted by the Authority from this date, although it currently has no impact on the Authority.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. As a result of cuts to Government Grant, the Authority faces a budget deficit of between £3.5m and £4.5m by 2017/18. Plans are in progress to reduce base budgets over the next three years and eliminate the deficit.

- 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.

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 2015 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £75k for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from
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

There were no significant prior period adjustments, although where errors in comparative figures were identified these have been corrected, with the word "Restated" shown in the column heading. Explanations have been given for any significant restatement of comparatives figures.

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	2014/15 £000	2013/14 £000
Depreciation and Amortisation of Non Current Assets	Expense	3,102	3,172
Capital Grant	Income	(1,088)	(1,088)
Revaluation of Non Current Assets	Income	(1,911)	2,253

7. EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 19 June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

2014/15	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	(3,011)			3,011
Revaluation losses on Property Plant and Equipment	710			(710)
Amortisation of intangible assets	(91)			91
Capital Grants and contributions applied	1,088		446	(1,534)
Gain relating to donated assets	0			0
Revenue expenditure funded from capital under statute	0			0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2)			2
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,344			(1,344)
Capital expenditure charged against the General Fund balances	0			0
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the CIES	0			0
Application of grants to capital financing transferred to the Capital Adjustment Account	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	0	0		0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	45	(45)		0
Use of Capital Receipts Reserve to finance new capital expenditure	0	2,180		(2,180)

2014/15	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(25,549)			25,549
Employers pension contributions and direct payments to pensioners payable in the year	13,168			(13,168)
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	(144)			144
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	(21)			21
Total Adjustments	**(12,464)**	**2,135**	**446**	**9,883**

2013/14

	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	(3,086)			3,086
Revaluation losses on Property Plant and Equipment	(30)			30
Amortisation of intangible assets	(86)			86
Capital Grants and contributions applied	1,088		504	(1,592)
Gain relating to donated assets	0			0
Revenue expenditure funded from capital under statute	0			0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2,704)			2,704
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,337			(2,337)
Capital expenditure charged against the General Fund balances	1,652			(1,652)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the CIES	0			0
Application of grants to capital financing transferred to the Capital Adjustment Account	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	2,033	(2,033)		0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0		0
Use of Capital Receipts Reserve to finance new capital expenditure		0		0

2013/14	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(26,815)			26,815
Employers pension contributions and direct payments to pensioners payable in the year	13,246			(13,246)
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	43			(43)
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	(23)			23
Total Adjustments	**(12,345)**	**(2,033)**	**504**	**13,874**

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 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000
Earmarked Reserves Funded by Grants:							
LPSA Reward Grant	(395)	91	0	(304)	0	0	(304)
Fire Setters	(13)	0	13	0	0	0	0
Fire Investigation	(154)	32	0	(121)	1	0	(120)
Safe as Houses - Smoke Alarms	(22)	0	0	(22)	0	0	(22)
Community Fire Safety - Innovation Fund	(204)	0	3	(201)	0	0	(201)
Resilience Crewing and Training	(256)	49	(95)	(302)	42	(122)	(382)
Thoresby Estate Charitable Trust	(5)	0	(1)	(6)	1	0	(5)
Area 4 Committee	(1)	0	0	(1)	1	0	0
Vodafone Donation	(1)	1	0	0	0	0	0
Enhanced Command Support	(140)	0	140	0	0	0	0
Safe as Houses - Safety Equipment	(3)	0	3	0	0	0	0
New Burdens FiReControl	(5)	0	5	0	0	0	0
Community Safety within Bassetlaw	(6)	0	6	0	0	0	0
Enhanced Logistical Support DCLG	(42)	18	0	(24)	17	0	(7)
Precept Support Fund	(27)	0	0	(27)	27	0	0
Council Tax Transition Grant	0	0	(85)	(85)	85	0	0
Transparency Grant	0	0	(3)	(3)	3	0	0
SubTotal	**(1,274)**	**191**	**(14)**	**(1,096)**	**177**	**(122)**	**(1,041)**

	Balance at 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000
Earmarked Reserves Created by Revenue:							
Pensions - Ill Health	**(80)**	0	(50)	**(130)**	120	(130)	**(140)**
Fire Safety - On Fire Fund	**(140)**	12	0	**(128)**	41	0	**(87)**
Princes Trust	**(60)**	60	0	**0**	0	0	**0**
Fire Control Transition	**(861)**	487	0	**(374)**	206	0	**(168)**
Agresso Development	**(30)**	12	0	**(18)**	2	0	**(16)**
Training BCM & Values	**(11)**	8	0	**(3)**	0	0	**(3)**
ICT Sharepoint / Internet / Intranet	**(97)**	0	0	**(97)**	0	0	**(97)**
Operational Equipment	**(42)**	0	0	**(42)**	0	0	**(42)**
Capital Reserve	**(1,857)**	777	(75)	**(1,154)**	0	0	**(1,154)**
Organisational Transition - One-off Costs	**(107)**	73	(500)	**(535)**	214	(200)	**(521)**
Swan Project Ashfield	**(5)**	5	0	**0**	0	0	**0**
FEU Conference	**(2)**	2	0	**0**	0	0	**0**
Backlog Buildings Maintenance	**0**	0	(219)	**(219)**	219	(100)	**(100)**
Fire Cadets Project	**0**	0	(12)	**(12)**	7	(18)	**(23)**
Fire Control Collaboration Project	**0**	0	0	**0**	0	(220)	**(220)**
LAT Pull Down Machines	**0**	0	0	**0**	0	(11)	**(11)**
Taxation Compliance	**0**	0	0	**0**	0	(10)	**(10)**
Communications Development	**0**	0	0	**0**	0	(200)	**(200)**
Subtotal	**(3,292)**	**1,436**	**(856)**	**(2,712)**	**809**	**(889)**	**(2,792)**
Total	**(4,566)**	**1,627**	**(870)**	**(3,805)**	**986**	**(1,011)**	**(3,833)**

10 OTHER OPERATING EXPENDITURE

2013/14 £000		2014/15 £000
670	(Gains)/Losses on the disposal of non-current assets	45
670	**Total**	**45**

11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £000		2014/15 £000
944	Interest payable and similar charges	846
28	Interest paid in relation to Finance Leases	14
17,005	Net interest on defined pension liability	17,435
(100)	Interest receivable and similar income	(71)
0	Dividend from Subsidiary Company	(15)
17,876	**Total**	**18,208**

12 TAXATION AND NON-SPECIFIC GRANT INCOME

2013/14 £000		2014/15 £000
20,025	Council tax income and surplus on collection	20,749
3,266	Non domestic rates	3,291
0	Non domestic rates - Growth Funding	97
8,446	Pension top up grant	8,345
236	Council tax freeze grant	0
14,243	Non ringfenced government grants	12,511
1,088	Capital grants and contributions	1,088
6,234	Council tax top-up grant	6,356
85	Council tax transition grant	0
66	Small Business rate relief grant	237
75	Capitalisation Provision redistribution grant	0
3	Transparency grant	5
53,767	**Total**	**52,679**

13 PROPERTY PLANT AND EQUIPMENT

Movements in 2014/15	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 2014	48,340	15,518	1,155	3,143	**68,156**
Prior Year Adjustments	0	0	0	0	**0**
Additions	127	487	0	3,172	**3,786**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(581)	0	0	(384)	**(965)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,142	0	0	769	**1,911**
Derecognition - Disposals	0	(159)	0	0	**(159)**
Derecognition - Other	0	0	0	0	**0**
Assets reclassified (to)/from Assets Under Construction	2,500	2,148	0	(4,648)	**0**
At 31 March 2015	**51,528**	**17,994**	**1,155**	**2,052**	**72,729**
Accumulated Depreciation & Impairment					
At April 2014	(8,005)	(8,136)	(1,094)	0	**(17,235)**
Prior Year Adjustments	0	0	0	0	**0**
Depreciation & Impairment Charges	(1,423)	(1,583)	(6)	0	**(3,012)**
Depreciation written out to the Revaluation Reserve	151	0	0	0	**151**
Depreciation written out to the Surplus/Deficit on the Provision of Services	730	0	0	0	**730**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**
Derecognition- Disposals	0	157	0	0	**157**
At 31 March 2015	**(8,547)**	**(9,562)**	**(1,100)**	**0**	**(19,209)**
Net Book Value					
at 31st March 2015	**42,981**	**8,432**	**55**	**2,052**	**53,520**
at 31st March 2014	**40,335**	**7,382**	**61**	**3,143**	**50,921**

Comparative Movements in 2013/14:	**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 2013	52,121	24,261	3,155	2,203	**81,740**
Prior Year Adjustments	(547)	(9,576)	0	0	**(10,123)**
Additions	755	376	0	1,408	**2,539**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(481)	0	0	0	**(481)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,253)	0	0	0	**(2,253)**
Derecognition - Disposals	(1,255)	(11)	(2,000)	0	**(3,266)**
Assets reclassified (to)/from Assets Under Construction	0	0	0	0	**0**
Correction of classification	0	468	0	(468)	**0**
At 31 March 2014	**48,340**	**15,518**	**1,155**	**3,143**	**68,156**
Accumulated Depreciation & Impairment					
At April 2013	(11,141)	(16,239)	(1,088)	0	**(28,468)**
Prior Year Adjustments	547	9,576	0	0	**10,123**
Depreciation & Impairment Charges	(1,597)	(1,483)	(6)	0	**(3,086)**
Depreciation written out to the Revaluation Reserve	531	0	0	0	**531**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,103	0	0	0	**3,103**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**
Derecognition- Disposals	552	10	0	0	**562**
At 31 March 2014	**(8,005)**	**(8,136)**	**(1,094)**	**0**	**(17,235)**
Net Book Value at 31st March 2014	**40,335**	**7,382**	**61**	**3,143**	**50,921**

Capital Commitments

At 31 March 2015 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £1,708k. Similar commitments at 31 March 2014 were £3,661k. The major commitments for 2015/16 are:

- Retford Fire Station £177k
- Central Fire Station £308k
- Retentions for Property projects £66k
- Rescue Appliances £274k
- HR System £16k
- Tri-Service Control system £720k
- InTend- ICT Contracts £147k

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 2015, covering 6 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 of 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	8,434	0	**8,434**
Valued at Fair Value as at:				
31 March 2015	7,442	0	0	**7,442**
31 March 2014	6,320	0	0	**6,320**
31 March 2013	8,518	0	0	**8,518**
31 March 2012	4,204	0	55	**4,259**
31 March 2011	16,497	0	0	**16,497**
Total Cost or Valuation	**42,981**	**8,434**	**55**	**51,470**

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 2014/15 £000	Software Under Construction 2014/15 £000	Software 2013/14 £000	Software Under Construction 2013/14 £000
Balance at start of year:				
• Gross carrying amounts	669	991	593	279
• Accumulated amortisation	(429)	0	(343)	0
Net carrying amount at start of year	239	991	250	279
Purchases	38	643	76	712
Amortisation for the period	(91)	0	(86)	0
Net carrying amount at end of year	**186**	**1,634**	**239**	**991**
Comprising:				
• Gross Carrying Amounts	707	1,634	669	991
• Accumulated amortisation	(520)	0	(429)	0
	187	1,634	239	991

15 FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March Restated 2014 £000
Investments				
Loans and Receivables	0	0	4,536	10,065
Cash and cash equivalents	0	0	3,073	1,800
Total Investments	**0**	**0**	**7,609**	**11,865**
Debtors				
Receivables	0	0	4,479	5,026
Total Debtors	**0**	**0**	**4,479**	**5,026**
Borrowings				
Financial liabilities at amortised cost	(20,337)	(20,408)	(127)	(2,124)
Total Borrowings	**(20,337)**	**(20,408)**	**(127)**	**(2,124)**
Other Liabilities				
Finance lease liabilities	0	0	0	(53)
Total other long-term liabilities	**0**	**0**	**0**	**(53)**
Creditors				
Financial liabilities at amortised cost	0	0	(2,834)	(4,046)
Total Creditors	**0**	**0**	**(2,834)**	**(4,046)**

Note: the figures for debtors and creditors in the above table include grant receipts in advance but exclude Council Tax and Non Domestic Rates (NDR) 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.
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.

	31 March 2015 £000	31 March Restated 2014 £000
Debtors		
Debtors - as shown on Balance Sheet	4,774	5,784
Less: Council Tax and NDR debtors	(295)	(758)
Debtors Classified as Financial Instruments	**4,479**	**5,026**
Creditors		
Creditors - as shown on Balance Sheet	(3,377)	(4,422)
Less: Council Tax NDR prepayments / overpayments	567	404
Grant Receipts in Advance - as shown on Balance Sheet	(24)	(28)
Creditors Classified as Financial Instruments	**(2,834)**	**(4,046)**

Income, Expense, Gains and Losses

	2014/15			2013/14		
	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	846	0	**846**	944	0	**944**
Total expense in Surplus or Deficit on the Provision of Services	**846**	**0**	**846**	**944**	**0**	**944**
Interest Income	0	(71)	**(71)**	0	(100)	**(100)**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**(71)**	**(71)**	**0**	**(100)**	**(100)**
Net gain/(loss) for the year	**846**	**(71)**	**775**	**944**	**(100)**	**844**

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 2015		31 March 2014	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities at amortised cost				
- PWLB Loans	(16,454)	(18,477)	(18,521)	(18,868)
- Other Loans	(4,010)	(4,961)	(4,011)	(3,736)

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 2015		31 March 2014	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	7,609	7,592	11,864	11,767

16 INVENTORIES

	Consumable Stores	
	31 March 2015	31 March 2014
	£000	£000
Balance Outstanding at start of year	**372**	**294**
Purchases	457	494
Recognised as an expense in year	(389)	(415)
Written off balances	0	(1)
Balance outstanding at year end	**440**	**372**

17 DEBTORS

	31 March 2015	31 March 2014
	£000	£000
Central Government bodies	1,937	2,057
Other Local Authorities	129	576
NHS Bodies	35	1
Other entities and individuals	2,673	3,150
Total Short Term Debtors	**4,773**	**5,784**
Other Entities and Individuals	0	0
Long Term Debtors	**0**	**0**
Total	**4,773**	**5,784**

18 CASH AND CASH EQUIVALENTS

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

	31 March 2015	31 March 2014
	£000	£000
		Restated
Cash held by the Authority	0	0
Bank Current Accounts	19	8
Short-term deposits with banks and building societies	3,054	1,792
Total Cash and Cash Equivalents	**3,073**	**1,800**

The comparative figures for 2013/14 have been restated to reflect the correction of an error.

19 ASSETS HELD FOR SALE

There were no Non Current Assets held for sale either as at 31st March 2014 or at 31st March 2015.

20 CREDITORS

	31 March 2015 £000	31 March 2014 £000
Central Government bodies	(1,210)	(1,253)
Other local authorities	(1,059)	(1,087)
Other entities and individuals	(1,108)	(2,082)
Short Term Creditors	**(3,377)**	**(4,422)**

21 PROVISIONS

	PROVISIONS				
	Long Term	Short Term			Total
	Insurances	Retained Duty System	Exit Packages	Non Domestic Rates Appeals	
	£000	£000	£000	£000	£000
Balance at 1 April 2014	**(48)**	**(23)**	**(150)**	**(182)**	**(403)**
Additional provisions made in 2014/15	(49)	(3)	0	(218)	(270)
Amounts used in 2014/15	25	1	150	0	177
Unused amounts reversed in 2014/15	0	0	0	182	182
Balance at 31 March 2015	**(71)**	**(24)**	**0**	**(218)**	**(314)**

Insurances
This provision allows for potential liabilities arising from existing claims against the authority. Uninsured losses of £25k were covered by the provision during the year. The provision required at 31 March 2015 was determined to be £71k.

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 2013/14 to allow employees to leave the Authority in 2014/15. No further provisions were made during the year 2014/15 due to uncertainties of the amount.

Non Domestic Rates Appeals
From 2013/14, a proportion of Non Domestic Rates collected by Nottinghamshire collecting authorities is retained locally, rather than paid directly to central government. Part of these retained rates are collected on behalf of NFRS, and so a portion of any related provisions must now be recognised by NFRS. This provision allows for possible losses arising from any successful appeals of business premises rateable values in 2015/16.

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 2015	31 March 2014
	£000	£000
General Fund	6,535	6,342
Earmarked Reserves	3,831	3,804
Capital Receipts Reserve	0	2,135
Capital Grants Unapplied	720	1,167
Total Usable Reserves	**11,086**	**13,448**

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 2015	31 March 2014
	£000	£000
Balance at 1 April	**6,342**	**7,764**
Transfer into General Fund Reserve	193	(1,422)
Balance at 31 March	**6,535**	**6,342**

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 2015	31 March 2014
	£000	£000
Balance at 1 April	**3,805**	**4,564**
Application of Earmarked Reserves to finance expenditure	(821)	(1,032)
Transfer from General Fund Reserve	963	444
Write back reserves no longer required	(115)	(171)
Balance at 31 March	**3,832**	**3,805**

Capital Receipts Reserve

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

	31 March 2015	31 March 2014
	£000	£000
Balance at 1 April	**2,135**	**102**
Capital Receipts in Year	45	2,033
Capital Receipts applied in year to finance capital	(2,180)	0
Balance at 31 March	**0**	**2,135**

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 2015	31 March 2014
	£000	£000
Balance at 1 April	**1,167**	**1,670**
Capital Grants received in Year	1,088	1,088
Capital Grants applied in year to finance capital	(1,534)	(1,591)
Balance at 31 March	**721**	**1,167**

23 UNUSABLE RESERVES

31 March 2014 £000		31 March 2015 £000
9,903	Revaluation Reserve	10,692
19,422	Capital Adjustment Account	22,414
(390,847)	Pensions Reserve	(459,916)
127	Collection Fund Adjustment Account	(17)
(167)	Accumulated Absences Account	(188)
(361,562)	**Total Unusable Reserves**	**(427,015)**

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.

2013/14 £000		2014/15 £000
11,096	**Balance at 1 April**	**9,903**
1,172	Upward revaluations of assets	1,117
(241)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
931		1,117
12,027	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**11,020**
(282)	Difference between fair value depreciation and historical cost depreciation	(329)
(1,842)	Accumulated gains on assets disposed of	0
(2,124)	Amount written off to the Capital Adjustment Account	(329)
9,903	**Balance at 31 March**	**10,691**

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

2013/14 £000			2014/15 £000
17,625	**Balance at 1 April**		**19,423**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)		
(2,804)	• Charges for depreciation and impairment of non-current assets	(2,683)	
(30)	• Revaluation losses on Property, Plant and Equipment and reversal of previous impairments	710	
(86)	• Amortisation of intangible assets	(91)	
(2,704)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2)	
(5,624)			**(2,066)**
1,842	Adjusting amounts written out of the Revaluation Reserve		0
(3,782)	Net written out amount of the cost of non-current assets consumed in the year		**(2,066)**
	Capital financing applied in the year:		
0	• Use of Capital Receipts Reserve to finance new capital expenditure	2,180	
1,088	• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,088	
0	• Gain arising from the receipt of Donated assets credited to the CIES	0	
1,337	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,344	
1,000	• Voluntary provision for the financing of capital investment charged against the General Fund balance	0	
504	• Application of grants to capital financing from Capital Grants Unapplied Account	446	
1,652	• Capital expenditure charged against the General Fund balance	0	
5,580			5,058
19,423	**Balance at 31 March**		**22,415**

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.

2013/14 £000		**2014/15 £000**
(388,282)	**Balance at 1 April**	**(390,847)**
11,004	Remeasurements on the net defined benefit pension	(56,688)
(26,815)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(25,549)
13,246	Employers pensions contributions and direct payments to pensioners payable in the year	13,168
(390,847)	**Balance at 31 March**	**(459,916)**

Collection Fund Adjustment Account

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

2013/14 £000		**2014/15 £000**
43	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(144)
127	**Balance at 31 March**	**(17)**

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.

2013/14 £000			2014/15 £000
(144)	**Balance at 1 April**		**(167)**
144	Settlement or cancellation of accrual made at the end of the preceding year	167	
(167)	Amounts accrued at the end of the current year	(188)	
(23)	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		(21)
(167)	**Balance at 31 March**		**(188)**

24 CASHFLOW STATEMENT - OPERATING ACTIVITIES

2013/14 £000		2014/15 £000
14,527	**Net (Surplus) or Deficit on the Provision of Services**	**12,245**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(3,086)	Depreciation	(3,011)
(30)	Impairment and revaluations	710
(86)	Amortisation	(91)
(205)	(Increase)/Decrease in impairment for bad debts	(26)
(1,389)	(Increase)/Decrease in Creditors	2,226
1,437	Increase/(Decrease) in Debtors	(1,753)
78	Increase/(Decrease) in Inventories	67
(13,568)	Pension Liability	(12,377)
(206)	Contributions (to)/from Provisions	90
(2,704)	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	0
(63)	Accrued Interest	(7)
(19,822)		**(14,172)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
1,088	Capital Grants credited to surplus or deficit on the provision of services	1,088
2,033	Proceeds from the sale of property plant and equipment, investment property and intangible assets	44
3,121		**1,132**
(2,174)	**Net Cash Flows from Operating Activities**	**(795)**

CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
(164)	Interest received	(78)
972	Interest paid	847
0	Dividends received	(15)

25 CASHFLOW STATEMENT - INVESTING ACTIVITIES

2013/14 £000 Restated		2014/15 £000
3,207	Purchase of property, plant and equipment, investment property and intangible assets	4,109
21,000	Purchase of short-term and long-term investments	26,400
(2,045)	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	(47)
(23,000)	Proceeds from short-term and long-term investments	(31,920)
(1,088)	Other receipts from investing activities	(1,088)
(1,926)	**Net cash flows from investing activities**	**(2,546)**

The comparative figures for 2013/14 have been restated to reflect the correction of errors relating to the purchase of short-term investments and the proceeds from short-term investments.

26 CASHFLOW STATEMENT - FINANCING ACTIVITIES

2013/14 £000		2014/15 £000
100	Cash payments for the reduction of the outstanding liabilities relating to Finance leases	0
3,064	Repayments of short and long-term borrowing	2,068
3,164	**Net cash flows from financing activities**	**2,068**

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. The total Deficit on the Provision of Services shown in the Comprehensive Income and Expenditure Statement is £12,245k, and this is adjusted by £12,464k in total to give an underspend of £219k. This underspend is then adjusted by the net transfer to and from earmarked reserves of £25k to give a final underspend of £194k which is in accordance with the funding basis under regulations. The adjustment of £12,464k is detailed in the table in note 8, under the heading "General Fund Balance".

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 Bodies and Local Government Authorities.

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 Health Bodies, Local Government, and Police Authorities are parties to this arrangement.

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

See note 32 details of balances held relating to this arrangements.

29 MEMBERS' ALLOWANCES

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

	2014/15	2013/14
	£000	£000
Allowances	109	110
Expenses	1	3
Total	**110**	**113**

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) (start date 01/04/2014)	2014/15	128,987	52	0	129,039	27,474	156,513
	2013/14	0	0	0	0	0	0
Chief Fire Officer (CFO) (Leave date 31/03/2014)	2014/15	0	0	0	0	0	0
	2013/14	139,889	52	0	139,941	29,796	169,737
Deputy Chief Fire Officer (start date 07/04/2014)	2014/15	101,023	20,592	0	121,615	22,285	143,899
	2013/14	0	0	0	0	0	0
Deputy Chief Fire Officer (leave date 31/03/2014)	2014/15	0	0	0	0	0	0
	2013/14	115,408	52	0	115,460	24,582	140,041
Assistant Chief Fire Officer (start date 01/07/2014, supernumerary start 16/12/13)	2014/15	98,119	65	0	98,184	19,816	118,000
	2013/14	20,496	4,685	0	25,181	5,255	30,436
Assistant Chief Fire Officer (leave date 30/06/2014)	2014/15	26,954	21	0	26,975	5,741	32,716
	2013/14	104,917	78	0	104,995	22,347	127,342
Assistant Chief Officer	2014/15	93,066	52	0	93,118	11,732	104,851
	2013/14	90,928	3,450	0	94,378	16,053	110,431
Total	**2014/15**	**448,149**	**20,782**	**0**	**468,931**	**87,048**	**555,979**
Total	**2013/14**	**471,637**	**8,317**	**0**	**479,954**	**98,033**	**577,987**

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

The table below shows the number of employees whose remuneration was £50,000 or more, in bands of £5,000. 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	**2014/15 Number of employees**	**2013/14 Number of employees**
£50,000-£54,999	25	27
£55,000-£59,999	5	3
£60,000-£64,999	3	5
£65,000-£69,999	3	1
£70,000-£74,999	0	2
£75,000-£79,999	0	1
£80,000-£84,999	2	3
£85,000-£89,999	1	0
£90,000-£94,999	1	1
£95,000-£99,999	1	0
£100,000-£104,999	0	1
£105,000-£109,999	0	0
£110,000-£114,999	0	0
£115,000-£119,999	0	1
£120,000-£124,999	1	0
£125,000-£129,999	1	0
£130,000-£134,999	1	0
£135,000-£139,999	0	1
£140,000-£144,999	0	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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	5	5	1	4	6	9	25,822	19,410
£20,001 - £40,000	0	0	5	1	5	1	138,261	30,325
£40,001 - £60,000	0	0	1	0	1	0	46,423	0
£60,001 - £80,000	0	0	1	0	1	0	69,670	0
Total	**5**	**5**	**8**	**5**	**13**	**10**	**280,176**	**49,735**

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.

	2014/15 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	41	41
Fees payable in respect of statutory inspections	0	0
Audit Commission Rebate	(4)	(8)
Total	**37**	**33**

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.

	2014/15 £000	2013/14 £000
Credited to Services		
Firelink grant (part of the Fire Revenue grant DCLG)	(259)	(241)
New Dimension grant (part of the Fire Revenue grant DCLG)	(122)	(120)
Sponsorship of events and awards	(1)	(18)
Miscellaneous Community Safety donations	(25)	(2)
Total	**(407)**	**(381)**

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 2015 £000	31 March 2014 £000
Grants Receipts in Advance (Revenue Grants)		
Local Resilience Forum	(11)	(10)
Multi Agency Coordination Centre	(14)	(19)
Regional Recruitment Portal	0	0
Total	**(25)**	**(29)**

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 (e.g. council tax bills). Grants received from government departments are set out in the analysis in Note 32.and Note 12

Members

Members of the Authority have direct control over the Authority's financial and operating policies. Details of members' allowances and expenses are shown in Note 29.

Officers

Some senior employees have significant influence over the Authority's activities. Details of senior officers' remuneration are shown in Note 30 and 12.

Nottinghamshire County Council and Nottingham City Council

The Authority is made up of 12 members from Nottinghamshire County Council and 6 members from Nottingham City Council, and so a related party relationship exists between the Authority and these Councils by way of common control. Significant transactions are detailed below, and include

	Nottinghamshire County Council		Nottingham City Council	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Expenditure during year	548	627	707	810
Income during year	3	3	40	2
Creditor at 31 March	25	123	52	69
Debtor at 31 March	0	0	37	0

Other Public Bodies

Some members of the Authority are also members of other local Borough or District Councils in Nottinghamshire. Other public bodies such as Fire Authorities are subject to varying degrees of common control or significant influence by central government. The Authority carries out transactions with such bodies from time to time, including income and expenditure from the provision of goods or services, partnership working and pooled budgets, including transactions at other than commercial value. In 2014/15 the value of such transactions was insignificant. Note that council tax receipts from collecting authorities and transactions with tax authorities are considered to be agency arrangements, and do not qualify as related party relationships.

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 2 members forming the Board of Directors. The Authority recovers costs incurred in the provision of certain goods and services to the Company including finance, payroll, human resources, insurance and transport. The Company is the Authority's provider of fire extinguisher maintenance services, and half of the Company manager's salary is charged in exchange for management services provided to the Authority's hydrant maintenance operation.

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. The Authority's transactions and balances with the Company are detailed below. Note 40 provides more details regarding the company's transactions for the year 2014/15.

	Nottinghamshire Fire & Rescue Service (Trading) Ltd	
	2014/15	2013/14
	£000	£000
Expenditure during year	33	47
Income during year	58	55
Creditor at 31 March	0	9
Debtor at 31 March	0	11
Outstanding loan to Trading Company	20	40

Other than the items detailed above, there were no members or officers with significant influence over the authority who had an interest in an organisation with which the Authority carried out significant transactions or held significant balances.

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.

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement	**22,751**	**25,004**
Capital Investment		
Property, Plant and Equipment - (Operational)	2,187	1,131
Property, Plant and Equipment - (Non Operational)	1,599	1,408
Intangible Assets (including under construction)	681	788
Sources of Finance		
Capital Receipts	(2,180)	0
Government grant and other contributions	(1,534)	(1,591)
Sums set aside from revenue:		
Direct revenue contributions	0	(1,652)
Minimum / Voluntary Revenue Provision	(1,344)	(2,337)
Closing Capital Financing requirements	**22,160**	**22,751**
Explanation of Movements in Year		
Decrease in underlying need to borrow (unsupported by government financial assistance)	(591)	(2,253)
Decrease in Capital Financing Requirement	**(591)**	**(2,253)**

35 LEASES

Authority as Lessee

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 2015 £000	31 March 2014 £000
Vehicles, Plant and Equipment	0	53
	0	**53**

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 2015 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	0	53
• non-current	0	0
Finance costs payable in future years	0	13
Minimum lease payments	**0**	**66**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Not later than one year	0	66	0	53
Later than one year and not later than five years	0	0	0	0
	0	**66**	**0**	**53**

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). Rent received in 2014/15 was £15k.

Future contracted receipts are:

	£000's
Within 1 year	13
Within 2 to 5 years	52
Over 5 years	39 *

*The rent receivable 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 receivable.

36 TERMINATION BENEFITS

The Authority terminated the contracts of 12 employees in 2014/15, incurring redundancy costs of £252k in 2014/15 (£78k in 2013/14). The decision to terminate 6 of these contracts was made in 2013/14, and so £202k of this cost was recognised as an expense in 2013/14.

Pension strain costs arising from early retirements without actuarial reduction of pension are also classed as termination benefits. The Authority has paid £164k in pension strain recharge costs in 2014/15.

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.

As at 31 March 2015 the Authority participates in three post-employment schemes, all of which are defined benefit schemes:

1) The Local Government Pension Scheme (LGPS)

This scheme is for administrative, support and Control employees. It is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets. It is administered in accordance with statute (principally the Local Government Pension Scheme Regulations 2013), and it provides benefits based on career average revalued salary.

The administering authority for the fund is Nottinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day Fund administration is undertaken by a team within the administering authority. The administering authority is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund’s performance and funding.

By participating in the Local Government Scheme, the Authority is exposed to a number of risks:

a) Investment risk: The Fund holds investments in assets such as equities which have volatile market values and, while these asset are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

b) Interest rate risk: The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of assets and liabilities may not move in the same way.

c) Inflation risk: All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

d) Longevity risk: In the event that the members live longer than assumed, a deficit will emerge in the fund. There are also other demographic risks.

e) “Orphan” liability risk: As many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk that employers may leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

These risks are mitigated to a certain extent by the requirement to charge the General Fund with the amounts payable to the pension fund or pensioners at the year end, in accordance with statute.

Curtailment costs arising from the redundancies of administrative and support staff are recognised as Non Distributed Costs in the Comprehensive Income and Expenditure Statement. These are classed as past service costs, and they increase the Local Government Pension Scheme net liability. Details of redundancies can be found in note

2) The Firefighters' Pension Scheme 1992 (1992 FPS)

The Firefighters' Pension Scheme 1992 is an unfunded pension scheme. This scheme has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters. It is a defined benefit scheme and its arrangements are governed by statute (the Firemen's Pension Scheme Order 1992).

3) The Firefighters' Pension Scheme 2006 (2006 NFPS)

The Firefighters' Pension Scheme 2006 is also an unfunded pension scheme. This scheme came into effect from April 2006 and its members are retained firefighters and wholetime firefighters. Like the 1992 FPS, it is a defined benefit scheme and its arrangements are governed by statute (the Firefighters' Pension Scheme (England) Order 2006). The Firefighters' Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. Fire and rescue authorities are now undertaking an options exercise to provide those individuals affected with an opportunity to join the modified scheme. As this options exercise is not due to be completed until 30 September 2015, the pension calculations undertaken for International Accounting Standard 19 (IAS 19) purposes in the 2014/15 statement of account exclude transactions relating to the modified scheme.

The two Firefighters' Schemes are very similar in nature. They are unfunded pension schemes, 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 Authority has primary responsibility for meeting the costs and managing the risks relating to the firefighters' pension arrangements. However, there is currently an arrangement in place whereby the cost of the schemes are 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 schemes provide benefits based on final salary and length of service at retirement, although a new scheme which provides benefits based on revalued average salary will be implemented on 1 April 2015. The governance arrangements are managed by the Authority, and this essentially involves managing the cash flows and being responsible for the administration of the schemes. The day to day administration is carried out by Leicestershire County Council on behalf of the Authority.

Given that the pension schemes are unfunded, the contributions payable are simply those which are sufficient to meet the benefit outgo as and when it arises. As mentioned above, this benefit outgo is largely underwritten by the DCLG. By participating in these pension schemes, the Authority is exposed to some risks:

a) There are no investment risks in relation to these schemes as they are unfunded. The greatest single risk is that the government could change the arrangements for meeting part of the benefit outgo, which could increase the Authority's contributions.

b) There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

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 91 to 96) and it 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 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 salary, service and the degree of disablement of the individual at the time the injury is incurred. Therefore the level of long term benefits 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 Compensation Scheme is administered by the Authority in accordance with statutory arrangements determined by the Department of Communities and Local Government. The cost of the scheme is met solely by the Authority. The risks arising from the Authority's participation in this scheme are as follows:

a) There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.
b) There is a risk that the government could change the arrangements of the scheme in such a way that the costs incurred by the Authority are significantly increased.
c) Historically the number of firefighters who are permanently disabled or who die as a result of injuries sustained or diseases contracted whilst in the employment of the Authority is very low, so the number of injury pension recipients is relatively small. However, the Authority is committed to pay benefits as and when they fall due, so if the number of occurrences were to increase it could have a significant impact on the amounts payable.

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	
	2014/15	**2013/14**	**2014/15**	**2013/14**
Comprehensive Income and Expenditure Statement				
Cost of Services				
Service cost comprising:				
- current service costs	1,220	1,285	6,961	8,095
- past service costs*	(71)	429	0	0
Administration expenses	4	1	0	0
Financing and Investment Income and Expenditure				
Net interest expense	537	491	16,898	16,514
Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services	1,690	2,206	23,859	24,609
Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(1,410)	(271)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	14	641	(4,689)	5,187
Actuarial (gains) and losses arising on changes in financial assumptions	5,231	2,349	67,404	(16,755)
Experience (gains) and losses	(51)	(2,363)	(9,811)	0
Other actuarial gains and losses	0	208	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	5,474	2,770	76,763	13,041
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,690)	(2,206)	(23,859)	(24,609)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	1,021	877	11,491	11,726
Retirement benefits payable to pensioners			656	643

Of the £429k of past service costs in 2013/14, £314k relates to termination benefits. This amount has been reversed out in 2014/15, resulting in an overall credit balance of £71k in 2014/15.

Further Analysis of Firefighters' Pension Schemes

	Firefighters' Pension Scheme 1992 £'000		**Firefighters' Pension Scheme 2006 £'000**		**Firefighters' Compensation Scheme £'000**	
	2014/15	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Comprehensive Income and Expenditure Statement						
Cost of Services						
Service cost comprising:						
current service cost	4,352	5,257	1,964	2,136	645	702
Financing and Investment Income and Expenditure						
Net interest expense	15,280	15,050	719	598	899	866
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	19,632	20,307	2,683	2,734	1,544	1,568
Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Actuarial (gains) and losses arising on changes in demographic assumptions	(3,046)	4,620	(1,643)	273	0	294
Actuarial (gains) and losses arising on changes in financial assumptions	57,804	(14,458)	6,423	(1,407)	3,177	(890)
Experience (gains) and losses	(7,116)	0	(41)	0	(2,654)	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	67,274	10,469	7,422	1,600	2,067	972
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(19,632)	(20,307)	(2,683)	(2,734)	1,544	(1,568)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to the scheme (inclusive of government top-up grant)	12,658	12,409	(1,167)	(683)		
Retirement benefits payable to pensioners					656	643

Pension Assets and Liabilities Recognised in the Balance Sheet

Reconciliations of the amounts included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans:

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Firefighters' Pension Scheme 1992		Unfunded Liabilities: Firefighters' Pension Scheme 2006		Unfunded Liabilities: Firefighters' Compensation Scheme	
	£'000 2014/15	£'000 2013/14	£'000 2014/15	£'000 2013/14	£'000 2014/15	£'000 2013/14	£'000 2014/15	£'000 2013/14
Opening balance at 1 April	**(33,823)**	**(30,507)**	**(343,703)**	**(345,643)**	**(14,422)**	**(12,139)**	**(19,977)**	**(19,648)**
Current service cost	(1,220)	(1,285)	(4,352)	(5,257)	(1,964)	(2,136)	(645)	(702)
Interest cost	(1,495)	(1,425)	(15,280)	(15,050)	(719)	(598)	(899)	(866)
Contributions from scheme participants	(346)	(318)	(1,662)	(1,596)	(704)	(619)	0	0
Remeasurement gains and (losses):								
Actuarial gains/losses arising from changes in demographic assumptions	(14)	(641)	3,046	(4,620)	1,643	(273)	0	(294)
Actuarial gains/losses arising from changes in financial assumptions	(5,231)	(2,349)	(57,804)	14,458	(6,423)	1,407	(3,177)	890
Experience gains/losses on defined benefit obligation	51	2,363	7,116	0	41	0	2,654	0
Losses on curtailment	71	(429)	0	0	0	0	0	0
Benefits paid net of transfers (in)/out	918	747	14,320	14,005	(463)	(64)	656	643
Unfunded pension payments (LGPS only)	22	21	0	0	0	0	0	0
Closing balance at 31 March	**(41,067)**	**(33,823)**	**(398,319)**	**(343,703)**	**(23,011)**	**(14,422)**	**(21,388)**	**(19,977)**

Reconciliation of the Movements in the Fair Value of the Local Government Pension Scheme Assets

	Local Government Pension Scheme	
	2014/15 £'000	2013/14 £'000
Opening fair value of scheme assets	**21,078**	**19,655**
Interest income	958	934
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest	1,410	271
Other actuarial gains/(losses)	0	(208)
Contributions from employer	1,021	877
Contributions from employees into the scheme	346	318
Benefits paid (including unfunded benefits)	(940)	(768)
Administration expenses	(4)	(1)
Closing fair value of scheme assets	**23,869**	**21,078**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets at 31 March 2015			Fair value of scheme assets at 31 March 2014[2]	
	£'000	% Quoted	% Unquoted	£'000	%
Equities:					
• UK investments	7,804	32%	<1%	7,540	36%
• Overseas investments	8,591	36%		7,386	35%
• Private equity investments – unspecified origin	430		2%	461	2%
Equities subtotal	16,825	68%	2%	15,387	73%
Gilts:					
• UK fixed interest gilts	746	3%		1,012	5%
• Overseas fixed interest gilts	0	0%		421	2%
• UK inflation-linked gilts	0	0%		253	1%
Gilts subtotal	746	3%		1,686	8%
Other Bonds:					
• UK corporate bonds	1,613	7%		622	3%
• Overseas corporate bonds	72	<1%		95	<1%
• Inflation-linked bonds	0	0%		337	2%
Bonds subtotal	1,685	7%		1,054	5%
Property	2,786		12%	2,319	11%
Cash	1,161		5%	632	3%
Inflation-linked pooled fund[1]	666	3%			
Total	**23,869**	**81%**	**19%**	**21,078**	**100%**

[1] In 2013/14 the Inflation-linked pooled fund allocation was included within Equities.
[2] The assets as at 31 March 2014 cannot be broken down into those that have a quoted market price in an active market and those that do not, as this information is not readily available.

Further information about the Fund's assets can be obtained from the Pension Fund Annual Report, which can be accessed online at www.nottspf.org.uk.

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 Mercer Limited respectively, both of whom are independent firms of actuaries.

The most recent full actuarial valuations for the Local Government Pensions Scheme and the Firefighters' schemes were carried out at 31 March 2013 and 31 March 2015 respectively. The Actuary dealing with the Firefighters' Schemes has based the calculation of the schemes' liabilities on full member calculations. The Actuary dealing with the Local Government Pension Scheme has adopted a roll-forward approach in updating the net liability as at 31 March 2015. This approach takes into account the cash flows paid into and out of the scheme before taking into consideration any changes in the financial assumptions since March 2013.

The rate of interest used to discount post-employment benefit obligations is based on the market yields at the reporting date on high quality corporate bonds of equivalent currency and term to the scheme liabilities. In assessing the liabilities for retirement benefits at 31 March 2015 the actuaries have used discount rates of 3.4% and 3.2% respectively for the Local Government Pension Scheme and the Firefighters' Schemes, compared with a rate of 4.5% at 31 March 2014. Although the effect of this rate change has been partially offset by a fall in the rate of inflation, the application of the lower rates has resulted in an increase in liabilities of £72.6m, adjusted for by an increase in actuarial losses recognised for the year in the Comprehensive Income and Expenditure Statement in the other comprehensive income and expenditure part of the statement. Other remeasurements on the net defined pension liability are also included in the amount shown in other comprehensive income and expenditure, the details of which are can be found in the breakdown of Transactions Relating to Post-employment Benefits on page 68.

	Local Government Pension Scheme		**Firefighters' Schemes 1992 and 2006**		**Firefighters' Compensation Scheme**	
	2014/15	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):						
Men	22.1	22	28.1	28	25.5	25.4
Women	25.2	25.1	30.6	30.5	28	27.9
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):						
Men	24.2	24.1	30.6	30.4	27.9	27.8
Women	27.6	27.4	33.1	33	30.4	30.3
Rate of inflation (CPI)	2.5%	2.9%	2.0%	2.4%	2.0%	2.4%
Rate of increase in salaries	4.3%	4.7%	3.5%	3.9%	3.5%	3.9%
Rate of increase in pensions	2.5%	2.9%	2.0%	2.4%	2.0%	2.4%
Rate for discounting scheme*	3.4%	4.5%	3.2%	4.5%	3.2%	4.5%

*The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. This approach is not necessarily realistic, since some assumptions are related: for example, if inflation were to increase it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another. The methods and types of assumptions used in preparing the sensitivity analysis below

Sensitivity analysis for the Firefighters' Schemes

	Firefighters' Pension Scheme 1992		**Firefighters' Pension Scheme 2006**		**Firefighters' Compensation Scheme**	
	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000
Increase discount rate by 0.1% p.a.	-6,874	-143	-717	-85	-387	-24
Increase inflation by 0.1% p.a.	7,000	145	741	88	395	24
Increase pay growth by 0.1% p.a.	1,295	58	172	22	135	13
Increase life expectancy by 1 year	8,658	112	461	55	495	19

Sensitivity analysis for the LGPS

	£'000	**£'000**	**£'000**
Adjustment to discount rate:	0.10%	0.00%	-0.10%
Impact on the defined benefit liability	40,256	41,067	41,895
Impact on the projected service cost	1,441	1,474	1,507
Adjustment to long term salary increase:	0.10%	0.00%	-0.10%
Impact on the defined benefit liability	41,217	41,067	40,918
Impact on the projected service cost	1,475	1,474	1,473
Adjustment to pension increases and deferred revaluation:	0.10%	0.00%	-0.10%
Impact on the defined benefit liability	41,751	41,067	40,397
Impact on the projected service cost	1,507	1,474	1,442
Adjustment to mortality age rating assumption:	+ 1 year	None	-1 Year
Impact on the defined benefit liability	39,616	41,067	42,532
Impact on the projected service cost	1,423	1,474	1,526

Asset and Liability Matching Strategy

The Local Government Pension Scheme does not use any asset and liability matching strategies to manage risk. The Pension Fund Annual Report details the nature and extent of risks arising from financial instruments, and the Fund's Risk Management Strategy and Risk Register details the measures taken to mitigate those risks. These documents are available at www.nottspf.org.uk.

Impact on the Authority's Cash Flows

The defined benefit liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £460m 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 aims of the Fund are to keep employer contribution rates as constant as possible. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities.

- 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 2014/15 was £687k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in year to 31 March 2016 is £842k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £12.2m inclusive of government top-up grant.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme Members is 21 years. The weighted average durations of the defined benefit obligations of the 1992 FPS, 2006 NFPS and the Firefighters' Compensation Scheme are 15 years, 30 years and 16 years respectively.

38 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2015, the Authority had the following contingent assets:

The Authority is involved in the prosecutions of a number of businesses which are deemed to have breached fire safety regulations. Where these prosecutions are successful the court may direct that costs are repaid to the Authority. The amounts involved are unlikely to be material sums.

At 31 March 2015, the Authority had no contingent liabilities.

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 2014/15 was approved by the Authority on 28 February 2014. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £29.0m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £26.3m. 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.

The Authority has adopted the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (updated) and sets prudential and treasury indicators each year to control the key risks arising from financial instruments.

<u>Credit Risk</u>

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 Capita Asset Services 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 2015 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 six deposits as at 31 March 2015 showing on the Balance Sheet and three of these were due to be repaid to the Authority by July 2015. The remaining three deposits are in call accounts.

	Amount at 31 March 2015	Estimated Maximum Exposure to Credit Risk 2015	Historical experience of default	Amount at 31 March 2014	Estimated Maximum Exposure to Credit Risk 2014
	£000	£000	%	£000	£000
Deposits with Banks and Financial Institutions	7,553	0	0%	11,765	0
Customers	148	4	2.50%	49	7
	7,701	**4**		**11,814**	**7**

Of the £148k shown in the above table as due from customers, £105k was not yet due for payment as at 31 March 2015 and £43k was past its due date for payment. The past due amount is analysed by age as follows:

	31 March 2015	31 March 2014
	£000	£000
Less than one month overdue	27	1
1 to 2 months overdue	5	0
2 to 5 months overdue	1	4
More than 5 months overdue	11	10
	43	**15**

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

The Authority borrowed £4m under a “Lender Option Borrower Option” instrument on 7 March 2008 and the assumption has been made that the loan will be repaid on the maturity date.

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

	31 March 2015 £000	31 March 2014 £000
Less than 1 year	71	2,068
Between 1 and 2 years	2,075	71
Between 2 and 5 years	4,750	6,737
Between 5 and 10 years	4,612	4,699
Between 10 and 15 years	0	0
Over 15 years	8,900	8,900
	20,408	**22,476**

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 2014/15, this maximum was set at 30%. 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

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	7
Decrease in fair value of fixed rate borrowings	2,638

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

40 INTERESTS IN COMPANIES

Nottinghamshire Fire and Rescue Service (Trading) Limited.

Principal activities

Nottinghamshire Fire and Rescue Service (Trading) Limited is a limited company 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.

It has been determined that the Authority does control this subsidiary on the basis that the Authority has the power to govern its financial and operating policies so as to benefit from its activities because the board of directors of the subsidiary comprises three elected members and two officers of the Authority. The accounts of this subsidiary are not consolidated with the accounts of the Authority because the turnover of the company and the value of the Authority's investment in it are not material when considered in the context of the Authority's accounts, and corporate governance objectives can be effectively achieved without consolidation. Instead, separate financial statements are prepared for the Authority and for the subsidiary and the Authority's investment in the subsidiary (in the form of a loan) is accounted for at cost and shown as a short term investment on the Authority's Balance Sheet and a liability on the subsidiary's Balance Sheet.

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. The Authority's maximum exposure to loss from its interest in the subsidiary is limited to the share capital sum of £1.

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

	2014/15 £000	2013/14 £000
Profit and Loss		
Turnover	387	388
Operating Profit	76	89
Profit on Ordinary Activities before Taxation	76	89
Profit on Ordinary Activities after Taxation	61	71
Balance Sheet		
Net Current Assets	187	161

The accounts of the company can be obtained from:

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

PENSION STATEMENTS

PENSION FUND ACCOUNT

2013/14 £000		2014/15 £000
	Contributions Receivable	
	Fire Authority:	
(3,282)	Contributions in relation to pensionable pay	(3,172)
(48)	Other (Ill Health Retirements)	(180)
(2,216)	Firefighters' contributions	(2,572)
(5,546)	**Total Contributions Receivable**	**(5,924)**
	Transfers in from other authorities	
(83)	Transfers in from other schemes	(421)
	Benefits Payable	
10,745	Pensions	11,274
3,190	Commutations and lump sum retirement benefits	2,575
13,935	**Total Benefits Payable**	**13,849**
	Payments to and on account of Leavers	
136	Transfers out to other schemes	161
8,442	**Net Amount payable for the year before top-up grant from Communities & Local Government**	**7,665**
(6,474)	Top-up grant received from Communities & Local Government (CLG)	(6,980)
(1,968)	**Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government**	**(685)**

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.

2013/14 £000		2014/15 £000
	Current Assets	
15	Contributions from employer	24
13	Contributions from members	19
39	Transfer into Scheme Receivable	85
927	Prepaid Pensions	965
1,968	Pension top-up grant receivable from CLG	685
2,962	**Total**	**1,778**
	Current Liabilities	
(586)	Unpaid pension benefits	(145)
(125)	Tax payable on behalf of members	(18)
(2,251)	Amount owing (to)/from General Fund	(1,615)
(2,962)	**Total**	**(1,778)**
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. Until April 2015 there were two separate pension schemes for firefighters: the 1992 Scheme and the 2006 Scheme. The Firefighters' Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to April 2006. Although this modified version does not constitute a scheme on its own, it has different benefits to the main 2006 Scheme and is therefore often referred to separately as the "Modified Scheme". The Modified Scheme came into being on 1 April 2014. More details about this scheme and its impact on the Pension Fund can be found below. A new pension scheme came into being on 1 April 2015. This is referred to as the 2015 Scheme, and it will eventually replace the 1992 and 2006 Schemes after a transitional phase which will last for 10 years.
All Firefighters' Pension Schemes are unfunded and consequently the fund holds no investement assets. Benefits are payable to pensioners in accordance with the regulations. 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 rates are set nationally by central government and are subject to a 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, or surplus payable to, the Department for Communities and Local Government.

2. The Modified Scheme
Following the court's decision in the employment tribunal case involving retained firefighters who made a claim for equal treatment with wholetime firefighters under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, the Government introduced a modified version of the 2006 Firefighters' Pension Scheme. This scheme is available for those who had retained service for all or part of the period from 1 July 2000 to 5 April 2006 inclusive. Fire and rescue authorities are now undertaking an options exercise to provide those individuals affected with an opportunity to join the modified scheme, as compensation for having previously had no access to a pension scheme during this period.
This options exercise is not due to be completed until 30 September 2015, however over 120 individuals have already elected to join the modified scheme. These individuals can choose to pay their historic contributions either by a lump sum or in instalments over a 10 year period. These contributions are being accounted for in the year that the cash is received as the individuals concerned do not accrue any additional pensionable service until the contributions are paid. Of the individuals who have already elected to join, 33 are now receiving pension payments. These payments have been accounted for on an accruals basis. This has resulted in £331k of pension payments being recognised as expenditure in the Pension Fund Account, and £81k of unpaid pension benefits being shown in the Pension Net Assets Statement.
Overall there is a net deficit of £97k relating to the Modified Scheme. This has increased the overall pension fund deficit to £7,859k.

3. Correction of Previous Pension Errors

During the 2013/14 financial year a number of errors were discovered in relation to the amounts paid to some of the Authority's pensioners in receipt of fire pensions. The Authority's former pension administrator has now calculated the value of these errors, and they have been accounted for in the 2014/15 pension fund statements.
Underpayments totalling £64k and overpayments totalling £258k have been accounted for, resulting in a net credit of £194k. This credit has reduced the amount shown as pensions payable in the pension fund account from £11,468k to £11,274k. The pensioners affected by the underpayment have not yet received the additional amounts they are due, and so £64k is included in the unpaid pension benefits figure shown in the pension net assets statement.

4. Accounting Policies for the Pension Fund

General Principles
The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 5 below. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements. The one exception to this policy is the treatment of historic employee contributions paid into the Modified Scheme (see note 2 above for details).

Administration Costs
The cost of managing pension activities, which includes part of the costs of Human Resources, Payroll and Finance staff as well as part of the cost of Pension Services provided by Leicestershire 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.

5. Events after the Balance Sheet Date

There is a non-material adjusting post balance sheet event. In May 2015 the Pension Ombudsman published his Final Determination in the case of Mr William Milne, a retired firefighter who made a complaint against the Government Actuary's Department (GAD) about the factor used to convert his pension into a lump sum, and whether the factors should have been reviewed earlier than they were. The Pension Ombudsman's Final Determination finds GAD guilty of maladministration and finds that an opportunity to review the commutation factors was lost in 2001/02 and then again between 2002 and 2004. The Department for Communities and Local Government has published a methodology for calculating amounts to be paid to members of the 1992 Pension Scheme who retired between 1 December 2001 and 21 August 2006 and has asked Fire Authorities to pay all amounts due by 31st March 2016. There are Authority 126 pensioners affected by this issue but the value of the total amounts to be paid will not be known until later in the year. The Government has confirmed that Fire Authorities will be reimbursed for the total cost. The 2014/15 accounts have not been adjusted to take account of the impacts of this event, on the basis that any impact is not likely to be material, but appropriate adjustments will be made in the 2015/16 accounts.

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

7. Accruals Within the Pension Fund and Net Assets Statement

Prepaid Pensions
Retirement benefits payable under the 1992 Scheme are paid to members monthly in advance. The payments made in March 2015 relate to April 2015 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 2015, 2 transfers into the Fire Authority Scheme had been requested but the money had not been received. This income has been accrued for.

Values can take some time to determine and amounts can vary depending upon the date of settlement, therefore the accrual values are based on estimates provide by the Authority's firefighter pensions administrators.

Pension Top-Up Grant Payable/Receivable
The amount required to be paid to the Department for 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 2015 were still outstanding at 31 March 2015. These outstanding contributions have been calculated and accrued for.

Unpaid Pension Benefits
Unpaid pension benefits relating to the Modified Scheme have been accrued for. See note 2 above for more details.

Tax Payable on Behalf of Members
When a member elects to take a tax free lump sum that exceeds 25% of their pension pot, the excess amount is treated by Her Majesty's Revenue and Customs (HMRC) as an unauthorised payment and the member has to pay tax on that amount. When the lump sum is paid to the member, the Authority deducts the tax that is due and pays it over to HMRC on the member's behalf. Tax that has been deducted but not yet paid over to HMRC has been accrued for.

8. 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 in advance 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 Authority to the Department for Communities and Local Government is £685k. The difference between the grant payable and the cash deficit of £1,615k as at 31 March 2015 is the total of the accruals included in the Pension Fund

9. Contingent assets and liabilities

At 31 March 2015 the Pension Fund had the following contingent asset:

Members of the Fire Brigades Union have undertaken a series of industrial actions during the period from September 2013, with the last strike taking place on 25 February 2015. It is not known if there will be further industrial action in the coming months. Unpaid absence from work due to strike action does not count towards the calculation of benefits payable under the Firefighters Pension Schemes. Individuals can elect to pay the pension contributions that they would have paid had they been at work, so that their pensionable service is unaffected by strike action. Those who choose to do so must pay the employer's contribution in addition to the employee's contribution. Fire Authority Members have taken the decision to defer the strike contribution buy-back process until the industrial action has formally ended.

As a result of this decision the value of the contributions is unknown, as the final figure will depend on the number of people who decide to buy back their pensionable service. If all individuals choose to buy back their service, the amount payable to the Pension Fund could be around £110k.

At 31 March 2015 the Pension Fund had no contingent liabilities:

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.* A copy of the authority's code can be obtained from the Finance Department, Nottinghamshire Fire and Rescue Authority Headquarters, Bestwood Lodge, Arnold, Nottinghamshire, NG5 8PD.

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.

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.

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 broader Organisation for Economic Co-Operation and Development principles which provide a stronger framework for internal decision making.

3.3 Some elements of governance have recently changed and were agreed by the Fire Authority at its annual general meeting in May 2014. There were essentially three changes to the governance framework which are reflected in the revised framework below:

Changes in the Committee Structure to remove the Performance Monitoring Committee and re-allocate its responsibilities

Changes in the composition of the Corporate Management Board to include a wider group of senior managers and moving meetings to monthly rather than weekly.

Changes to the corporate objectives of Response, Protection, Prevention, Resilience, Diversity and Workforce and Governance Improvement to new Service priorities of Service Delivery, Employees and Workforce, Improvement and Governance, Engagement and Partnerships, Environment and Inclusion and Equality.

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

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

3.5.1 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 covers the period 2014–2019 and the Authority consults with the citizens and other stakeholders to formulate its business plans for each financial year within this plan.

3.5.2 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 Service Priorities:

Service Delivery
We will deliver a professional, effective and value-for-money emergency response service to all those who live, work and travel in the county of Nottinghamshire.

What this means
We will continue to use a risk-based approach to improve our service to individuals, communities and local businesses with an emphasis on creating safer communities, and reducing death and injuries. We will do this through our key themes: preparedness, response,

Employees and Workforce
We will maintain, support and develop our workforce to ensure an environment in which we can deliver a professional and effective service to the people of Nottinghamshire.

What this means
We will ensure that our employees have the capacity and skills to meet our delivery objectives and provide a work place where our employees feel supported, valued and competent to undertake their roles.

Improvement and Governance
We will look to continuously improve upon previous achievements and assure our stakeholders that the organisation has an appropriate infrastructure for governance to support future success.

What this means
With increasing demand for services likely across the public sector, NFRS will be required to base its decisions upon robust intelligence and work alongside its partner/agency service providers in a more collaborative manner.

Engagements and Partnerships
We will look to develop and maintain effective strategic and community partnerships.

What this means
We will continue to work closely with our partners and community organisations in order to identify and keep safe those members of our communities who are most at risk.

Environment
We aim to reduce the Service's impact on the environment through a combination of measures including considering the environment when making decisions, investing in technology and delivering training and education initiatives.

What this means
We will continue to be committed to minimising our impact on the environment by integrating environmental considerations in all aspects of our work, by meeting legal standards, seeking competent advice and adopting best practice.

Inclusion & Equality
Provide services tailored to meet the needs of our communities.
Nottinghamshire Fire and Rescue Service prides itself on its approach to inclusion and equality. We work on the principle that to treat people equally, we may need to treat them differently.

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

3.6.1 The Service operates a system of cascading business plans. The IRMP 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 relevant committees. These reports had previously been presented to the Performance Monitoring Committee.

3.6.2 Each of the Strategic Directors are required to report monthly to the Corporate Management Board on performance within their Directorates and give assurances in relation to the achievement of business plans.

3.7 **The Internal Control Environment:**

3.7.1 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:

3.7.2 **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.

3.7.3 **Management Structure**
The Authority has a clear management structure with defined roles and responsibilities. The Corporate Management Board has 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.

The Authority has created a new group called the Service Managers Forum which is comprised of all the Departmental Heads and augmented by specialists as required. As part of a more empowering style of management this group has far reaching decision making powers with only the most significant or challenging decisions reserved for the Corporate Management Board. This has both speeded up the process of decision making and improved quality.

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.

3.7.4 **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 a regular 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, which 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

3.7.5 **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.

3.7.6 **Risk Management Strategy**
The Authority has a well established and embedded risk management strategy. This is managed on two levels, firstly at the corporate/strategic level by The Finance and Resources Committee which receives regular reports on risk exposures both in terms of existing and emergent risk. Members closely scrutinise risk registers and require explanations for changes. This Committee is advised by the ACO Finance and Resources and the Authority's risk manager on behalf of the Chief Fire Officer. In addition, the Service also maintains an approach to Risk via its business plan monitoring which is administered through its Corporate Services Department. This ensures the service's Risk Manager can support departmental heads in robustly assessing the risks to the achievement of the services objectives.

3.7.7 **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. The focus on best value has increased in recent years by the requirement to reduce budgets but initiatives such as the recent functional analysis work have helped to ensure that service quality is maintained.

3.7.8 **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 which was undertaken between October 2014 and February 2015. This process also had a measure of Member scrutiny with the Chair of Finance and Resources Committee taking an active role.

At the annual general meeting in May the format and structure of its democratic decision process was reaffirmed and approval was given to the powers and make-up of the following committees:

- The Policy and Strategy Committee
- The Finance & Resources Committee
- The Community Safety Committee
- The Human Resources 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 2014/19 Integrated Risk Management Plan sets out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by the Corporate Services department and managed by the individual departmental management teams.

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. This Committee has considered the desirable risk appetite of the organisation in a proactive way, and set risk targets for the Service to report against. Risk Management is an integral part of project management and business planning within the Corporate Services department and both this and operational risk management, which is managed within the 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. 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 members 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 External Auditor approved an unqualified Statement of Accounts for 2013/14 and it is anticipated this will be repeated in 2014/15. 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.

4.4.10 Specific training is to be organised for elected Members to fully understand the format and nature of the accounts such that they can apply meaningful scrutiny and ask relevant and searching questions of officers .

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 2014/15, 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 the 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 in July 2015 concluded that:

> “From the work carried out during the 2014/15 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 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority’s financial statements with those charged with governance. This communication is in the form of a written report which was presented to Members in September 2014.

4.6.2 The principal purposes of the Auditors’ report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2014 and any material misstatements in the accounts
- To report on any key issues for governance
- To report on the Auditors’ Value for Money conclusion
- To give an “audit opinion” on the financial statements
- To report on the implementation of any recommendations in the previous year’s ISA 260 report
- To seek approval to the management representation letter, which confirms the Authority’s responsibilities and actions in relation to the financial statements

4.6.3 The ISA 260 report confirmed that the accounts production and audit processes were good, with no specific risks identified. In addition, the organisational control environment was found to be effective overall, with no significant weaknesses in controls over key financial systems.

5.0 **SIGNIFICANT ISSUES FOR GOVERNANCE**

5.1 Expected reductions in central government grant will mean the Authority will have to continue to make significant savings over the next two to three years at least, whilst continuing to maintain a service which meets public expectations.

5.2 The Authority’s prudent financial management, as shown in the Medium Term Financial Strategy, will allow it to phase in the impact of budget reductions and consider further implementation of the Fire Cover Review. This will help to provide continuous stability during a period of immense transition.

5.3 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	John Buckley
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.

Non-Current Assets

Tangible or intangible assets which yield benefits to the Authority for a period of more than one year. Tangible assets 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.

Nottinghamshire Fire and Rescue Service (Trading) Ltd

Company Limited by Share Capital
Financial Statements

For The Year Ended 31st March 2015
Company Registration Number 7210383

Officers and Professional Advisors
Year Ended 31 March 2015

The Board of Directors

Name	Date of Appointment
Richard Heffer	01/09/2010
Ian Pritchard	01/09/2010
Chris Barnfather	24/02/2012
Malcolm Wood	05/06/2014

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 2015, which represents 12 months trading; the comparatives are for the 12 months ended 31st March 2014.

Introduction and Principal Activities

Nottinghamshire Fire and Rescue Service (Trading) Limited (the company) is limited by share capital and wholly owned by Nottinghamshire Fire and Rescue Service. The company was formed on 1st September 2010. The company is engaged in fire extinguisher sales and maintenance and has steadily expanded on the fire-related training activity side of the business. 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, our trading position has seen a moderate upturn in our business activity; both in the existing core customer segment and in new market areas. We have successfully diversified away from being overly reliant upon a “one customer sector” and have strongly expanded our market share. This has been through cross marketing services and products along with a significant general growth in our customer base.

Some of the major revenue increases relate to the following areas :- Various new school building projects which have resulted in major fire extinguisher installations. A new product service for electrical appliance testing and further expansion to the provision of training courses; this being a year on year increase from an initially small start.

Overall, however, the increase in revenue has been primarily due to the company successfully winning and retaining customers across the board. Thus, we have gained 89 new customers against a loss of 12 customers. The overall significant increase in the company’s work has generated a trading profit of over £75,000 pre-tax. With this in mind the company will continue to build upon the solid foundations set in 2014/15 to maintain its performance. Although profits are lower than the previous year the company has had to pay additional pension contributions and increased its recharges due to the provision of new vehicles.

Results

The profit for the year after taxation amounted to £60,790.

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 four 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 Chris Barnfather – 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.

Director Malcolm Wood - 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 members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts
- these accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

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.

Audit Exemption Statement

For the year ending (31/03/2014) the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies

The financial statements were approved by the Board of Directors on …………………………

Signed on behalf of the Board by

I PRITCHARD …………………………………………………………………

Statement of Comprehensive Income & Retained Earnings for the Year Ended 31st March 2015

	Notes	12 Months 31 March 2014 £	12 Months 31 March 2015 £
Revenue	10	387,770	387,487
Operating Costs			
Staff Costs	9	(125,499)	(126,833)
Operating Costs		(93,858)	(96,319)
Administration Costs			
Staff Costs	9	(64,359)	(76,613)
Other Costs		(38,044)	(33,939)
Other Operating Income		22,876	22,424
Operating Profit		**88,886**	**76,207**
Interest Receivable & Similar Income		0	0
Interest Payable & Similar Charges	12	(260)	(220)
Profit Before Tax		**88,626**	**75,987**
Tax on Profit or (Loss) on Ordinary Activities		(17,725)	(15,197)
Profit or (Loss) for the Year		**70,901**	**60,790**
Retained Earnings at Start of Year		49,857	120,758
Dividends	15	0	(15,000)
Retained Earnings at End of Year		**120,758**	**166,548**

Statement of Financial Position
31st March 2015

	Notes	12 Months 31 March 2014 £	12 Months 31 March 2015 £
Current Assets			
Cash and Cash Equivalents		151,742	165,655
Trade Receivables	8	62,733	59,592
Inventories	5	11,272	17,536
Total Assets		**225,747**	**242,783**
Current Liabilities – falling due within 1 year	11	64,989	56,236
Non-Current Liabilities			
Loan	13	39,999	19,999
Total Liabilities		**104,988**	**76,235**
Total Assets less Current Liabilities		**120,759**	**166,548**
Equity			
Share Capital		1	1
Retained Earnings		120,758	166,547
Total Equity		**120,759**	**166,548**

Audit Exemption Statement

For the year ending (31/03/2015) the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on …………………..

Signed on behalf of the Board by

I PRITCHARD …………………………………………………………..

Cash flow Statement
31st March 2015

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.

	12 Months 31 March 2014		12 Months 31 March 2015	
	2013/14 £	**2013/14 £**	**2014/15 £**	**2014/15 £**
Revenue Activities				
Cash flows from operating activities				
Profit before Taxation		88,626		75,987
Depreciation	0		0	
Interest Payable	(260)		(220)	
Dividends Received	0		0	
Interest Receivable	0		0	
(Increase)/Decrease in Inventories	(3,681)		(6,263)	
(Increase)/Decrease in Accounts Receivable	18,693		3,141	
Increase/(Decrease) in Accounts Payable	18,684		(8,753)	
Taxation Paid	(17,725)		(15,197)	
Cash generated from Operations		**15,711**		**(27,293)**
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		(15,000)	
Cash Received for Short Term Borrowing	0		0	
Interest on Loan	260		220	
Repayment of Long Term Borrowing	0		(20,000)	
Net Cash flow from Financing Activities		**260**		**(34,780)**
Net Increase in cash and cash equivalents		**104,597**		**(13,914)**
Cash and Cash Equivalents at 1 April 2013		**47,145**		
Cash and Cash Equivalents at 31 March 2014		**151,742**		
Cash and Cash Equivalents at 1 April 2014				**151,742**
Cash and Cash Equivalents at 31 March 2015				**165,656**

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 2015, 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 2014	**12 Months 31 March 2015**

9.0 Employee Information

	2014	**2015**
Average monthly number of employees	6.8 FTE	6.9 FTE

	2014	**2015**
	£	**£**
Wages & Salaries (restated for 2014)	131,781	143,364
National Insurance Contributions	10,022	8,794
Pension Costs	25,179	28,984

Note : The figure for Wages and Salaries relating to 2014 financial year has been restated to include Hydrant Maintenance salary recharge of £22,876

	12 Months 31 March 2014	12 Months 31 March 2015
10.0 Revenue	**2014**	**2015**
	£	**£**
Fire Extinguisher Income	178,153	178,135
Fire Extinguisher Maintenance/Service Income	154,373	155,058
Training Income	55,244	54,294
	387,770	387,487

11.0 Current Liabilities due within 1 year	**2014**	**2015**
	£	**£**
Trade Payables	22,231	6,507
Sundry Creditors	24,995	38,649
Corporation Tax Payable	17,725	15,197
VAT	17,764	11,080

12.0 Interest Payable and Similar Charges	**2014**	**2015**
	£	**£**
Interest payable on loan from Parent Company	260	220

13.0 Long Term Liabilities	**2014**	**2015**
	£	**£**
Amounts due to Parent Undertaking	39,999	19,999

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 2014/2015 financial year.

	2014	**2015**
	£	**£**
Sales	34,719	34,177
Purchases	48,487	48,625

Of these amounts £114 was owed by Nottinghamshire Fire and Rescue as at 31st March 2015. 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 Dividend Payment

The Directors resolved on the 11th November 2014 to confirm a Dividend Payment to the share holder of £15,000.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

EXTERNAL AUDITORS' REPORT TO THOSE CHARGED WITH GOVERNANCE 2014/15

Joint Report of the Chief Fire Officer and the Treasurer to the Fire and Rescue Authority

Date: 25 September 2015

Purpose of Report:

To present the External Auditors' ISA 260 Report to Members, and to seek Members' approval of the management representation letter to the External Auditors.

CONTACT OFFICER

Name :	Neil Timms Strategic Director of Finance and Resources
Tel :	0115 967 0880
Email :	neil.timms@notts-fire.gov.uk
Media Enquiries Contact :	Bridget Aherne (0115) 967 0880 bridget.aherne@notts-fire.gov.uk

1. BACKGROUND

1.1 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements to those charged with governance. This communication is in the form of a written report, which is attached as Appendix A.

1.2 This covering report sets out the key points within the ISA 260 report. The principal purposes of the Auditors' report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2015 and any material misstatements in the accounts;
- To report on any key issues for governance;
- To report on the Auditors' Value for Money conclusion;
- To give an "audit opinion" on the financial statements;
- To report on the implementation of any recommendations in the previous year's ISA 260 report;
- To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements.

1.3 The KPMG Director who is responsible for the ISA 260 report will be attending the meeting to present the report and answer any questions arising.

2. REPORT

2.1 The annual audit is substantially complete and the ISA 260 report sets out the key issues to be considered by Members before the audit opinion can be issued.

2.2 The ISA 260 report confirms that the Auditors expect to issue an unqualified audit opinion by the statutory deadline of 30 September 2015, and an unqualified Value for Money conclusion.

2.3 The audit did not identify any material errors in the financial statements. There were a number of trivial adjustments, almost all of which affected only presentational aspects of the accounts. In addition, there was one "non-trivial" error with a value of £83k relating to a 2013/14 comparative figure in the accounts. None of these adjustments / errors impacted on the Authority's reported General Fund balance, and all suggested amendments have been made.

2.4 During the interim audit earlier in the year, the Auditors tested key controls within financial processes and found that due to staff turnover there had been some delays in completing reconciliations and a small number of accounting journals had not been signed off. All of the issues identified had been rectified by the end of the financial year.

2.5 There were no recommendations made in the ISA 260 report for 2013/14 and therefore no follow up was required this year.

2.6 The ISA 260 report confirms that the accounts production and audit processes were good, and that there are no matters to be reported relating to key areas of risk.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITY IMPACT ASSESSMENT

An equality impact assessment has not been carried out because this is a report about the External Audit of the financial statements and not a new 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

The work of the External Auditors in their audit of the Authority’s financial statements provides an independent view of the adequacy of internal controls, the accuracy of the final accounts and an assessment of the Authority’s arrangements for achieving value for money. This provides Members with some assurance about the quality of financial management and financial reporting within the Authority.

9. RECOMMENDATIONS

9.1 That Members note the contents of the External Auditors' ISA 260 report, attached as Appendix A.

9.2 That Members approve the management representation letter to the External Auditors as set out in Appendix B.

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

None.

John Buckley
CHIEF FIRE OFFICER

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Nottinghamshire and City of Nottingham Fire and Rescue Authority

September 2015

Contents

The contacts at KPMG in connection with this report are:

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Kanika Bassi
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KPMG LLP (UK)

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Section one

Introduction

This document summarises:

- **The key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **Our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- Our audit work at Nottinghamshire and City of Nottingham Fire and Rescue Authority ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- The work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in April 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during June/July 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- Assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We also expect to report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund.
Key financial statements audit risks	We identified the following key financial statements audit risks in our 2014/15 External Audit Plan issued in April 2015. ▪ Management override of controls; and ▪ Fraudulent revenue recognition. We have worked with officers throughout the year to discuss these key risks and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ▪ Whole of Government Accounts; and ▪ Finalisation of pensions testing. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.

Financial Statements
Proposed opinion and audit differences

There are no uncorrected audit differences and no adjustments above our reporting threshold were identified during the course of the audit.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Authority.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities. The final materiality (see Appendix 2 for more information on materiality) level for this year's audit was set at £961k. Audit differences below £48k are not considered significant.

There are no uncorrected audit differences to report and no adjustments above our reporting threshold.

We identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2014/15 ('the Code')*.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Financial Statements (continued)
Significant risks

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were management override of controls and the fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Management override of controls	Audit areas affected ■ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition	Audit areas affected ■ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements (continued)
Accounts production and audit process

The Authority has good processes in place for the production of the accounts and good supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts by 30 June 2015. The Authority has made some presentational changes to the accounts presented for audit, however there have been no changes which affect the financial position.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2015, set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers dealt efficiently with audit queries within a reasonable time so that the audit could be completed within planned timescales

Findings in respect of the control environment for key financial systems

The following issues were identified at the interim stage. We have discussed action with officers to deal with these appropriately:

- Staffing changes in the year caused delays in the completion and review of payover control account reconciliation and bank reconciliations;
- There were issues with evidencing the authorisation of a small number of manual journals in our sample but no such issues recurred at year end; and
- Although a check on payroll payments is carried out, this was not formally signed to evidence that it had taken place.

Prior year recommendations

As part of our audit we specifically follow up the Authority's progress in addressing the recommendations in last year's ISA 260 report. There were no recommendations to follow up from our *ISA 260 Report 2013/14*.

Financial Statements (continued)
Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Nottinghamshire and City of Nottingham Fire and Rescue Authority for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Nottinghamshire and City of Nottingham Fire and Rescue Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the S151 Officer for presentation to the Authority. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- Securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- Challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

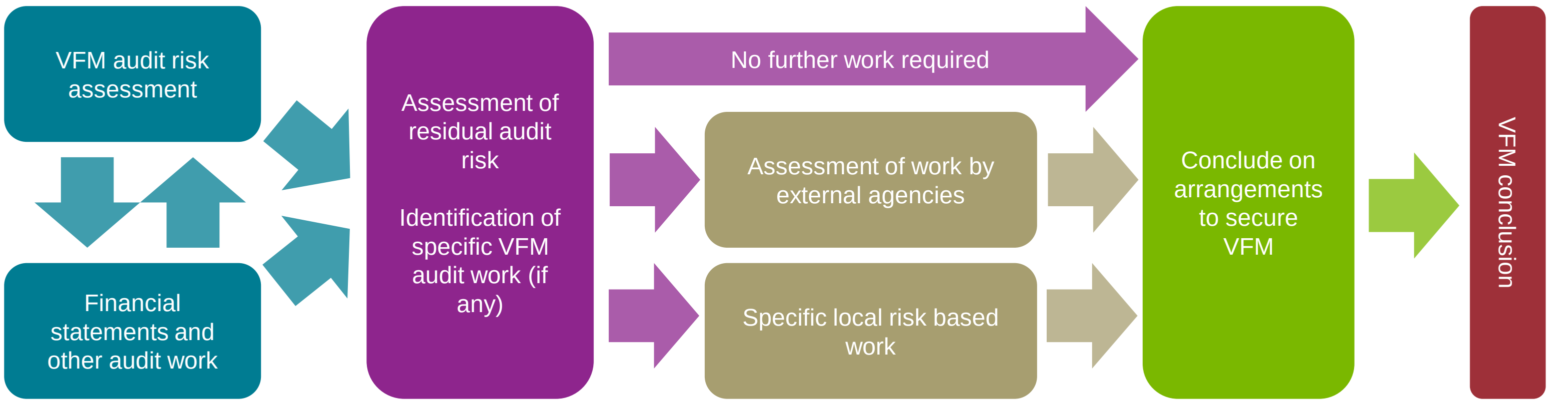
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Authority.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 1: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Nottinghamshire and City of Nottingham Fire and Rescue Authority for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Nottinghamshire and City of Nottingham Fire and Rescue Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 2: Materiality and reporting of audit differences

For 2014/15 our materiality is £961k for the Authority's accounts.

We have reported all audit differences over £48k for the Authority's accounts to the Authority.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used a slightly lower materiality level than the planning materiality reported in our External Audit Plan 2014/15, presented to you in April 2015, due to a reduction in gross expenditure between years.

Materiality for the Authority's accounts was set at £961k which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Authority

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Authority any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £48k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Authority to assist it in fulfilling its governance responsibilities.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

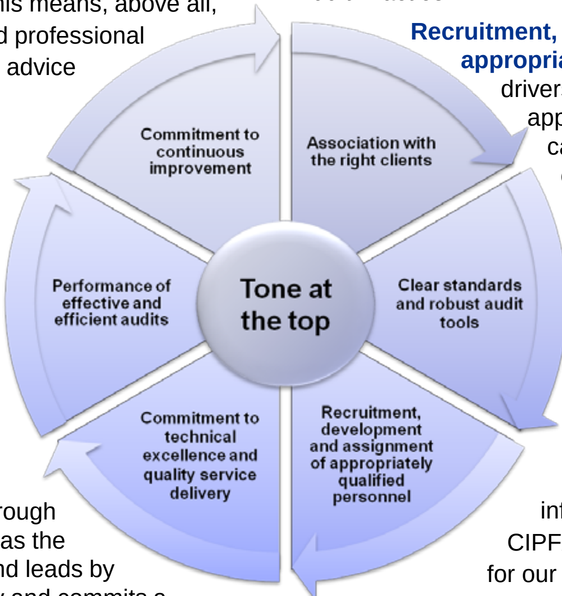
KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.



Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Andy Cardoza as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

-A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 5: KPMG Audit Quality Framework (continued)

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- Timely Engagement Lead and manager involvement;
- Critical assessment of audit evidence;
- Exercise of professional judgment and professional scepticism;
- Ongoing mentoring and on the job coaching, supervision and review;
- Appropriately supported and documented conclusions;
- If relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- Clear reporting of significant findings;
- Insightful, open and honest two-way communication with those charged with governance; and
- Client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014/2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.

cutting through complexity™

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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Mr Cardoza
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Your Ref:
Our Ref:
Please Ask For:
Direct Line/Ext:
Date: 25 September 2015

Dear Mr Cardoza

This representation letter is provided in connection with your audit of the financial statements of Nottinghamshire and City of Nottingham Fire and Rescue Authority ("the Authority"), for the year ended 31 March 2015, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

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Headquarters, Bestwood Lodge, Arnold, Nottingham NG5 8PD
Tel: 0115 967 0880 **Fax:** 0115 926 1081
enquiries@notts-fire.gov.uk **www.notts-fire.gov.uk**

i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

   ii) The Authority has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

10. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Authority on 25 September 2015.

Yours sincerely

Councillor Darrell Pulk
CHAIR OF THE FIRE AUTHORITY

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

APPENDIX TO THE AUTHORITY REPRESENTATION LETTER OF NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY: DEFINITIONS

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

TREASURY MANAGEMENT ANNUAL REPORT 2014/15

Report of the Treasurer to the Fire Authority

Date: 25 September 2015

Purpose of Report: To provide Members with an update on treasury management activity during the 2014/15 financial year.

CONTACT OFFICER

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1. BACKGROUND

1.1 Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised in 2011) was adopted by the Fire Authority on 9 April 2010.

1.3 The primary requirements of the Code are as follows:

1. The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.

2. The creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.

3. Receipt by the Fire Authority of an annual Treasury Management Strategy Statement for the year ahead, a mid-year review report and an annual report covering activities during the previous year.

4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Finance and Resources Committee.

1.4 This annual report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic review of 2014/15
- A review of Capital Activity during 2014/15 and the impact of this on the Authority's Capital Financing Requirement
- A review of the Investment and Cash Management Strategy during 2014/15.
- Investment and Cash Activity during 2014/15.
- A review of the Year End Investments and Cash Position and Usable Reserves
- A review of the Borrowing Strategy and Borrowing Activity during 2014/15.

- A summary of compliance with Treasury and Prudential Limits for 2014/15

1.5 The Authority has appointed Capita Asset Services as its external treasury management adviser.

2. REPORT

Economic Review

2.1 The original expectation of the market for the 2014/15 financial year was that the Bank Rate would rise in the final quarter. This expectation was revised during the year due to the pressure on consumer disposable income arising from lower than expected pay inflation, and the Bank Rate remained at 0.5% throughout the year and beyond. Meanwhile general inflation fell during the year.

2.2 Economic growth for the UK continued to be positive this year, however markets were affected by uncertainties around political risk arising from the general election in May 2015. Investment rates fell during the year and continue to be very low.

2.3 Towards the end of the financial year, there were rising concerns about the Greek economy and the potential requirement for Greece to leave the Eurozone. This concern led to a certain amount of turmoil in the UK markets even though the UK is not a member of the Eurozone, simply because it was difficult to predict what the impacts might be of a Greek exit.

Review of Capital Activity in 2014/15

2.4 The Authority undertakes capital expenditure on long term assets. These activities may either be:

- Financed immediately by way of capital or revenue resources (capital receipts, capital grants, revenue contributions), which does not give rise to a requirement to borrow; or

- If insufficient financing is available, or if a decision is taken not to apply resources, the capital expenditure will need to be financed by borrowing.

2.5 Actual capital expenditure forms one of the required prudential indicators. The table below shows actual capital expenditure in the year and how this was financed.

	2013/14 Actual	2014/15 Estimate	2014/15 Actual
	£000's	£000's	£000's
Capital Expenditure	3,327	10,997	4,467
Resourced By:			
- Capital Grants	1,591		1,534
- Capital Receipts			2,180
- Revenue Contributions	1,736		0
- Internally Financed up to level of MRP	0		753
- Borrowing	0		0
Total Financed Capital Expenditure	3,327		4,467

2.6 Actual capital expenditure was within the prudential indicator set of £6,281k (this indicator excluded any capital slippage from 2013/14). At 31 March 2015, the Authority's capital financing requirement was £22,160k, which was within the prudential indicator set of £26,996k. The Capital Financing Requirement (CFR) figure represents the Authority's underlying need to borrow to fund capital expenditure and equates to un-financed capital expenditure which has not yet been paid for by revenue funding or other resources such as capital grants or receipts. The CFR is reduced over time by way of a statutory Minimum Revenue Provision charge to revenue which effectively charges the revenue budget for the use of capital assets over their asset lives.

Review of the Investment and Cash Management Strategy

2.7 The Treasury Management Strategy approved by the Authority set out the policies for managing investments and for giving priority to the security and liquidity of those investments. The risk appetite of this Authority is low in order to give priority to security of its investments. Accordingly the following types of low risk specified investments may be made:

- Deposits with the Debt Management Agency (Government)
- Term deposits with Banks and Building Societies
- Term Deposits with uncapped English and Welsh local authority bodies
- Call deposits with Banks and Building Societies
- Triple-A rated Money Market Funds
- UK Treasury Bills

During the year, all investments were made with banks, building societies (either term deposits or call deposits) and other local authority bodies.

2.8 The Authority will aim to limit its investment with any single counterparty to £2m although the strategy noted that this was sometimes difficult to achieve. No term deposits will be made for more than 1 year without the prior approval of the Treasurer and the Chair of Finance and Resources Committee. The selection of counterparties with a high level of creditworthiness will be achieved by reference to Capita's weekly credit list of potential counterparties. The Capita weekly credit list shows potential investment counterparties, which are colour-coded to indicate the maximum period it is recommended that investments are made for. The Authority will therefore use counterparties with the following durational colour codes:

- Blue - investments up to 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange – investments up to 1 year
- Red – investments up to 6 months
- Green - investments up to 3 months

The Authority has made all investments with counterparties during the year in accordance with the maximum periods advised by Capita.

2.9 The Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals seem worthwhile.

2.10 In terms of cash resources, the strategy is to maintain a bank overdraft facility of £200,000, to continue to use cash flow forecasting to predict cash surpluses and shortfalls so that these can be managed and to invest current account balances in the Business Premium Account on a daily basis.

2.11 All aspects of the treasury management strategy outlined for 2014/15 remained in place throughout the year. The Strategy included a forecast for the bank rate, which showed that this was expected to be at 0.5% by 31 March 2015. The bank rate has remained at 0.5% throughout the year and beyond.

Investment and Cash Activity in 2014/15

2.12 As at 31 March 2015, the Authority held £7.573m of principal as short term investments. This comprised 7 separate investments with 5 different counterparties, all of which were less than £2m, with the exception of the investment in the business premium account with Barclays Bank, which was £2.453m. One of the investments was a fixed term deposit with a Local Authority, one was a fixed term deposit with a bank, three were investments in three call accounts held with one bank and one building society, one was the loan to the NFRS trading company, and one was an overnight investment in the Business Premium Account. At the time of writing this report, three of these investments had matured and been repaid.

2.13 During the course of the year, 19 investments were made, excluding the overnight sweep to the Business Premium Account. None of these exceeded £2m in value. The longest term investment placed was for 365 days and all investments were made in accordance with the Authority's credit rating criteria policy. There were occasions when the amount invested with the Authority's own bank (Barclays Bank) exceeded £2m due to difficulties at those times in placing funds with counterparties meeting our credit rating criteria.

2.14 The 3 Month LIBID benchmark rate for the year was 0.43%. The Authority's investments earned an average rate of 0.44% during the year resulting in total investment (including overnight savings interest on the current account) income earned of £71k, against a budgeted sum for investment income of £86k.

2.15 Nottinghamshire Fire and Rescue Service (Trading) Limited was set up as a subsidiary company during 2010/11. A bank account for the company was opened with Barclays Bank, who required funding to be paid into the account to cover possible working capital shortfalls. To accommodate this, a loan of £54,999 was made to NFRS (T) Ltd in the form of a revolving credit facility which can be repaid at any time with one week's notice by either party. An arms-length variable interest rate was agreed at 15 basis points above the Bank of England bank rate. The loan is shown as a short term investment in the Authority's accounts and as a loan in the trading company's accounts. During 2014/15 a further repayment of £20,000 was made, leaving an outstanding balance of £19,999.

2.16 During the year, there was no requirement to use the Authority's overdraft facility.

Review of Investments / Cash Position and Usable Reserves

2.17 Members will be aware that the Authority's "usable" reserves i.e. the General Fund and Earmarked Reserves have not been fully cash backed in the past due to the internal financing of capital expenditure in previous years. This was a particular issue during the "credit crunch" period in 2008 when Members approved an interim treasury strategy to delay borrowing, thereby avoiding an increase in cash balances whilst the money markets were suffering a degree of turmoil and credit ratings were volatile.

2.18 Since then the position had improved to some extent, although not in the 2014/15 financial year: at 31 March 2015, the value of the Authority's usable reserves totalled £11.086m. The balance sheet as at the same date shows that short term investments were valued at £4.536m and cash held totalled £3.073m. This means that reserves are not fully cash-backed to the tune of £3.477m which has increased from £1.583m at the end of 2013/14. This situation has arisen because a loan of £2m was repaid during 2014/15 and has not been replaced with any new borrowing as yet. This decision was taken because the Authority's treasury management advisers have indicated that borrowing should be delayed if cash flow allows for this, due to the differential between borrowing and investment interest rates which will result in increased costs in the short term. Nevertheless Members can be assured that if the Authority needs to spend some of its usable reserves, there is sufficient liquidity in its financial position to be able to do so, and borrowing can be arranged at short notice if required.

Review of the Borrowing Strategy and Borrowing Activity in 2014/15

2.19 The strategy recommended that a combination of capital receipts, capital grant, internal funds and borrowing would be used to finance capital expenditure during 2014/15. Capital grants totalling £1.534m and capital receipts of £2.180m were applied to finance expenditure.

2.20 No borrowing was undertaken during 2014/15 as explained in paragraph 2.18. A PWLB loan for £2m was repaid in the year.

2.21 The treasury management limits to loan maturity were set in 2014/15 and are shown below:

Loan Maturity		
	Upper Limit	***Lower Limit***
Under 12 months	20%	0%
12 months to 5 years	30%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	0%
Over 20 years	100%	30%

2.22 No rescheduling of debt took place, as the average 1% differential between PWLB new borrowing rates and premature repayment rates made scheduling unviable.

2.23 The Authorised Limit is the affordable borrowing limit above which the Authority does not have the power to borrow. This was set at £28.981m for 2014/15. Total borrowing as at 31 March 2015 was £20.408m, which was well within the Authorised limit.

2.24 The Operational Boundary is the expected borrowing position of the Authority within the year. This was set at £26.346m for 2014/15, and was not exceeded at any point during the year.

Summary of Compliance with Treasury and Prudential Limits

2.25 The following indicators were approved by Members for the 2014/15 financial year. Actual performance is shown in the final column of the table below.

2.26 The indicator for the Ratio of Financing Costs to Net Revenue Stream shows an actual result of 5.5% compared to an estimated ratio of 5.4%.

2.27 The indicator for the Incremental Impact of New Capital Investment Decisions on Council Tax shows an actual result of -£3.28 (i.e. a reduction in impact) compared to an estimate of -£1.41. The result for this indicator was affected by the late decision to make a Voluntary Revenue Provision (VRP) charge in the previous year of £1,000k i.e. the capital financing cost for 2014/15 was substantially lower than that for 2013/14 because this VRP charge was made in the earlier year.

2.28 The table below shows that the limit for 12 months to 5 years loan maturity has once again been breached, with the proportion of debt within this maturity band being 40.1%. This is because no new borrowing has taken place since 2010, which has meant that the opportunity to re-balance the debt maturity profile could not be taken, although this will be redressed when borrowing next occurs. Members can be assured that this does not pose a risk for the Authority.

Treasury or Prudential Indicator or Limit	**Approved for 2014/15**	**Actual for 2014/15**
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.4%	5.5%
Estimate of the Incremental Impact of New Capital Investment Decisions on the Council Tax (Band D)	-£0.41	£-3.28
Estimate of Total Capital Expenditure to be Incurred	£6,281,000	£4,467,000
Estimate of Capital Financing Requirement	£26,996,000	£22,160,000
Operational Boundary	£26,346,000	Not exceeded
Authorised Limit	£28,981,000	Not exceeded
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	0%
Loan Maturity:	Limits:	Limits:
Under 12 months	Upper 20% Lower 0%	0%
12 months to 5 years	Upper 30% Lower 0%	40.1%
5 years to 10 years	Upper 75% Lower 0%	16.3%
10 years to 20 years	Upper 100% Lower 0%	0%
Over 20 years	Upper 100% Lower 30%	43.6 %
Upper Limit for Principal Sums Invested for Periods Longer than 364 Days	£2,000,000	£1,000,000

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been done because this report gives a review of activities rather than introducing a new policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report, other than the requirement to act within the Authority's powers when undertaking treasury management borrowings and investments.

8. RISK MANAGEMENT IMPLICATIONS

Risk management is a key aspect of treasury management, and the Treasury Management Strategy sets out the parameters within which activities will be carried out with a view to managing credit risk, liquidity risk, re-financing risk and market risk. The Authority has approved a prudent approach to treasury management and this report allows Members to review how well risks have been managed during the year.

9. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2017/18

Joint Report of the Chief Fire Officer and Treasurer

Date: 25 September 2015

Purpose of Report:

To present a Medium Term Financial Strategy to the Fire Authority for approval.

CONTACT OFFICER

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1. BACKGROUND

1.1 The Fire Authority has a number of strategies in place for the good financial management and governance of the Authority.

1.2 It is good practice however, to bring these strategies together into a single overarching financial strategy which clearly demonstrates that the finances of the organisation are stable and ‘joined up’ with other corporate strategies such as the Integrated Risk Management Plan, the Workforce Plan and the ICT Strategy, and that the financial platform is sufficient to enable the delivery of the Authority’s corporate objectives.

2. REPORT

EXECUTIVE SUMMARY

2.1 The medium term financial strategy is attached in full to this covering report and therefore no detail is presented here. However the financial strategy includes sections as follows:

- Objectives of the strategy;
- Context of the strategy;
- Financial management;
- Funding priorities and service improvement;
- Impact of UK economic downturn;
- Medium term risks;
- Components of the medium term strategy;
- Partnership working;
- The regional dimension;
- Outlook for 2015/16, 2017/18 and beyond.

2.2 The Strategy also contains appendices on:

- Treasury management strategy;
- Prudential code indicators and targets;
- Capital programme 2015/16 – 2017/18;
- Revenue budget 2015/16 cash limited subjective analysis.

2.3 It is proposed that the Authority should adopt this medium term financial strategy and continue to review this annually.

3. FINANCIAL IMPLICATIONS

The financial implications are set out within the main body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is reporting on matters relating to finance.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 to set a balanced budget. The medium term financial strategy is part of the process designed to assist in delivering the budget requirements and implications for each year.

8. RISK MANAGEMENT IMPLICATIONS

The establishment of a robust framework for financial management and the allocation of resources to corporate priorities will do much to minimise the risks to the achievement of the organisation's objectives.

9. RECOMMENDATIONS

That Members adopt the medium term financial strategy and continue to review this annually.

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

None.

John Buckley
CHIEF FIRE OFFICER

Peter Hurford
TREASURER

NOTTINGHAMSHIRE
Fire & Rescue Service

APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY

2015/16 to 2017/18

CONTENTS

SECTION 1: OBJECTIVES OF THE STRATEGY

1.1 The objectives of the Authority's financial strategy are as follows:

1. To provide a stable financial foundation to assist the decision making process.

2. To be fully cognisant of other supporting plans and strategies such as the workforce plan, equalities objectives and ICT strategies in order to provide a cohesive framework.

3. To enable the Authority to be proactive rather than reactive in terms of financing

4. To show how resources support the Authority's Service Plan over its full term.

5. To support sustainable service delivery by the use of revenue budgets, reserves and balances.

6. To seek to minimise the impacts on the Council Tax payer of fluctuations in demand for resources.

7. To hold a working balance sufficient to respond to unexpected events and/or opportunities.

8. To be flexible and responsive to changes in needs and legislation

9. To support the continuance of the Authority's core services and strategies.

10. To ensure that the capital base of the Authority can be maintained within affordable and sustainable limits.

11. To provide forward looking indications of Council Tax levels.

Within this overall set of objectives the strategy must seek to find creative ways of using resources to minimise the impact of reducing funding from Central Government.

1.2 A number of principles have been developed to underpin these objectives:

1. Resources will be prioritised to meet the core aims of the Service as set out in the Integrated Risk Management Plan and its updates.

2. Priorities will be reviewed in the light of available resources and financial performance

3. Capital Receipts will only be applied to the redemption of debt or the financing of additional capital assets

4. Capital will be financed using the most advantageous method prevailing at the time finance is required within the requirements of the Prudential Code. Full options appraisal will be carried out before financing decisions are taken.

5. Capital development will only be carried out where there is a synergy with existing plans and where the investment fits into the sustainable capital plan.

6. The rate of return on investments will take account of the advice received from the Authority’s external advisors

7. Investment decisions will be based on a balance of risk and return, remain biased towards low risk activity and follow the CIPFA principles of Security, Liquidity, and Yield in that order.

8. Council Tax rates will be transparent and sustainable. This means that budgets will not be lowered and supported by balances unless this is part of a long term sustainable strategy and approved by Members.

9. Charging for services will remain sensitive to the needs of communities and their expectations of the service.

10. Sponsorship funding will not be sought to underpin front line or core service delivery unless a long term plan for sustainability has been developed.

11. The Authority will continue to direct resources to the areas of greatest need in our communities and seek to address the wider safety agenda.

12. The Authority will actively seek to work with partner organisations in both setting and delivering priorities.

13. The Authority will apply any year end surpluses to balances and/or reserves.

14. Longer term financial planning will take account of the possible use of reserves and balances to minimise the effect of reductions in funding as a means of transition but not of permanent support.

1.3 There are a number of key outputs which will help to both assure and monitor the effectiveness of this strategy and the underlying principles. The following list is not exhaustive but provides a flavour of the outputs that may be expected:

- Production of the three year revenue and capital budgets, including associated briefing papers, consultations and seminars.

- The production of longer term strategies for ICT, Transport, Property and Equipment such that financial planning can be carried out both within and beyond the window of the medium terms financial strategy.

- Production of quarterly monitoring statements for both Capital and Revenue including project based performance as appropriate.

- Supporting information provided to all Council Taxpayers via the internet

- Prudential Code Monitoring Reports produced quarterly

- External Audit reports
- Risk based approach to the maintenance of Balances and Reserves
- Internal Audit reports reviewed by the Finance and Resources Committee
- Grant Claims etc. submitted on time.

SECTION 2: CONTEXT OF THE STRATEGY

2.1 The primary focus of the organisation is set out in a fundamental strategy document, the Integrated Risk Management Plan (IRMP). This plan sets out the business of the organisation over the next 3 years. This essentially represents the Service delivery commitments to the general public and it is therefore essential that resources are effectively managed to achieve the outcomes set out in this plan.

2.2 A Medium Term Financial Strategy sets out how finances are to be managed in such a way as to manage levels of Council Tax, Reserves and Balances. In simplistic terms it will set out how a stable and robust financial platform can be created such that developments and improvements in services set out in the IRMP can both be achieved and sustained over time.

2.3 This strategy is set against a backdrop of consistently reducing central government funding; a situation which is unlikely to improve going forward. It has therefore been necessary to adopt a more assertive position in relation to budgets.

SECTION 3: FINANCIAL MANAGEMENT

3.1 The External Auditors of the Authority have consistently issued unqualified audit reports and positive management letters to the Fire Authority in respect of their audit of accounts. There have been a number of changes in the presentation of the accounts in recent years which primarily relate to the implementation of International Financial Reporting Standards (IFRS) but these changes are now well embedded.

3.2 Following the abolition of the Audit Commission the Authority’s external auditors have been changed to KPMG. The staff providing the key roles of Audit Manager and Lead Auditor were originally transferred from the Audit Commission however both of these roles have changed during 2014.

3.3 Although the process of external assessment by the Audit Commission has been discontinued the Service recognises that the high standards achieved as part of this process can be continued and developed.

3.4 The prevailing economic climate has caused increased financial pressures to be placed upon all public sector bodies and the Fire Service is no exception. There have been a number of significant changes to the funding mechanism and it is clear that the overall funding position is expected to continue to worsen over the next three years.

3.5 The challenge of the organisation however is not how to survive in this period of austerity but how to continue to both provide and develop high quality services for the communities it serves. Finance is a clear enabler in this context and sound financial management is essential to ensure that maximum value can be achieved with the resources available.

3.6 The organisation will continue to manage its financial resources to the highest professional standards and back this up with a strong governance framework which will include scrutiny by the Finance and Resources Committee (both generally and as an Audit Committee), regular reporting to elected members and the Corporate Management Board. In addition an independent Internal Audit function is maintained to give additional assurances to both Members and Senior Officers.

3.7 The post of Finance Director is to be deleted from 1st October 2015 and so some consideration has needed to be given to the availability of strategic financial advice and the professional "strength in depth" provided under current arrangements. This will be addressed by the Treasurer adopting a slightly wider role and the Head of Finance reporting directly to the Chief Officer.

3.8 The Authority will continue to have the help and advice of an independent Treasurer who will continue to work closely with the Head of Finance to advise the Fire Authority on financial matters and provide an independent source of advice when required. It is envisaged that the new Treasurer will take a broader role in financial strategy and this again strengthens the financial management role.

SECTION 4: FUNDING PRIORITIES AND SERVICE IMPROVEMENTS

4.1 The challenge for the organisation in times of financial constraint is to find a way to continue to develop and improve the service against this backdrop of uncertainty. This will require both strong leadership and financial stability.

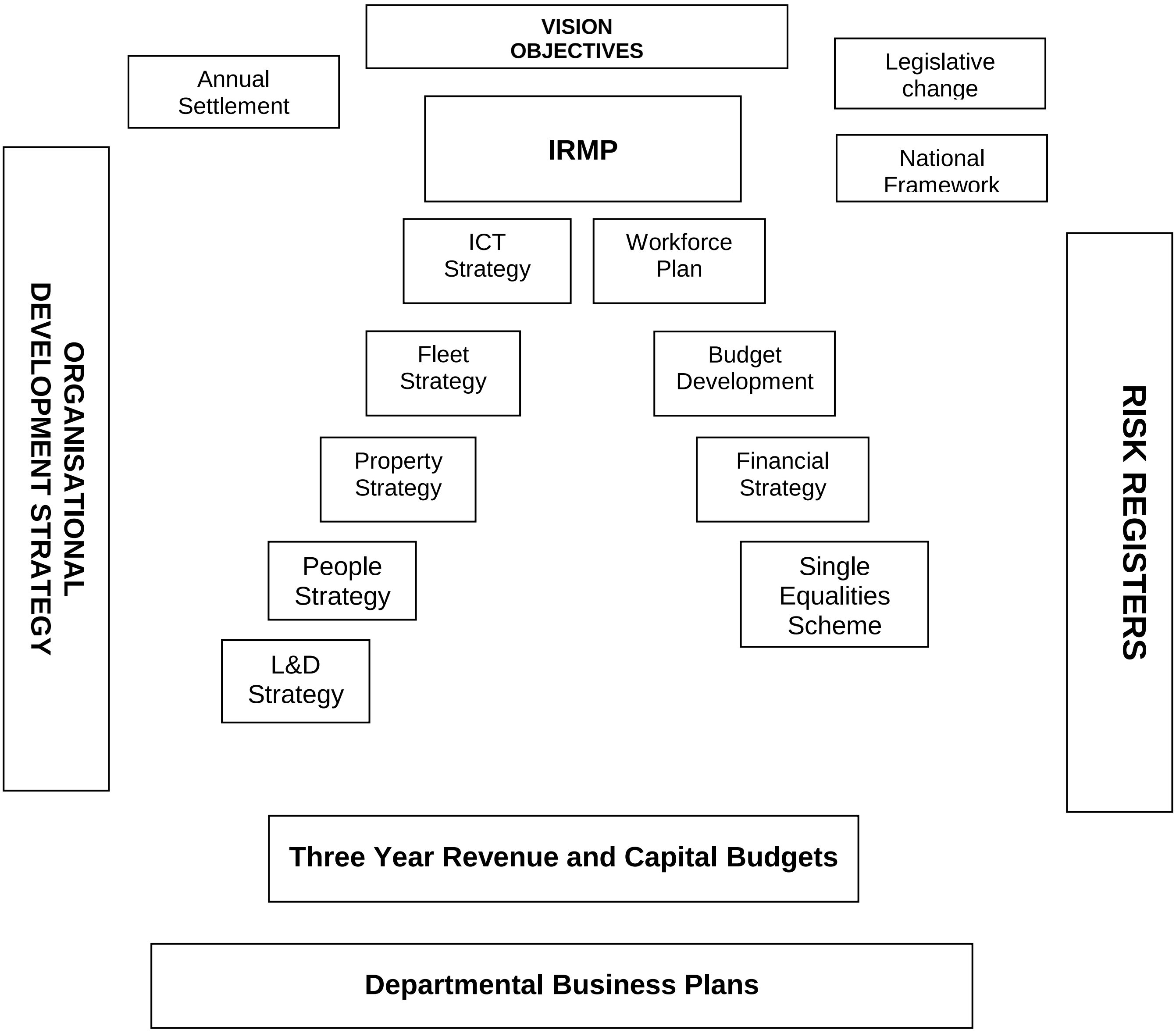
4.2 The funding priorities of the Authority relate entirely to those set out in the IRMP and underpin the three guiding principles of the organisation. These are:

- To deliver a high quality service
- To maintain high standards of governance and financial stability
- To have an engaged and motivated workforce

4.3 This approach is mirrored through into the budget and resource planning processes. The detailed working underlying the Authority's budget proposals for 2015/2016 to 2017/18 shows a clear commitment by both officers and Members to the delivery of these broad priorities and also resourcing the individual projects and activities which will ensure their delivery.

4.4 It is also important to appreciate that the aspirations of the Authority in respect of equality and inclusion remain of paramount importance both within the workforce principle and the service delivery principle. It is recognised that these aspirations are not wholly internal and all members of the various communities served by NFRS must be able to access the full range of services in ways appropriate to them.

4.5 Notwithstanding the primacy of the IRMP there is a framework of interrelated plans and strategies which together provide the basis for the continued provision of and development of the service. This is best illustrated by the following diagram:



4.6 The development of departmental plans and strategies and the alignment of these with other plans, both departmental and corporate, has been much improved since changes in the internal governance structures have been introduced.

4.7 The creation of the Service Managers Forum has made a significant contribution to governance as it has a more empowering approach by Strategic Managers. Undoubtedly decisions are made at more appropriate levels and as a result decisions are faster and of better quality.

4.8 These changes have allowed budget holders, service managers, Finance, HR and other support functions to work together to develop plans which consider interdependencies, pressure on both financial and non-financial resources, and relative priority of proposed developments and their relevance to the plan. This process has also “sharpened up” medium term revenue and capital planning.

4.9 Developments in the service will be resourced from a number of sources including:

- Recycling resources released by efficiency savings
- Reassessment of service priorities
- Additional revenue budget allocation where appropriate
- Government Grant Funding
- Sponsorship (where resources are temporary or not core activity)

4.10 That is not to say that there will be no changes in service delivery or requirements for staffing reductions to enable the budgets to be brought into balance. In fact future predictions of grant reductions would suggest that this may need to be the case.

4.11 The performance management framework will need to be strengthened in appropriate areas in order to bring together financial and non-financial performance to enable the achievement of service priorities to be monitored and strive to achieve continuous improvement.

4.12 Time limited and specifically targeted government funding will be used to fund specific and non-recurring cost items and fund capacity building around service improvement.

4.13 The operation of the Prudential Code for Local Authorities creates opportunities for capital investment and asset planning which were not possible under the old capital financing regime. This will enable the Authority to make maximum use of capital investment to support the achievement of objectives.

4.14 A pro-active approach to the achievement of Value for Money by seeking to embed VFM principles continues to release resources to improve service delivery.

4.15 The Authority’s Trading Company will continue to operate and seek to broaden its trading base to maximise profits. It is hoped that the dividends arising from these profits may be recycled into community based initiatives in future years.

4.16 It may be possible going forward to consider alternative investment strategies to maximise earnings potential but this would always be discussed by the Finance and Resources Committee.

SECTION 5: IMPACT OF UK ECONOMY

5.1 It would be inappropriate to consider a Medium Term Financial Strategy without making some mention of the current economic position in the UK and considering how its effects might be managed and/or mitigated.

5.2 The financial year 2014/15 has seen some improvement in the prospects for the UK economy but despite early signs of growth the overall position remains fairly static. Unemployment is reducing and yet robust economic growth is still awaited. Rises in the housing market generally continue to cause something of a “feel good factor” as has the impact of reducing fuel prices. How much of this economic growth is real and will transfer into the real economy is yet to be seen. Interest rates have fallen in the Eurozone to try to counter the risks of deflation and this will almost certainly have an impact on the ability of UK investors to secure reasonable interest rate returns

5.3 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 will continue to take place which will result in regular amendments to the approved counterparty list.

5.4 The possible recovery of the property market may also have an impact on the Authority’s finances as the balance sheet value of properties begin to rise again.

5.5 By far the most significant consideration for the Medium Term Financial Strategy is the general state of Central Government Finances. The UK as a whole remains in deficit and central government are continuing with their austerity programme to turn this situation around. The intention to protect Health, Foreign Aid and now Defence leaves the remaining parts of the public sector even more vulnerable to grant reductions and the prospect of the Service suffering additional reductions in external funding of 25-40% is by far the greatest issue that this strategy has to face.

SECTION 6: MEDIUM TERM RISKS

6.1 The Authority’s Strategic Risk register has identified that there are a number of risks over and above budget reductions which can affect this strategy in the medium term, some of which are beyond the direct control of the Authority. The rapidly changing economic climate at the present time, for example, brings with it a number of risks any one of which could significantly impact upon this strategy.

6.2 *Investment Interest Rates.* The Authority has accumulated reserves of cash both in respect of working balances and other reserves. These cash balances are invested to generate income from interest. The outlook for rates is still very low which means that vetting and the choice of borrower is becoming more important. The process for managing these funds is set out in the Treasury Management Strategy document which is approved by the Fire Authority in February of each year.

6.3 *Loan Interest Rates.* As the Authority matures and outstanding debt becomes a more significant burden on the revenue budget there is naturally an increased exposure to movements of interest rates. Although the Authority has adopted a general policy of using fixed interest rate vehicles to minimise this risk in the longer term there is still an exposure from the loan charges on new capital being greater than anticipated.

6.4 It is common in the Public Sector to use maturity loans as the most appropriate vehicle for capital financing. These loans do not repay any capital until maturity but interest charges only, and they therefore present a refinancing risk at the end of their term. They are currently the most cost effective way of borrowing but it is considered essential that the Authority has sufficient accumulated cash to repay principal at term. This ensures that the authority retains control of overall debt levels.

6.5 In order to assist this, the authority will take opportunities to make voluntary MRP contributions as they arise.

6.6 The Authority has adopted a medium term strategy to hold long term debt at low rates but reschedule this at a later date if rates are more advantageous. The overall strategy for borrowing is set out in the Treasury Management Strategy document and in the Prudential Code Report. This strategy needs to “follow through” in terms of eventually seeking to mirror the debt outstanding profile with the profile of asset lives. This will be possible by rescheduling debt again if shorter term interest rates fall in relation to long rates however there is no sign of this at present.

6.7 The Authority will remain at risk of breaching its own prudential code targets for loan maturity due to the current policy of holding back on borrowing and using internal cash resources. As the year progresses it is likely that borrowing will be required and it is possible that this discrepancy can be resolved but this will depend on the availability of attractive rates.

6.8 *Pensions* There are a number of risks associated with pensions:

- That employers contributions for non-uniformed personnel will rise significantly.
- That employers contributions for uniformed personnel will rise significantly.
- That the pattern of early retirements and Ill Health retirements in the service will have a serious impact on budgets if unchecked. The Authority has little control over Ill Health retirements but early retirements for non-uniformed staff can be managed.

6.9 In the first scenario, it is likely that employers’ contributions to the local government pension scheme will continue to rise. However, recent consideration of this issue shows that this is unlikely to be significant unless the Authority’s record of low rates of early and ill health retirements worsens. The performance of pension funds had been poor in recent years but the recent performance by the Stock Market has delivered significantly increased returns. The Nottinghamshire fund shows a bias of fund investments towards equities rather than fixed interest bonds and so has benefitted from this change. The overweight exposures to property which had been having a negative effect have now begun to return to normal levels with both property values and rental streams beginning to rise. The most recent actuarial valuation shows that the Fire Service element of the fund is close to being in balance and therefore the requirement to make additional payments to reduce a deficit may reduce shortly.

6.10 Since the passing of annual pension liabilities for fire fighters to the CLG, employers have been required to make a 21.7% of salary contribution to the scheme for those staff in the old 1992 scheme. For those in the 2006 scheme the contribution is 11.9%. There are no indications that this will rise in the short term.

6.11 Recent revisions to the Local Government Pension scheme may also help to keep employer contributions steady or may even reduce them over time.

6.12 The introduction of a new firefighters' pension scheme from April 2015 may eliminate some of these pressures going forward but indications are that an employer contribution rate of 14.3% will be required.

6.13 A big risk in the short and medium term however remains in the area of Ill Health retirement mentioned above. All the costs from such retirements now fall directly on to Authority budgets and costs per early retiree could be as high as £120,000. The Authority continues to maintain a budget for ill health retirements based on historical data and also has set aside a specific reserve to ensure that the volatility of these payments is "smoothed" through to the revenue account in a manageable fashion.

6.14 The main concern is that with firefighters now expected to work longer before retirement there may be an increase in ill health retirements as staff are unable to meet fitness standards.

6.15 *Grant Funding*. The last Revenue Support Grant settlement in the traditional form was received during 2012/13. From 2013/2014 onwards there has been a radical change both to the amount of grant payable and the way that it is calculated. Locally collected business rates are now retained within local budgets and there is also a requirement for Fire Authorities to pay their share of council tax benefits. The risks are highlighted below.

6.16 *Council Tax Support.* Prior to 2013/2014 Council Tax Support, or Benefit, was paid out by the billing authorities and funded entirely by government grant. It therefore had no impact on Fire Authorities. This position has changed however and now, whilst Council Tax Benefit continues to be paid by the billing authorities, the funding is drawn from both the billing authorities and the precepting authorities of which Fire is one. In return for this Government have made a grant which is the equivalent of 90% of 2012/2013 spending on council tax benefit to help authorities fund this change. This presents a number of risks:

- Authorities may not be able to collect Council Tax from households that have never paid the tax before

- Any increase in claimants will need to be funded locally
- The amount given by way of grant is absorbed into Revenue Support Grant for 2015/16 and has been reduced in line with other grant reductions even though demand may rise.

6.17 Early indications are that this is not having quite the effect that might have been anticipated but the process is still developing.

6.18 *Business Rates.* The principle behind the retention of business rates is one that is generally supported, in that it allows Local Authorities to benefit from economic regeneration in their areas. Fire authorities have little or no influence over economic regeneration and therefore via a series of complex calculations are what is known as “top up” authorities. This means that a Fire Authorities business rates will be “topped up” to the amount that they would have received under the old regime. What it doesn’t mean however is that it will always be like this and this situation could change. More fundamentally the old concept of needs driven Revenue Support Grant is essentially over. In future most if not all central government grant will be in the form of business rates and “top up” payments. The fundamental problem with this approach is that whilst deprivation and other cost drivers of service provision had been taken into account within the Revenue Support Grant formula, there are no such drivers within the NNDR funding being based, as it is, entirely on the collection of business rates.

6.19 *Long Term Capital Sustainability.* As referred to above the Authority is becoming more mature in terms of the build up of loan debt and leasing to support the capital base of the organisation. It is considered that debt financing costs should not usually consume more than 8% of revenue budgets and this “credit ceiling” for affordable borrowing, which is covered within the principles of the Prudential Code, will be more closely matched to the profile of the asset base going forward. This strategy is to ensure that the credit ceiling is not reached before the requirement to undertake major capital schemes is exhausted. The Authority has considered the sustainability of its capital plans in terms of the ICT Strategy, the Fleet Strategy and the Property Strategy and these have been mapped out over a 20 year period to ensure that the revenue budget can continue to support them.

6.20 Revenue Budget pressure and the availability of surplus balances has caused the Authority to use surplus revenue budget to fund capital items. This has been expedient in the short term but cannot be continued indefinitely because capital assets which have been purchased from revenue will create an underlying need to borrow for replacement in future years which may cause the 8% ceiling to be breached.

6.21 The 8% ceiling is further threatened by the reducing size of the revenue budget.

6.22 The Prudential Code requires that capital investment plans, including financing, are affordable, prudent and sustainable. The further use of revenue underspends or balances to fund capital investment will not meet the sustainability requirement so the approach in future will be to ensure that the capital programme contains only “invest to save” or essential projects and to use the cash released from the Minimum Revenue Provision charge to repay loans such that new loans are only required to finance new capital expenditure and not to replace expiring maturity loans.

6.23 In the meantime revenue contributions will be allocated against a range of asset lives thus spreading this risk over a number of years.

SECTION 7: COMPONENTS OF THE MEDIUM TERM STRATEGY

7.1 This section briefly explains some of the processes and key components that underpin the medium term financial strategy.

7.2 *Revenue and Capital Budgets.* The process for the preparation of revenue and capital budgets is now mature but continues to develop each year. There is now positive involvement of business plan owners in the development of the budgets which have been drawn up side by side with business plans. This has continued to be developed still further in the preparation of the Revenue Budget from 2015/16 to 2017/2018 and there is now increased ownership around budget decisions. This has meant that, as planned, budgets were being developed at the operational level from July onwards whilst discussions were taking place over the overall budget strategy. The Finance and Resources Committee had full involvement in the process and the Chair of the Finance and Resources Committee played an active part in interviewing budget managers to fully understand the underlying detail within the budgets. The Finance and Resources Committee made proper and detailed recommendations to the Authority.

7.3 The maturity of other plans and strategies has also proven useful in this process as retirement and recruitment profiles from the workforce plan have informed the revenue budget process and the strategies for ICT, Fleet and Property have enabled a cohesive Capital Programme to be developed. It is important to understand that the process of constructing a revenue and capital budget is an iterative one which is driven entirely by organisational priorities. The service’s plans and strategies directly drive the budget and not the other way around. Of course, affordability is a key consideration hence the iterative nature of the process but it is important that when financial constraints are imposed the impacts on service development and/or delivery are fully transparent. Therefore there is a direct relationship between the Fleet Strategy and the Capital Programme because the Capital Programme was developed from that strategy and the two are in complete alignment. The same is true for other strategies also.

7.4 Underperformance of the Capital Programme continues to give some cause for concern. Although there are good reasons why the Capital Programme continues to underspend it is not acceptable that revenue funds are required to be earmarked to finance the capital programme and then not used. The opportunity costs of this over provision may begin to impact on the service. In order to alleviate this issue it has been accepted that there will be an element of “over programming” but that revenue to support the capital programme will take this into account.

7.5 *Council Tax.* As part of the budget setting for 2015/2016 to 2017/2018 the Authority agreed indicative budgets for 2015/2016, 2016/2017 and 2017/2018 of £41,212,721, £42,636,983 and £43,630,100 respectively. This required a rise in Council Tax for 2015/2016 of 1.95% to £72.44 at Band D and similar rises in future years.

7.6 *Fees and Charges.* The Authority is allowed to make charges for the provision of a range of services to the public and to commerce. It has however been the practice of the Authority to avoid making charges for services which the public have a reasonable expectation of receiving free of charge. For example the Authority could make a charge for pumping out a domestic cellar after a flood but it was decided some years ago that this would not be reasonable. Instead the Authority has concentrated on charging for the more unusual requests often where there is no risk of death or injury, such as filling swimming pools and gaining entry. In addition the Authority makes charges for pollution incidents whenever possible on the principle that the polluter should pay for the damage that they cause. Special Service Charges are currently under review and it is possible that a wider range of activities may be charged for going forward.

7.7 *Treasury Strategy*. The Treasury Strategy for the Authority was set out in full in a report to the Fire Authority on 27 February 2015. This strategy complies fully with the Chartered Institute of Public Finance and Accountancy code of practice on Treasury Management which the Authority has adopted. The strategy relies for its success on the appointment of financial advisors who enable the Authority to lend and borrow as prudently as possible. Efforts will continue to be made to ensure a sufficient spread of borrowers to minimise risk exposures.

7.8 *External Funding*. Efforts will continue to be made to secure as much external funding as possible either from Government Grant or from sponsorship and partnerships. These are managed carefully to ensure that the sudden withdrawal of funding does not have a negative impact on revenue budget nor cause the Authority embarrassment from having to close down successful projects due to lack of external funding.

7.9 There are no plans at the present time to enter into any Private Finance Initiative (PFI) funding for capital projects unless there is a strong indication that such a vehicle might prove cost effective.

7.10 *Reserves and Provisions.* The Local Government Act 2003 requires that Authorities maintain adequate reserves and provisions to help ensure that the medium term policy programme is sustainable and that it can be delivered. In accordance with good accounting and financial practice, reserves and provisions will always be made in the accounts where appropriate. In simple terms the difference between a reserve and a provision is that a provision is made for a known liability arising from a legal obligation whereas a reserve is created for a discretionary purpose.

7.11 *Working Balances.* In addition to reserves and provisions the Authority is also required to maintain an adequate level of working balances and the Treasurer is required to certify that these are adequate under S25. Local Government Act 2003.

7.12 Balances are maintained at an appropriate level by carrying out a risk assessment of financial risk exposures and calculating a value for balances. Accepting that the value of balances may fluctuate to deal with both emergent and changing risk the Authority has decided to target a minimum level of balances of £4.0m. At the end of 2015/16 the level of balances is expected to be of the order of £6.7m although there are planned reductions in balances going forward as they are used to cushion the transition to a tighter financial regime in future years.

7.13 *The Prudential Code.* The freedoms provided by the Prudential Code for Capital Accounting are to be fully used to make the best possible investment decisions in relation to capital spending in order that meaningful choices can be made between borrowing, leasing and the use of capital receipts. Nevertheless it is still considered important that the Authority should not expose itself to unduly high levels of debt. This can be difficult to gauge as the Authority is maturing and therefore levels of debt will be expected to rise each year. However, it is necessary for a view to be taken as to how much debt is sustainable in the longer term. This position has been reviewed and it is clear that given the strategies in place for Fleet and Property over the next 20 years levels of debt can be maintained to a level where the revenue effects of borrowing do not exceed 8% of overall revenue resources available. The risk to this is that as revenue budgets fall this underlying percentage will begin to rise.

7.14 *Value for Money*. The Authority continues to show its commitment to achieving Value for Money although the focus during 2014/2015 has been very much on achieving the significant budget reductions required to deal with grant reductions.

SECTION 8: PARTNERSHIP WORKING

8.1 The Authority remains committed to working in partnership to achieve overall outcome objectives and partnerships and collaborations are to be actively encouraged providing that they remain focussed on the delivery of the Authority's objectives. This relies therefore on the identification of shared outcomes with potential partners and the identification of commissioning opportunities with the third sector. Again the common thread of equality will run through some of this partnership work where the Service seeks to build trust and respect amongst disadvantaged groups both for the benefit of service delivery and recruitment.

8.2 The initiative launched in 2007/8 to enable stronger links to be forged with the voluntary sector by sponsoring some voluntary sector led projects in support of our Service Plan objectives continues to gain momentum.

SECTION 9: THE REGIONAL DIMENSION

9.1 The Authority remains committed to supporting joint and collaborative working with colleagues across the region and it is considered that the tri-service control centre initiative may encourage further co-operation.

9.2 The commitment to the Tri-Service Control Project remains high on the Authority's priorities as this will provide an efficient method of call handling and mobilisation.

SECTION 10: OUTLOOK FOR 2015/16, 2016/17 AND BEYOND

10.1 The Authority set a budget in February 2015 which for 2015/2016, whilst requiring some budget reductions, is largely balanced, in fact £570,000 will be transferred to balances. The estimate for 2016/2017 however is indicating a shortfall of the order of £1.8m. As this rolls forward, and if unaddressed, it becomes £3.5m by 2017/2018. The prospects are for this deficit to rise still further in 2018/2019 and 2019/2020 which means that the outlook is considerably worse than in previous years.

10.2 Current predictions of budget requirements as set out on the February budget papers are:

Year	**£'s**	**% Increase**
2015/2016	41,212,721	
2016/2017	42,636,983	3.5
2017/2018	43,630,100	2.3

10.3 Funding Streams however are expected to reduce as follows:

	2015/2016 £	**2016/2017 £**	**2017/2018 £**
Revenue Support Grant	9,772,122		
Business Rates Actual	3,441,383		
Top Up Grant	6,477,078		
Council Tax Freeze Grant Previous years	334,364		
Freeze Grant 2013/2014	235,811		
Total Grant Yield	**20,260,758**	**18,639,897**	**17,335,105**

10.4 There are no indications yet as to whether further reductions in grant are expected beyond 2017/2018 although the Local Government Association have provided some estimates which have been used in the above table. There may be further financial challenges but these remain unclear at present.

10.5 By ignoring any possibility of further freeze grants and assuming that Council Tax yield will increases by 1% or 2% in each of the years 2015/2016 and 2016/2017 the shortfall is calculated as follows:

	2015/2016 £	2016/2017 £	2017/2018 £
Total Grant Yield	20,260,758	18,639,897	17,335,105
Budget Requirement	41,212,721	42,636,983	43,630,100
Balance to be met locally	20,951,963	23,997,086	26,294,995
Council Tax Yield*	21,109,003	21,320,093	21,533,294
Budget Deficit		**2,676,993**	**4,761,702**
Budget Surplus	**157,040**		
Council Tax Freeze Grant	244,066	488,132	732,198
Budget Shortfall		**2,188,861**	**3,939,504**
Budget Surplus	**401,106**		

*Assumes a 1% rise in tax base but no rise in Council Tax

The above figures suggest that further savings of approximately £3.9m will be required by the start of the 2017/2018 financial year. It should be pointed out that if the deficit of £2.2m in 2016/2017 is resolved then the deficit in 2017/2018 would reduce to £1.75m.

10.6 The above figures can be offset to some degree by increases in the levels of Council Tax; a 1% increase yielding approximately £200,000 p.a.

10.7 More recent estimates show that grant reductions going forward may be far more severe than these predictions and therefore budget planning for 2016/2017 is expected to be working to much lower figures when the results of the 2015 spending review are released.

10.8 When looking for budget reductions the overall spend profile of the Authority must be considered. It has previously been reported to Members that the percentage split of the budget by major heading is:

Uniformed Pay	64%
Non-Uniformed Pay	11%
Transport/Premises	9%
Capital Financing	9%
Communications/IT	7%

Indeed more recent estimates show that nearly 80% of all spending is on public facing services and only 4.5% is spent on corporate support.

10.9 The Fire Cover Review currently taking place may offer some alternative options for savings by way of further adjusting how the front line service is delivered but even these measures may be insufficient to meet the required reductions. Nevertheless, this strategy is designed to support the authority through this very difficult period and ensure that the future remains financially sound.

APPENDIX A

TREASURY MANAGEMENT STRATEGY FOR 2015/16

The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an annual investment strategy: this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2015/16 in respect of the following aspects of the treasury management function is based upon Officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury adviser, Capita Asset Services.

The strategy covers:

- Prudential and treasury indicators;
- The borrowing requirement;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness policy;
- Policy on use of external service providers;
- The Minimum Revenue Provision policy;
- Training of Officers and Members.

The Authority recognises that whilst there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources, responsibility for treasury management decisions remains with the organisation at all times. The Authority will therefore ensure that undue reliance is not placed upon external service providers.

BALANCED BUDGET REQUIREMENT

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- Increases in interest charges caused by increased borrowing to finance additional capital expenditure, and

- Any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Authority for the foreseeable future.

ECONOMIC BACKGROUND

Growth in the Gross Domestic Product (GDP) for the UK was strong in both 2013 (2.7%) and 2014 (2.6%) and there is some optimism that this will continue as the positive effects of the fall in the price of oil feeds through to the economy. Despite this, there needs to be a move away from reliance on consumer spending and the housing market to stimulate economic growth and towards manufacturing and exporting

Unemployment is steadily falling and this is expected to continue, although this may lead to significant increases in wage growth over the next few years. Consumer Price Index (CPI) inflation has fallen sharply, reaching a low of 0.5% in December 2014, and it is thought that inflation could become negative in 2015 although would return to positive over the medium term.

The public sector deficit has not reduced as planned, and this means that the Government is committing to a speedier elimination of this deficit over the next few years. Gilt yields have fallen to very low levels and this has reduced the interest payments on Government debt.

The Eurozone continues to face the threat of weak or negative growth and of deflation. In January 2015 the European Central Bank launched a Euro 1.1 trillion programme of quantitative easing to promote growth. There is still a concern about levels of sovereign debt, particularly for Greece, Italy, Portugal, Ireland and Cyprus.

Economic forecasting remains difficult, with a number of external factors influencing the UK position. The longer term expectation is for gilt yields and PWLB rates to rise.

Capita Asset Services has provided a forecast on the bank interest rate, which draws on current City forecasts:

Capita Asset Services Bank Rate Forecasts	
As at 31 March 2015	0.50%
As at 31 March 2016	0.75%
As at 31 March 2017	1.25%
As at 31 March 2018	2.00%

MANAGEMENT OF CASH RESOURCES

The Authority uses a main current account, an investment account and a number of local petty cash accounts. All of these accounts are held with Barclays Bank PLC and are managed online. This system allows the Authority to make transfers to and from accounts in real time and thus allows the current account balance to be maintained at a minimum level. All surplus funds are held either in the investment account for short periods or are lent to institutional borrowers over longer periods.

The bank overdraft level is £200,000 and this is usually sufficient. There are occasions when the overdraft exceeds £200,000 and temporary arrangements are made with the bank to increase the limit to £500,000. The Prudential Code report included an overdraft limit of £500,000 within the authorised limit to allow for such instances. It is proposed that the overdraft facility remains at a level of £200,000.

Part of the treasury management operation is to ensure that cash flows are adequately planned, with cash being available when it is needed. A 3 year cash flow projection is prepared together with a 3 month rolling cash flow forecast. The 3 month forecast is updated regularly and this process reveals when cash surpluses are likely to arise.

The current bank account is checked on a daily basis and the balance is transferred to the investment account (Business Premium Account) if the interest rate is favourable.

Cash management processes have been examined by internal auditors and have been shown to be robust.

BORROWING STRATEGY

The prudential indicators for borrowing are set out in Appendix B. Background information relating to these indicators is contained within the Prudential Code for Capital Finance 2015/16 report which is elsewhere on this agenda.

The capital financing requirement is the sum of money required from external sources to fund capital expenditure i.e. the Authority's underlying need to borrow or lease. For 2015/16 this figure is estimated at £27,981,000, which is lower than would have been the case if the Authority had not approved the use of revenue reserves to finance future capital expenditure as part of the budget 2011/12 to 2013/14.

The Authority's strategy in the past has been to borrow funds from the Public Works Loan Board (PWLB). The PWLB is an agent of HM Treasury and its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies. Its interest rates are generally favourable compared to those applicable to borrowings from other sources within the marketplace. However, in 2007/08, a £4m loan was borrowed from a bank, with a fixed interest rate which was lower than the equivalent PWLB rate. It is therefore proposed that the Authority continues to borrow primarily from the PWLB, but considers fixed rate market borrowing when market rates are lower than PWLB rates.

The loan of £4m referred to in paragraph 2.20 is structured as a "Lender Option Borrower Option (LOBO)" loan. This means that on 7 March 2013 and on that anniversary every five years, the lender may revise the interest rate, which is currently 4.13%. The Authority may choose to repay the loan without penalty if the amended interest rate is not advantageous. If the lender does exercise the option to revise the interest rate, the strategy will be to either agree to continue the loan with the revised interest rate or to repay the loan and replace it with new, long term debt at a lower rate depending on which is the most advantageous option for the

Authority. As the interest rate was not changed on 7 March 2013, the next opportunity for a revision is 7 March 2018.

Over the next three years, it is anticipated that the Authority will need to borrow up to £13m to finance the capital programme and to replace up to £4m of maturing loans.

Capita Asset Services' view on future PWLB interest rates is:

	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Mar 17	Mar 18
5 yr PWLB	2.20%	2.20%	2.30%	2.50%	2.60%	3.20%	3.60%
10 yr PWLB	2.80%	2.80%	3.00%	3.20%	3.30%	3.80%	4.20%
25 yr PWLB	3.40%	3.50%	3.70%	3.80%	4.00%	4.50%	4.80%
50 yr PWLB	3.40%	3.50%	3.70%	3.80%	4.00%	4.50%	4.80%

The table above has been adjusted for the PWLB certainty rate, which is a 20 basis points reduction in the interest rate for Authorities such as this one which have applied for it.

In view of the above forecast the Authority's borrowing strategy will be based upon the following information.

- A combination of capital receipts, internal funds and borrowing will be used to finance capital expenditure in 2015/16 and beyond.

- Two PWLB loans will mature in the medium term (£2m in 2016/17 and £2m in 2017/18). These will need to be replaced with new borrowing and it is estimated that new borrowing in the period 2015/16 to 2017/18 will be in the region of £13m.

- Capita Asset Services' view is that PWLB rates are likely to rise over the next three years. It may therefore be advantageous to take out new loans earlier in the period, as this will have a lesser impact on the revenue budget for the periods of the loans. However if this is in advance of the need to spend, there will be a cost of capital impact as referred to in paragraph 2.27 below.

- PWLB rates on loans of less than ten years duration are expected to be lower than longer term PWLB rates. However, the existing debt maturity profile of the Authority will mean that longer term borrowing at a higher cost is required to give a balanced loans portfolio. New borrowing is likely to be for durations which are between 15 and 35 years and above 45 years to re-balance the loans portfolio.

- Consideration will also be given to borrowing fixed rate market loans at 0.25% – 0.50% below the PWLB target rate and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

- PWLB Maturity loans will continue to be taken if the overall cost of such loans is less than the equivalent Annuity loans. If this strategy results in a short term breach of the Gross Borrowing and Capital Financing Requirement indicator, then the reasons for this will be explained to members of the Authority. The Prudential Code for Capital Finance 2015/16 report, which is also on the agenda, explains this issue in more detail.

In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change in position:

- If it were felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered;

- If it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

The Authority's gross debt position is projected to be £20.4m by the end of 2014/15, but investments of approximately £7m are expected to be in place at 31 March 2015, giving a net debt position of around £13m. Currently, investment interest rates are substantially lower than debt interest rates so the use of reserves rather than borrowing to finance capital expenditure over the past three years has resulted in better value for money in the short term. This strategy came to an end by the close of 2013/14 and, with interest rates likely to rise over the medium term, additional longer term costs will be incurred when surplus reserves have been exhausted and there is once more a requirement to borrow at higher rates.

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed, although this scenario is unlikely anyway given that current borrowing rates are higher than current investment interest rates, creating a cost of capital impact. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Authority can ensure the security of funds invested. In determining whether borrowing will be undertaken in advance of need the Authority will:

- Ensure that borrowing is only undertaken to finance the capital programme approved within the current Medium Term Financial Strategy;

- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;

- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;

- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

The rescheduling of debt involves the early repayment of existing borrowings and their replacement with new loans. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, this would indicate a potential to generate savings by switching from long to short term debt. However, a premium would be payable which may negate the savings, and the loan maturity profile of the Authority indicates that this would increase exposure to interest rate risk. It is therefore unlikely that rescheduling of debt will take place in 2015/16 although this will be kept under review should circumstances change. Rescheduling will be considered for the following reasons:

- The generation of cash savings and / or discounted cash flow savings;
- Enhancing the balance of the portfolio by amending the maturity profile.

Any rescheduling of debt will be reported to Members at the earliest meeting following its action.

INVESTMENT STRATEGY

The Authority will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004, the Audit Commission's report on Icelandic investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance. The Authority's investment priorities are:

(a) the security of capital and
(b) the liquidity of its investments.

The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Authority is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

Investment opportunities will arise when there are temporary cash surpluses. In accordance with guidance from CIPFA, and in order to minimise the risk to investments, the Authority sets a minimum acceptable credit quality of counterparties for investment. To determine the institutions with which investments may be placed, the Authority uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors forming the core element. It is recognised that ratings should not be the sole determinant of the quality of an institution, and Capita's creditworthiness service does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries;
- Information from the financial press and share price information.

The methodology used by Capita to create creditworthiness ratings is being amended. This is due to the withdrawal by the credit ratings agencies of an uplift in ratings due to implied sovereign support for institutions. The actual removal of implied sovereign support is only likely to happen when it is deemed that financial institutions are stronger and less vulnerable to financial crisis.

The modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and enable diversification in investments. These colour codes are used by the Authority to determine both the credit-worthiness of institutions and the duration for investments. It is regarded as an essential tool, which the Authority would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Capita's weekly credit list of potential counterparties. The Authority will therefore use counterparties within the following durational bands:

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days

Institutions within the "purple band" (24 months), the "yellow band" (5 years) or with no colour band will not be used.

The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix C. This list will be added to or deducted from by Officers should ratings change in accordance with this policy.

The latest credit list provided by Capita will be made available to Members at the meeting.

In accordance with its low risk appetite, the Authority may undertake the following types of "specified" investments:

- Deposits with the Debt Management Office (Government);

- Term deposits with Banks and Building Societies;

- Call deposits with Banks and Building Societies;

- Term Deposits with uncapped English and Welsh local authority bodies;

- Triple-A rated Money Market Funds;

- UK Treasury Bills.

The risks associated with investing will be reduced if investments are spread e.g. over counterparties or over countries. The Authority will therefore aim to limit its investment with any single counterparty to £2m. It is, however, difficult to impose any further spreading requirement due to the relatively small size of the Authority's investments and the fact that investment institutions will often only accept a minimum investment sum, which may render any such policy unworkable. Despite this Officers will, wherever possible, avoid the concentration of investments with one counterparty or group.

The majority of past investments have been for periods of 3 months or less. In the current financial climate no term deposit investments with other counterparties, such as UK semi-nationalised banks and local authorities, will be made for more than 1 year without the prior approval of the Treasurer and the Chair of Finance and Resources Committee. The Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.

All credit ratings will be monitored via a weekly update from Capita Asset Services. The Authority is alerted to changes to ratings of all three agencies as and when they occur through its use of the Capita creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Investments will normally be made for durations which accord with Capita's credit quality list so, for example, an investment would be made for no more than 100 days (3 months) with a "Green" rated counterparty. This policy works well with fixed term deposits but where the Authority invests in a "call" account in a bank there is no fixed duration for the deposit. In such instances, officers will monitor intelligence about the bank and give notice to withdraw funds immediately if there is any indication of a substantially increased risk to the security of the deposit. Where call accounts are used, deposits will only be made where the minimum notice period is no longer than the Capita suggested duration for that institution, and it is therefore recognised that the total period of the investment may be longer than the Capita suggested duration in some cases.

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

MINIMUM REVENUE PROVISION POLICY 2015/16

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. These regulations were an amendment to the 2003 regulations and introduced several changes to the capital finance regime for local authorities (including fire authorities) in England. The most significant of these were provisions dealing with the calculation of Minimum Revenue Provision (MRP), which is the amount an authority charges to its revenue account in respect of the financing of capital expenditure.

Under the regulations, Authorities must make a "prudent provision" for MRP and guidance is given on the interpretation of this: "provision for the borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service". This guidance translates into the asset life method. Authorities are permitted to continue charging MRP calculated using the old method for borrowing and credit arrangements which funded capital expenditure incurred before 1 April 2007. This method calculates a charge of 4% of the capital financing requirement each year to revenue.

The following policy on MRP is therefore recommended to members and budgetary provision for MRP has been made on this basis:

- For all borrowing and credit arrangements to fund capital expenditure incurred before or during 2006/07, the minimum revenue provision applied in 2015/16 will continue to be calculated on the basis of the 4% CFR (capital financing requirement) method. This method will continue to be used in future years for capital expenditure incurred during or before 2006/07.

- For all borrowing and credit arrangements to fund capital expenditure incurred from 2007/08 onwards, the minimum revenue provision applied in 2015/16 will be calculated on the basis of the Asset Life method.

The regulations also allow for Voluntary Revenue Provision (VRP) charges to be made. A VRP charge would be in addition to the MRP charge and the two advantages of making such a charge would be that firstly in future years a “holiday” could be taken in respect of MRP charges up to the value of the total VRP charges in prior years, and secondly future MRP charges would be reduced, resulting in revenue budget savings. If the situation arises in the year whereby Officers feel that a VRP charge would be advantageous (e.g. if there are revenue budget underspends), then a recommendation will be made to Finance and Resources Committee to approve a VRP charge during the year.

TRAINING OF OFFICERS AND MEMBERS

Under the Code, good practice is defined as ensuring that all staff involved in treasury management are appropriately trained and experienced to undertake their duties. Employees within the Finance Department who carry out treasury management activities are suitably trained and experienced and routinely attend at least one treasury management update event each year to ensure that their knowledge keeps pace with changes. It is also suggested that those tasked with treasury management scrutiny responsibilities also have access to suitable training and a treasury management training seminar was last held for Members of the Finance and Resources Committee in July 2014. The requirement for further Member training will be kept under review over the next year.

APPENDIX B

PRUDENTIAL INDICATORS AND TARGETS

PRUDENTIAL INDICATORS FOR AFFORDABILITY

Estimates of the Ratio of Financing Costs to Net Revenue Stream for 2014/15, 2015/16, 2016/17 and 2017/18, and Actual Ratio of Financing Costs for 2013/14

2013/14 Actual £000s	2014/15 Estimate £000s	2015/16 Estimate £000s	2016/17 Estimate £000s	2017/18 Estimate £000s
Ratio of Financing Costs to Net Revenue Stream				
7.3%	5.0%	5.3%	5.9%	6.9%

On 24 October 2008 the Finance and Resources Committee considered a report on Sustainable Capital Plans. This report concluded that in order to meet the Prudential Code requirements of affordability and sustainability, the ratio of financing costs to net revenue stream should not exceed 8%. The table above shows that the use of revenue contributions to finance capital over the past two years has had the effect of reducing this ratio and keeping it within the 8% target despite significant reductions in the net revenue stream (revenue budget).

Estimates of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D) for 2013/14, 2014/15, 2015/16 and 2016/17

2014/15 Estimate £000s	2015/16 Estimate £000s	2016/17 Estimate £000s	2017/18 Estimate £000s
Incremental Impact on Council Tax			
-£3.97	£0.18	£0.96	£1.58

The table above shows that the effect of financing capital expenditure from reserves in 2011/12, 2012/13 and 2013/14, and the use of capital receipts in 2013/14, is a significant reduction in the incremental impact on council tax in 2014/15. Beyond this, there are small incremental increases which reflect the impact on the revenue budget of financing the capital programme.

PRUDENTIAL INDICATORS FOR PRUDENCE

Gross Borrowing and the Capital Financing Requirement

This indicator has been amended in the 2011 revision to the Prudential Code and the revision took effect in the 2013/14 financial year. It used to be “Net Borrowing” i.e. borrowing minus investments but is now “Gross Borrowing”. This indicator requires that external borrowing does not, except in the short term, exceed the total of the capital financing requirement estimated up to the end of 2017/18. Performance against this indicator will be monitored throughout the year. For information, at 31 March 2014 (2013/14 financial year), the Capital Financing Requirement was £22,751k, Net Borrowing (total borrowing less investments) was £12,411k and Gross Borrowing was £22,476k. The estimate of the Capital Financing Requirement at the end of 2017/18 is £34,935k, thereby demonstrating that the indicator has not been breached. At the end of 2017/18, Gross Borrowings are expected to be in the region of £30m, with the Capital Financing Requirement estimated at £34.9m showing that this indicator should be achievable.

Treasury Management

As required by this indicator, the Authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

PRUDENTIAL INDICATORS FOR CAPITAL EXPENDITURE AND EXTERNAL DEBT

Estimate of Total Capital Expenditure to be Incurred in 2013/14, 2014/15, 2015/16 and 2016/17, and Actual Capital Expenditure for 2012/13

2013/14 Actual £000s	2014/15 Estimate £000s	2015/16 Estimate £000s	2016/17 Estimate £000s	2017/18 Estimate £000s
Capital Expenditure Total				
3,327	6,438	4,869	6,015	4,290
Capital Expenditure – Financed by Borrowing / Finance Lease				
0	3,884	1,346	4,580	2,574
Capital Expenditure – Financed by Revenue Contributions				
1,652	0	0	0	0
Capital Expenditure – Financed by Internal Funds				
84	1,216	1,273	1,420	1,701
Capital Expenditure – Financed by Capital Grant				
1,591	1,088	0	0	0
Capital Expenditure – Financed by Capital Receipt				
0	250	2,250	15	15

The estimates for 2015/16 to 2017/18 are submitted to the Fire Authority for approval elsewhere on this agenda. The capital expenditure estimate for 2015/16 shown in the above table includes assumed slippage from 2014/15. The final capital expenditure for each year may be different from the figures shown above but overall should be similar. Various financing methods have been assumed for the future years but in reality, decisions relating to financing methods will be taken as part of options analyses which will consider the best long term options for the Authority. These options need to be assessed at the time of financing. “Internal funds” in the above table refers to the use of cash available within budgeted resources generated by the minimum revenue provision charge, which is a non-cash transaction. Unused cash from this source is assumed to be carried forward for use in future years.

Estimate of Capital Financing Requirement as at the end of 2013/14, 2014/15, 2015/16 and 2016/17, and Actual Capital Financing Requirement as at 31/03/13

2013/14 Actual £000s	2014/15 Estimate £000s	2015/16 Estimate £000s	2016/17 Estimate £000s	2017/18 Estimate £000s
Capital Financing Requirement				
22,751	26,635	27,981	32,561	34,935

The Capital Financing Requirement is the sum of money required from external sources to fund Capital Expenditure, and represents the Authority’s underlying need to borrow for capital purposes. It will therefore be the aggregate of all capital expenditure, less any revenue contributions, capital grants or capital receipts. The above table shows that the Capital Financing Requirement increases between 2013/14 and 2017/18, which is largely due to the lack of capital grant or revenue contributions available to fund the capital programme, resulting in a requirement for borrowing.

The Sustainable Capital Plans report referred to in paragraph 2.1 also concluded that in order to meet the Prudential Code requirements of affordability and sustainability, the capital financing requirement in future years should not exceed £40m.

Operational Boundary and Authorised Limit for External Debt

The Operational Boundary is the Authority’s estimate of its total external debt, net of investments but including other long-term liabilities which are separately identified. This is to reflect the most likely scenario and not the worst case. It is possible for the operational boundary to be temporarily breached to take account of unusual movements in cash flow but this should not be a regular occurrence. A variation from the operational boundary is permissible, but will be reported to the Fire Authority.

The Authorised Limit is essentially the same as the Operational Boundary but allows headroom over and above it to take account of unusual movements in cash flow and therefore should be the maximum amount of external debt that the Authority is exposed to at any given time. Any proposed variation from the Authorised Limit must be authorised by the Fire Authority

Cash flow forecasts have been prepared for 2015/16 to 2017/18 and indicate that there will be no difficulty in maintaining a positive current account balance on a month by month basis and therefore there is no proposal to seek an increase in the Authority’s approved overdraft limit of £200,000. However, previous experience shows that these estimates can sometimes be wrong temporarily due to delays in income receipts and it has proved necessary in the past to negotiate temporary increases in this figure of up to £500,000. It is therefore proposed that this buffer of

£500,000 should be included within both the operational boundary and the authorised limit.

	2015/16 £000s	2016/17 £000s	2017/18 £000s
Operational Boundary			
O.B. for borrowing	28,076	27,776	30,076
O.B. for other long term liabilities	0	0	0
Total - Operational Boundary for External Debt	28,076	27,776	30,076
Authorised Limit			
A.L. for borrowing	30,883	30,553	33,083
A.L. for other long term liabilities	0	0	0
Total - Authorised Limit for External Debt	30,883	30,553	33,083

Actual External Debt as at 31/03/14

	2013/14 £000s
Actual borrowing	22,476
Actual other long term liabilities	53
Total – Actual External Debt	22,529

INDICATORS FOR TREASURY MANAGEMENT

The Service carries out its own treasury management in accordance with the CIPFA Code of Practice for Treasury Management, which was revised in 2011. The Authority has adopted a low risk approach to treasury management, which seeks to ensure that investments are secure and that there is sufficient liquidity of funds to enable the Authority carry out its business.

Gross and Net Debt

The actual amount of external long term borrowing as at 31/03/14 was £22,476k, with short term borrowing totalling £2,068k. Other long term liabilities at the same date amounted to £53k. At the same date, the amount of investments was £10,065k, giving a net debt position of £12,411k as at 31/03/14.

The Treasury Management Strategy 2015/16 report, which is elsewhere on this agenda, outlines the proposal to borrow over the next three years to finance the capital programme and to replace maturing loans, and the decision about when to borrow will depend upon interest rate forecasts. For the purposes of setting indicators, assumptions have been made about when borrowing may take place – the reality of this will be determined by Officers in conjunction with the Authority's treasury advisers.

Interest Rate Risk Exposure

In terms of borrowing, it has been considered prudent to use Public Works Loans Board (PWLB) fixed interest loans on most occasions. This is because the PWLB generally offers rates which cannot be obtained elsewhere in the marketplace. However the Authority did take out a market loan in 2007/08, benefiting from an advantageous rate. Unlike lending, borrowing is a low risk activity so future borrowing arrangements will be entered into on the basis of what is most advantageous for the Authority at the time. Any proposals to borrow from alternative sources to the PWLB will be discussed and agreed with the Treasurer.

Borrowing in the past has been at fixed interest rates although variable rates are not ruled out. It is therefore considered that up to 30% of borrowing might come from variable rate sources if these are considered financially advantageous at the time of financing. For policy changes beyond this, however, it is suggested that Fire Authority approval should be sought.

The total value of lending is not expected to exceed £26m, which is likely to peak around July 2015 however it is difficult to assess what the likely investment profile might be as this depends upon capital expenditure timings as well as the level of pension top up grant received from the Department for Communities and Local Government, and the timing of borrowing. The aim will be to reduce risk by investing funds in more than one institution at any given time. Members should note, however, that it is not feasible to set a maximum limit for investing with any one institution as the numbers of banks which meet our minimum credit rating criteria is now very few and even those on the list will not always accept our investments as the Authority is a "small player". The Authority can also invest in Money Market Funds in line with the Treasury Management Strategy.

It is proposed that the Authority sets the following limits for interest rate exposures:

	Benchmark %	2014/15 %	2015/16 %	2016/17 %	2017/18 %
Interest Rate Exposures					
Upper Limit for fixed rate exposures	100%	100%	100%	100%	100%
Upper Limit for variable rate exposures	30%	30%	30%	30%	30%

Loan Maturity

The code of practice and CIPFA guidelines state that there should be no direct linkage between the assets financed and the term of loans taken out. Upper limits in terms of loan maturity are set to ensure that the Authority is not exposed to the risk of having to repay loans and then re-borrow in the short term when interest rates might be high.

It is recommended that the maturity structure limits remain unchanged for 2015/16. Projections of principal repayments for currently held loans show that it is likely that maturity structure limits will be breached next year until a new loan is taken. When borrowing does take place, it should therefore be for a longer term than 15 years to protect the Authority from future interest rate risk. New borrowing with maturity of around 35-45 years should be avoided due to the current structure of borrowing in the 'over 20 years' category.

Limits on the Maturity Structure of Borrowing		
	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months to 5 years	30%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	0%
Over 20 years	100%	30%

Principal Sums Invested for Periods Longer than 365 Days

Investments arising from borrowing to support the capital programme are unlikely to exceed one year in duration, however for surplus cash which supports reserves it may be desirable to invest monies for a slightly longer period to achieve a level of certainty around interest receipts and perhaps beneficial interest rates. Such decisions will be influenced by market conditions at the time and the liquidity of funds will be of paramount importance. It is proposed that Officers should be able to invest monies for longer than a year if this appears to be an advantageous strategy, but that a maximum limit of £2m be applied to any such investments. This will contain the Authority's exposure to the possibility of loss arising from having to seek early repayment of investments.

2015/16 £000s	**2016/17 £000s**	**2017/18 £000s**
Prudential Limits for Principal Sums Invested for Periods Longer than 365 Days		
2,000	2,000	2,000

APPENDIX C

The proposed Capital Programme for 2015/2016 to 2017/18

	Estimated Slippage	2015/2016 £000's	Total 2015/2016 £000's	2016/2017 £000's	2017/2018 £000's
Transport					
Rescue Pump Replacement	253,020	623,860	876,880	937,695	939,615
Special Appliances	272,000	0	272,000	75,000	0
Command Support Unit	120,000	0	120,000	0	0
Appliance Eqpt	36,405	16,960	53,365	25,440	25,440
Light Vehicles	394,500	381,020	775,520	479,240	205,405
Total Transport	**1,075,925**	**1,021,840**	**2,097,765**	**1,517,375**	**1,170,460**
Equipment					
Equipment for Specials	0	15,000	15,000	0	0
Replacement Breathing Apparatus	0	0	0	0	600,000
Radio Replacements	0	0	0	0	0
Total Equipment		**15,000**	**15,000**	**0**	**600,000**
Property					
Retention - Retford FS	0	60,000	60,000	0	0
Retention - London Road	0	0	0	0	60,000
Construction of London Road	0	4,000,000	4,000,000	439,400	0
Fire Station Project Initial Design- Worksop	0	75,000	75,000	0	0
Fire Station Project Initial Design – Newark	0	75,000	75,000	0	0
Fire Station Project Initial Design - Hucknall	0	75,000	75,000	0	0
Purchase of Land	0			400,000	400,000
Construction Stage of New Station (Assumed commence in Sept 2016)	0			1,400,000	1,100,000
Construction Stage of New Station (Assumed commence in Nov 2017)	0				800,000
Property Total	**0**	**4,285,000**	**4,285,000**	**2,239,400**	**2,360,000**
I.C.T					
Renewals Programme	0	140,000	140,000	140,000	140,000
Mobile Computing	0	60,000	60,000	20,000	20,000
PABX Replacement	25,000	0	25,000	0	0
Business Process Automation	150,000	0	150,000	0	0
CFRMIS Online	47,000	0	47,000	0	0
ICT Total	**222,000**	**200,000**	**422,000**	**160,000**	**160,000**

	Estimated Slippage	2015/2016 £000's	Total 2015/2016 £000's	2016/2017 £000's	2017/2018 £000's
IT Systems					
Agresso Upgrade	0	70,000	70,000	0	0
Tranman	0	25,000	25,000	11,000	0
Payroll System	0	40,000	40,000	0	0
IT Systems Total	**0**	**135,000**	**135,000**	**11,000**	**0**
Total Programme	**1,297,925**	**5,656,840**	**6,954,765**	**3,927,775**	**4,290,460**

APPENDIX D

CASH LIMIT 2015/16 to 2017/18

		Original Budget 2014/2015 £000's	Revised Budget 2014/2015 £000's	Budget Requirement 2015/2016 £000's	Budget Requirement 2016/2017 £000's	Budget Requirement 2017/2018 £000's
Employees	Direct Employee Expenses	32,661	32,657	31,342	32,195	32,618
	Indirect Employee Expenses	530	554	521	521	521
	Pension	778	778	821	859	874
		33,968	**33,989**	**32,684**	**33,574**	**34,012**
Premises-Related Expenditure	Repairs Alterations and Maintenance of Buildings	537	537	544	560	576
	Energy Costs	389	389	371	401	401
	Rents	95	95	95	13	3
	Rates	712	712	712	724	724
	Water	65	65	72	81	85
	Fixture and Fittings	1	1	1	1	1
	Cleaning and Domestic Supplies	272	271	300	314	314
	Grounds Maintenance Costs	25	25	26	27	28
	Premises Insurance	26	26	35	36	37
	Refuse Collection	35	35	37	38	39
		2,158	**2,157**	**2,192**	**2,194**	**2,207**
Transport-Related Expenditure	Direct Transport Cost	1,123	1,120	1,127	1,129	1,169
	Recharges	146	146	128	128	128
	Public Transport	22	30	17	17	17
	Transport Insurance	267	267	266	271	277
	Car Allowances	375	373	369	369	369
		1,932	**1,935**	**1,907**	**1,915**	**1,960**
Supplies & Services	Equipment Furniture and Materials	724	725	683	680	681
	Catering	46	47	44	44	44
	Clothes Uniforms and Laundry	294	294	264	264	264
	Printing Stationery and General Office	79	82	85	95	95

APPENDIX D

CASH LIMIT 2015/16 to 2017/18

		Original Budget 2014/2015 £000's	Revised Budget 2014/2015 £000's	Budget Requirement 2015/2016 £000's	Budget Requirement 2016/2017 £000's	Budget Requirement 2017/2018 £000's
	Expenses					
	Services	489	492	474	480	482
	Communications and Computing	1,608	1,607	1,542	1,498	1,498
	Expenses	39	39	36	36	36
	Grants and Subscriptions	35	34	36	37	37
	Miscellaneous Expenses	318	318	272	275	278
		3,632	**3,637**	**3,436**	**3,408**	**3,415**
Third Party Payments	Other Local Authorities	102	102	103	103	103
	Private Contractors	23	23	23	24	24
		125	**125**	**126**	**127**	**127**
Support Services	Finance	153	158	162	165	168
	Corporate Services	41	41	43	44	44
		194	**199**	**204**	**208**	**212**
Sales Fees & Charges	Customer and Client Receipts	-552	-122	-144	-146	-147
		-552	**-122**	**-144**	**-146**	**-147**
Other Income	Government Grants	-515	-515	-470	-470	-470
	Other Grants/Reimbursements and Contributions	-267	-731	-873	-621	-621
	Interest	-86	-86	-76	-66	-56
		-868	**-1,333**	**-1,419**	**-1,157**	**-1,147**
Capital Financing Costs	Interest Payments	961	961	952	1,092	1,289
	Debt Management Expenses	1,343	1,343	1,273	1,420	1,701
		2,304	**2,304**	**2,225**	**2,512**	**2,990**
Budget		**42,892**	**42,892**	**41,213**	**42,637**	**43,630**

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ROLE OF THE CHIEF FINANCIAL OFFICER AND THE TREASURER

Report of the Chief Fire Officer

Date: 25 September 2015

Purpose of Report:

To set out for Members the respective roles of the Head of Finance and the independent Treasurer and how these two officers work together to achieve compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) best practice paper on the role of the Chief Financial Officer.

The report also sets out the financial principles and the delegation profiles in relation to finance.

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1. BACKGROUND

1.1 The recent restructure of the Strategic Management Team and the appointment of a new independent Treasurer creates an opportunity for the Fire Authority to review its compliance with CIPFA's guidelines for the Chief Financial Officer and to refresh the existing financial principles and delegation profiles document to fit the new structure.

1.2 CIPFA set out their view of the role and responsibilities of the Chief Financial Officer. Nottinghamshire and City of Nottingham Fire and Rescue Authority has both a Head of Finance and an independent Treasurer who between them hold all of the responsibilities set out in CIPFA's standard. It is therefore important for the good financial governance of the Authority that the roles of these two officers are understood and that they comply with the most recent CIPFA statement on the role of the Chief Financial Officer. This is to ensure not only compliance with the CIPFA standard but also to ensure legal compliance under various statutes.

1.2 This paper sets out the responsibilities and obligations of the Authority in respect of financial governance and goes on to describe how these are met under the current governance structure.

1.3 Appendix A sets out the financial principles and delegation profiles of the Authority

2. REPORT

Regulatory Framework

2.1 The role and responsibility of the Treasurer has been developed by case law in England and Wales and most notably in the case of the Attorney General v De Winton 1906 where it was established that the Treasurer is not merely a servant of the Authority, but holds a fiduciary responsibility to local taxpayers. This creates a duty under the law for the Treasurer to always act within the law even if this means acting against the instructions of the Authority itself. This in turn creates a situation where the advice of the Treasurer in relation to financial matters, in so far as they relate to compliance, cannot be ignored or over ruled.

2.2 The Treasurer then is placed in a position where s/he must ensure compliance with the regulatory framework which includes:

> Section 151 of the Local Government Act 1972 – England and Wales requires that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

"proper administration" requires a wide consideration of all aspects of local authority financial management and should include:

compliance with the statutory requirements for accounting and internal audit

ensuring the Authority's (and ultimately its members') responsibility for securing proper administration of its financial affairs (Lloyd v McMahon (1982) AC 625)

proper exercise of a wide range of delegated powers both formal and informal (Provident Mutual Life Assurance Association v Derby City Council (1981) 1 WCR 173)

responsibility for managing the financial affairs of the local authority in all its dealings

recognition of the fiduciary responsibility owed to local taxpayers (Attorney General v De Winton (1906) 2 CH 106).

2.2 This view is strengthened by Section 113 of the Local Government Finance Act 1988 which requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body.

2.3 Section 114 of the Local Government Finance Act 1988 – England and Wales requires a report to all the Authority's members to be made by the S151 Officer, in consultation with the Council's Monitoring Officer, if there is, or is likely to be unlawful expenditure or an unbalanced budget.

2.4 The introduction Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Chief Finance Officer (Treasurer for Fire Authority) as defined in that subsection to report certain matters to the Authority.

2.5 Serious consequences could follow making such a report and this note recommends sound procedures and consultation particularly with the authority's Clerk, if that person is not the Monitoring Officer (in addition to consultation with the Chief Fire Officer and the Monitoring Officer as required by law) prior to making the report.

2.6 The duty of the Treasurer to report is triggered if s/he believes that a decision involves (or would involve) unlawful expenditure or:

a course of action is unlawful and is likely to cause a loss or deficiency

or;

an entry of account is unlawful.

In those circumstances the Treasurer is required to make a report to the Authority and send a copy to every member and the external auditor. The course of conduct which led to the report must not be pursued until the full Authority has considered the report. The Authority must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take.

2.7 Likewise the Treasurer must report to the Authority where s/he believes that the Authority's expenditure is likely to exceed available resources. The Authority is prevented from entering into any agreements incurring expenditure until the Authority has considered the report. This provision is intended to assist in the provision of sound legal (and financial) advice to members of the Authority but in the last analysis the duty to make a part VIII report is placed on the Treasurer. The legislation clearly raises issues that could place the Treasurer in conflict with his or her employers.

2.8 The consequences of submitting a part VIII report are unlikely to be in the long term interests of the Authority, its officers (or even local government generally) if many have to be made. The need to issue a number of S114 reports would also indicate that there are underlying problems with the overall performance of the Authority. Every action should be taken to avoid conflict by providing timely advice to elected members and where possible offering alternative lawful solutions on financial matters. However, at the end of the day Section 114 imposes a statutory duty on the Treasurer.

2.9 The Local Government Act 1972, requires every Authority to "secure that one of their officers has responsibility for the administration of those (financial) affairs". There is no definition of "officer". It is thought that the term "staff" and "officer" in the Local Government Act 1972 and elsewhere, are intended to embrace all employees of local authorities.

2.10 The Treasurer and the Chief Financial Officer will also need to be aware of:

- Codes of practice;
- Codes of professional ethics for individual accounting institutions;
- International reporting standards;
- International ethics standards board for accountants

CIPFA's Five Principles

2.11 CIPFA have set out five principles that define core activities and behaviours that belong to the role of the Chief Financial Officer

1. The Chief Financial Officer should be a key member of the Leadership Team, helping the organisation to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.

2. The Chief Financial Officer must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the organisation's financial strategy

3. The Chief Financial Officer must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

4. To deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced to be fit for purpose; and

5. The Chief Financial Officer must be professionally qualified and suitably experienced.

Principle 1 - as a member of the leadership team

2.12 The Chief Financial Officer must have a direct reporting line to the Chief Executive and not through or via other officers. The Chief Financial Officer should be seen to have equality of status with other members of the team.

2.13 Strategic planning needs to be based on an understanding of the external political landscape, the Authority's demand and cost drivers, and the need to manage and fund longer term commitments on a sustainable basis. Finance translates ambitions and goals across the Authority into a common language, so the Chief Financial Officer must share in the strategy development and implementation responsibilities of the Leadership Team. These include supporting elected representatives under the proper governance arrangements, and the Chief Financial Officer must be in a position to provide unfettered advice to elected representatives to inform their decision making.

2.14 As well as having the fundamental concern for probity and control, the Chief Financial Officer must be proactive in managing change and risk, be focussed on outcomes, and help to resource the Authority's plans for change and development in the public services it provides.

2.15 Local authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term. Maximising public value involves an appreciation of user needs, expectations and preferences, and the planning process must allow for their involvement and influence. The overarching long term need to match financial resources to the Authority's purposes and policies, within constraints of affordability, mean that the Chief Financial Officer must contribute actively to corporate decision making.

2.16 Public finance is complex and highly regulated, and the Chief Financial Officer must contribute expert technical advice and interpretation. The Chief Financial Officer must act in the public interest, even if necessary against a perceived organisational interest. In local authorities, this professional obligation is given statutory backing, and a fiduciary duty is established in case law. Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". The Chief Financial Officer's duties in England and Wales were significantly extended by Section 114 of the 1988 Act which requires a report to all the local authority's members to be made by that officer, in consultation with the Monitoring Officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

2.17 As holders of the 'red card', the Chief Financial Officer must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the Authority remains in sound financial health. To ensure that the necessary corrective action is implemented, the Chief Financial Officer must have direct access to the Chief Executive, other Leadership Team members, the Audit Committee and also to external audit.

How the Fire Authority complies with the first principle

2.18 CIPFA go on to set out specific requirements for each of principle. These requirements are quite detailed and have been considered in detail.

2.19 The job descriptions of both the Head of Finance and the Treasurer have been written to ensure that all of CIPFA's requirements are met and the financial principles and delegation profiles set out where the relative responsibilities and accountabilities lie.

Principle 2 - responsibility for financial strategy

2.20 No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the Chief Financial Officer must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality by aligning financial planning with the vision and strategic objectives for the Authority. Within the overall corporate governance and management structure, the Chief Financial Officer has direct responsibility for leading development and implementation of the financial strategy necessary to deliver the Authority's strategic objectives sustainably.

2.21 The Chief Financial Officer must therefore work closely with decision makers to establish a medium to long term strategy that ensures the financial sustainability of the Authority.

2.22 The Chief Financial Officer must also develop and manage resource allocation models to optimise service outputs and community benefits within funding constraints and any tax raising limits. In implementing these models, the Chief Financial Officer must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed.

2.23 The statutory guidance issued by the Secretary of State under the 2000 Local Government Act (England and Wales) advises that local authorities will need to ensure that the Chief Financial Officer and the Monitoring Officer have access as necessary to meetings and papers and that members must consult with him/her regularly. The advice continues that the Chief Financial Officer will have an important role in the management of the local authority in particular by:

- Contributing to corporate management in particular to the provision of professional financial advice;
- Maintaining financial administration and stewardship;
- Supporting and advising all members and officers in their respective roles;
- Providing financial information to the media, members of the public and the community.

2.24 Authorities must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the Chief Financial Officer to be actively involved in, and able to bring influence to bear on all material business decisions whenever and wherever they are taken.

2.25 The Chief Financial Officer must be able to advise the Leadership Team directly, including elected representatives, in order to discharge responsibilities in relation to the Authority's financial health and long term viability.

2.26 The Chief Financial Officer must also work to develop strong and constructive working relationships with elected members, creating mutual respect and effective communication. Providing information and advice to elected officials as a public servant will call on an understanding of ethics, the wider public interest, and diplomacy.

2.27 The Local Government Act 2003 and Local Government Scotland Act 2003 emphasise the importance of sound and effective financial management. In relation to capital financing there is a statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. There is also a statutory duty on the Chief Financial Officer to report to the Authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves. This is a public report. In addition, the Secretary of State in England or the National Assembly for Wales have reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the Chief Financial Officer.

2.28 Chief Financial Officer also has a key role to play in fulfilling the requirements of the statutory duty to keep the Authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

2.29 At all levels in the Authority those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.

2.30 The Chief Financial Officer has an important role in ensuring necessary financial information and advice is provided to the Leadership Team and decision makers at all levels across the Authority. Meaningful financial analysis and robust and impartial interpretation is a key component in performance management, asset management, investment appraisal, risk management and control.

2.31 Although not a specific responsibility of Chief Financial Officers alone, they – along with the Monitoring Officer and Clerk – should be alert to the 'Wednesbury' rules which emphasise the importance of ensuring that when developing policy all relevant matters are properly considered. The judgement in the case stated that an Authority's action in exercise of a statutory discretion would only be regarded unreasonable, in excess of the powers given by Parliament and therefore invalid if:

in making its decision it took into account matters which it ought not to take into account,

or

it did not take into account matters which it should have taken into account,

or

even if the two previous conditions were satisfied the conclusion was so unreasonable that no reasonable authority could ever come to it.

2.32 These principles apply regardless of whether decisions on policy are taken by individual members or collectively. In order to demonstrate that these principles have been observed it is important that policy decisions and the associated advice are – as a matter of routine – well and clearly documented.

How the Fire Authority complies with the second principle

2.33 In addition to the roles set out in the financial principles and delegation profiles documents the Head of Finance is a permanent member of the Strategic Leadership Team and reports directly to the Chief Fire Officer.

2.34 The Treasurer works very closely with the Head of Finance and will see every report to elected members. S/he is also available to the leadership team and elected members for consultations on specific matters.

Principle 3 - financial management

2.35 The Chief Financial Officer must lead the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

2.36 Good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The Leadership Team collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the Chief Financial Officer who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the Authority. The Chief Financial Officer will be instrumental in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the Authority's strategic direction.

2.37 Financial management is the business of the whole Authority. When the Leadership Team, managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create the financially literate and adept Authority. The Chief Financial Officer must actively promote financial literacy throughout the Authority, so that the Leadership Team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.

2.38 The Chief Financial Officer has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities, without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the Chief Financial Officer's role in the local authority.

2.39 With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the public service. Value for money (economy, efficiency and effectiveness) should be the concern of all managers, but the Chief Financial Officer will need to take the lead in co-ordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as:

- Enabling the Authority to measure value for money, and making sure that it has the information to review value for money and performance effectively;
- Advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources;
- Providing leadership in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management, collaborating with others where this is more efficient, effective or economical; and

- Ensuring the rigorous financial appraisal and oversight of change programmes, income generation proposals and investment projects, safeguarding public money

2.40 The Chief Financial Officer must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must determine accounting processes and oversee financial management procedures that enable the Authority to budget and manage within its overall resources. At the most fundamental level this means ensuring robust systems of risk management and internal control, that financial control is exercised consistently, and that the Authority implements appropriate measures to protect its assets from fraud and loss.

2.41 The Chief Financial Officer also has a specific role with regard to stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting. In addition to the Chief Financial Officer's responsibilities to the Authority, a wider role also exists in relation to the general public.

2.42 The Authority is regarded as the trustee of local citizens' money, and the Chief Financial Officer has the prime obligation and duty to them to manage the Authority's resources prudently on their behalf as established in the 1906 de Winton case. In effect this means that the Chief Financial Officer has a personal responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the Chief Financial Officer's role in local government. This role was strengthened by the Local Government Finance Act 1988 (in England and Wales), which requires the Chief Financial Officer to report inappropriate financial management as well as wrongdoing.

2.43 Section 114 of the 1988 Act requires a report to all the local authority's members to be made by that officer, in consultation with the Monitoring Officer and head of paid service if there is or is likely to be unlawful expenditure or an unbalanced budget. CIPFA's view is that the statutory role of the Chief Financial Officer does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the Authority has an interest.

2.44 Accountability for public expenditure is a core requirement for local authorities. They are held accountable by intermediary stakeholders, such as scrutiny groups, service inspectorates and external auditors, and by primary stakeholders: the citizens, service users, funders and taxpayers.

2.45 Managing information flows is a key component of the Chief Financial Officer's role as an ambassador for the Authority on financial matters and in building relationships with stakeholders. The Chief Financial Officer must also provide information and advice to those who officially scrutinise and review the

Authority; funders, regulators, and external audit, and any group which exercises scrutiny internally. The community, taxpayers and the press also expect information.

2.46 Internal audit is an important independent internal scrutiny activity. The Chief Financial Officer must support the Authority's internal audit arrangements and ensure that the Finance and Resources Committee (acting as Audit Committee) receives the necessary advice and information, so that both functions can operate effectively.

2.47 The role of the Chief Financial Officer in external reporting is to meet the reporting requirements relevant to the Authority and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated if the Chief Financial Officer maintains a constructive professional relationship with external auditors and inspectors.

2.48 The Accounts and Audit Regulations 2003 (England and Wales), impose responsibilities on the Chief Financial Officer relating to accounting records and supporting information, control systems and the statement of accounts. A key feature of the Regulations in England and Wales is the requirement for internal audit. Regulation 6 requires that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control'.

How the Fire Authority complies with the third principle

2.49 The Authority complies fully with this principle in so far as the financial principles and delegation profiles cover all the areas set out by CIPFA.

2.50 The only exception is that CIPFA is keen to ensure that elected members are trained in specific financial competencies. Many of the members of the Fire Authority are long serving and well experienced and therefore no formal assessment of training or development requirements has been undertaken. Nevertheless the Chair of Finance and Resources Committee continues to promote training sessions for members which take place throughout the year.

Principle 4 - leading and directing a finance function that is resourced to be fit for purpose

2.51 The Chief Financial Officer in a local authority must lead and direct a finance function that is resourced to be fit for purpose.

2.52 The organisation of finance functions is changing rapidly. Arrangements may also now include outsourced functions, or services shared between organisations.

2.53 Whatever the structure, a strong customer focus both externally and internally must be a key feature of the way the finance function does business. It must support the Authority's broader development agenda, by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

2.54 The finance function must also have a firm grasp of the Authority's financial position and performance. The Chief Financial Officer must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the Authority's activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.

2.55 Section 114(7) of the Local Government Finance Act 1988 requires authorities in England and Wales to provide their Chief Financial Officer with 'such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section (ie: S114) to be performed'.

2.56 The Chief Financial Officer must promote financial literacy throughout the Authority, including championing training and development of relevant skills at all levels. However, the Chief Financial Officer has a particular responsibility for learning and development amongst finance staff in order to ensure that both current and likely future finance skill needs are addressed. This will include identifying the competencies needed by the finance function, including specialist skills, and ensuring it can access the skills and experience to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.

2.57 The Chief Financial Officer must ensure that the Head of Profession role for accountants and finance specialists is properly discharged in order to ensure compliance with regulatory and professional standards.

How the Fire Authority complies with the fourth principle

2.58 The job descriptions of both the Head of Finance and the Treasurer have been written to ensure that all of CIPFA's requirements in respect of this principle are met and the financial principles and delegation profiles set out where the relative responsibilities and accountabilities lie.

Principle 5 - qualifications and experience

2.59 The Chief Financial Officer in a local authority must be professionally qualified and suitably experienced.

2.60 The Chief Financial Officer must be able to demonstrate their own professional standing to exercise financial leadership throughout the Authority. As a member of a professional body, the Chief Financial Officer's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context.

2.61 The Chief Financial Officer must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.

2.62 The Chief Financial Officer must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The Chief Financial Officer must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.

2.63 The officer appointed as the Chief Financial Officer must, by virtue of Section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body.

2.64 The statutory role must be performed by an ‘officer’ of the Authority. Although ‘officer’ is not defined the legal view is that the terms ‘staff’ and ‘officer’ in the Local Government Act 1972 and elsewhere are intended to embrace all employees of local authorities. It is however, permissible for an authority to procure non-statutory financial management services from an individual on the basis of a service contract.

2.65 The Chief Financial Officer must have an understanding and commitment to the wider business, looking beyond narrow financial objectives, to inspire respect, confidence and trust amongst colleagues, inspectors and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.

2.66 The Chief Financial Officer must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment.

2.67 The Chief Financial Officer must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the Leadership Team effectively. The Chief Financial Officer must also have a good understanding of the principles of financial management, and personally set a tone for the Authority that finance matters are a key part of everyone’s job throughout the Authority.

How the Fire Authority complies with the fifth principle

2.68 The Authority will recruit only appropriately qualified and experienced officers to the roles of Treasurer and Head of Finance.

Financial Principles and Delegation Profiles

2.69 In reading this report it will have become clear that the key to compliance with CIPFA's standard is the way that the independent Treasurer and the Head of Finance work together to cover all of the activities that CIPFA recommend. This is achieved by a set of financial principles and delegation profiles which set out clearly which officer is responsible for which function and how those responsibilities are discharged. This document is given in full at Appendix A to this report.

3. FINANCIAL IMPLICATIONS

There are no specific financial implications within this report save for those which relate to good financial governance.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is reporting on matters relating to governance.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The legal implications have been set out within the report and relate primarily to the Local Government Acts in so far as they require "proper officers" to be appointed with specific responsibilities.

8. RISK MANAGEMENT IMPLICATIONS

The establishment of a robust framework for financial governance is essential to the Authority's compliance with various statutes as well as to the financial stability of the organisation. Good governance will not only minimise risks associated with finances but provide and assurance framework for elected members.

9. RECOMMENDATIONS

It is recommended that Members:

9.1 Note the arrangements in place for the compliance with CIPFA's recommendations for the role of the Chief Financial Officer.

9.2 Approve and adopt the key financial principles and delegation profiles set out in Appendix A to this report.

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

None

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

KEY FINANCIAL PRINCIPLES

Statutory Requirements

1. Good financial management is paramount, to which some statutory requirements are relevant. Within these, the Treasurer of the Combined Fire and Rescue Authority (FRA) is responsible for ensuring arrangements for the proper administration of the Authority's Financial affairs (Sec. 151 Local Government Act 1972) and has a personal duty to report on unlawful expenditure or action on unbalanced budgets (Sec. 114, Local Government Finance Act 1988).

Scheme of Financial Management

2. The formal framework for discharging statutory requirements is through the overall Scheme of Financial Management. This comprises:

   (i) Statement of Key Financial Principles
   (ii) Statement of Delegated Responsibilities (Delegation Profiles)
   (iii) Financial Regulations
   (iv) Codes of Practice
   (v) Standing Orders as to Award of Contracts
   (vi) Approved Local Schemes

3. The Scheme will apply to all activities unless specifically exempted. Exemptions shall only come under alternative schemes, approved by the Treasurer.

Financial Management Ethos

4. The overall financial framework will provide managers with freedom and incentives to manage their activities efficiently and effectively, but taking into account the best interests of the FRA as a whole.

5. Financial and management responsibilities will be aligned wherever possible, so that managers are responsible for the financial consequences of their decisions.

6. Systems and procedures will exist to monitor the discharge of financial and management responsibilities. This will include appraisal of performance against financial management/administration accountabilities.

Information Advice and Support

7. The financial advice function will be located within the Finance Section at Service Headquarters.

8. All staff with financial responsibilities should have adequate and appropriate training to enable them to discharge these responsibilities.

Systems

9. The Chief Fire Officer will be responsible for the installation, maintenance and development of the necessary prime systems to provide sound, timely, well presented financial information and advice to budget holders. The prime systems will be the official accepted record of the FRA's transactions and financial position.

   Local systems can only be installed with the approval of the Chief Fire Officer.

10. The Chief Fire Officer will determine the requirements for all key financial services and systems and must approve the provider of all such services. This will include the specification of standards for service management information systems which interface with financial systems.

11. The Treasurer is to be satisfied that the arrangements for financial systems are adequate to support both section 114 and section 151 responsibilities.

12. Principal Officers and budget holders will be expected to develop wider management systems which will contribute to the effective financial management of their activities. Information from other systems and sources which is used in financial decision making must be made available to the Treasurer as required.

Accounts

13. The out-turn records on which all localised financial activities of the FRA will be called to account (e.g. by the external auditor) will be those maintained by the Chief Fire Officer.

14. It is the responsibility of managers to ensure that there is reconciliation of any approved local accounting records on a regular basis to those maintained by the Chief Fire Officer.

Security of Data

15. Accounting records and supporting documentation must be properly secured.

Internal Audit

16. The Treasurer is responsible for maintaining an effective internal audit of all activities of the Authority.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

DELEGATION PROFILES

This document does not consider delegations below the level of the three key officers within the service. The relationships between the Chief Fire Officer, the Head of Finance and the Treasurer are key to providing a proper and controlled financial framework for the organisation.

It will be well understood that the Treasurer is a statutory officer of the Fire Authority and the Chief Fire Officer is the head of the paid service and Chief executive officer.

The Chief Fire Officer as will be set out below is effectively responsible for everything that happens within the organisation saving those items which are statutorily reserved for the Treasurer or the Monitoring Officer. In reality of course the Chief will delegate many of these responsibilities to officers within the service and the Head of Finance is the officer to whom he/she will delegate responsibilities in respect of finance. It should be noted however that the Chief Fire Officer will still remain accountable.

The Head of Finance and Treasurer together carry out the role of Chief Financial Officer as set out by CIPFA and this document will serve to add some clarity to that relationship.

At its simplest the division of responsibility between these two officers can be seen as the Treasurer dealing with all matters upon which elected members require assurance whereas the Head of Finance deals with all matters relating to the running of the finances of the organisation on a daily basis. This is of course simplistic but a useful starting point.

Members will seek assurances on matters such as:

- The adequacy of financial systems;
- The robustness of budget estimates;
- The level of reserves and balances;
- Financial implications of various courses of action;
- The robustness of the internal control environment;
- The sustainability of financial plans;
- Compliance with Prudential and other codes;
- The accuracy and adequacy of the financial statements;
- The financial stability of the organisation;
- Legal compliance from a financial perspective.

Members may also seek the assistance of the Treasurer on any other financial matter upon which they require an independent view.

In order for the Treasurer to be able to give a view on any of the above items he/she will require the support and assistance of the Head of Finance but in the final analysis it is the Treasurer's view that is being sought and he/she remains responsible for that.

The Head of Finance will manage all of the day to day business of running the finance department and the provision of advice to officers and Members as appropriate. The Chief Fire Officer is likely to require advice of a strategic nature and will initially look to the Head of Finance to provide this. However it is implicit within the structure that this is an area where there will be some overlap between the Head of Finance and the Treasurer where the Treasurer may also be called upon to advise on certain matters such as policy development.

Whilst the Head of Finance and the Treasurer will naturally work side by side in a number of areas and will usually reach consensus it is nevertheless important to consider primacy where there is disagreement and the strategic managers within the organisation cannot go unadvised. Disagreements as to law or its application can be quickly resolved by these officers but differences of opinion will not. It is important then to revert back to the position of the Treasurer having largely an external role concerned with the authority in the wider sense, and its members but only a small role in internal policy or strategy. It is important therefore that in "internal matters" the Chief Fire Officer retains primacy through his/her officers and cannot be met with a "red card" from the Treasurer.

The following notes set out how these delegations and relationships will work in a practical way:

1. Chief Fire Officer

The Chief Fire Officer will be responsible for:

- Understanding the nature of reporting needed under section 151 and 114 and the delegation arrangements in place to ensure proper performance;
- Establishing an effective monitoring and reporting framework to enable him to properly hold Principal Officers accountable for the discharge of their responsibilities;
- Positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation;
- Installing, maintaining and development of the necessary prime financial systems;
- Determining the requirements for all key financial services and systems and approving the provider of all such services.

2. FRA Treasurer

The FRA Treasurer shall discharge the responsibilities identified under Section 151 and 114 of the Local Government Act 1972 specifically related to:

- Proper financial officer functions;

- Unlawful or unbudgeted expenditure.

Discharge will be effected through the Head of Finance but responsibility will be retained for:

- Dealing with exceptional items;
- Reporting as appropriate to the Chief Fire Officer;
- Raising significant issues of underperformance;
- Reporting to the FRA as appropriate on any items upon which he/she has a statutory duty to report.

The Treasurer will:

- Ensure that a robust monitoring and reporting framework is in place to ensure the proper discharge of his/her S. 151 functions;
- Receive reports from the Head of Finance;
- Positively promote a culture of probity and sound financial discipline and control as requirements of the organisation.

3. Head of Finance

The Head of Finance will act as “client agent” for the Chief Fire Officer over his responsibilities in respect of the following areas :

- Installing, maintaining and developing financial systems;
- Establishing an effective monitoring and reporting framework.

The Head of Finance will also act as Client Agent for the Treasurer over his/her Section 151 and 114 responsibilities.

The Client Agent will be responsible for:

- Setting adequate standards, protocols for budgeting, accounting, systems, and reporting and to establish a framework of monitoring to ensure these requirements are met;

- Positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation;

- Maintaining high standards of financial stewardship of public money;

- Positively promoting Value for Money;

- The review and approval of departmental schemes of delegation;

- Advising officers on the issues and circumstances in which reporting is needed (on both ‘’direct finance and head of profession’’ matters);

- Accepting routine reports from Finance Staff and other Managers;

- The introduction and maintenance of a structured scheme of financial training;

- Entering into such transactions and arrangements that are necessary for compliance with the Fire Authority's Treasury Management policy such that this remains in compliance with the Prudential Code;

- Reporting on an exception basis to the Treasurer.

In addition the Head of Finance shall be responsible for the following statutory and non-statutory functions:

Statutory

- Maintain accurate accounting records throughout the year;

- Prepare final accounts on a ''true and fair'' basis, in compliance with Accounting Code of Practice and instructions from the Treasurer;

- Complete government returns on out-turn information;

- Ensure safe and efficient arrangements exist for the payment of staff and suppliers and the collection and banking of income;

- Provide precept information to Council Tax collecting authorities in accordance with agreed timescales;

- provide information to external auditors.

Corporate (FRA Level)

- Attend agenda meetings, meetings of Committees, meetings of the FRA, as appropriate, representing the Chief Fire Officer;

- Provide budget monitoring reports on a regular basis, both to the Treasurer and to the Chief Fire Officer for presentation to the FRA and/or appropriate committees;

- Prepare budget reports for the Chief Fire Officer to present to the FRA or committees.

- Prepare final accounts reports for the Treasurer to present to the FRA;

- Provide financial advice and information requested by Members, the Chief Fire Officer and the Treasurer;

- Ensure the inclusion of relevant Financial Implications on all reports to the Authority;

- Support the operation of all financial systems and provide advice on their improvement;

- Ensure the framework for collecting accounting and budgeting information is properly maintained;

- Ensure that the financial consequences of all proposed variations in policies and priorities are considered and evaluated, and reported to the Chief Fire Officer and, where appropriate, the Treasurer;

- Complete all grant claims in a timely and accurate manner;

- Complete statistical returns and provide financial information for performance indicators;

- Take an active role in the training and development of staff with financial responsibilities.

- Informing the Treasurer at the earliest opportunity if any significant problems seem likely to arise in a department's finances.

Departmental (Service Level)

- Provide financial advice to the Chief Fire Officer and other staff in the organisation, including the financial aspects of the business planning process;

- Provide monitoring information on a regular basis to assist budget holders to control their budgets;

- To be consulted on all financial matters before decisions are taken. This will exclude the day to day management of devolved budgets over which budget holders have discretion;

- To ensure that any authorised departmental financial systems are compatible with and reconciled to corporate financial systems;

- To ensure that regular and timely reconciliations take place within all financial records, either by departmental arrangements or by use of external providers;

- To issue guidance to ensure that accounting records and supporting documentation kept outside the finance section are properly secured, and periodically monitor the situation on the retention of records.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

REVIEW OF SPECIALIST RESCUE PROVISION

Report of the Chief Fire Officer

Date: 25 September 2015

Purpose of Report:

To advise Members of the current arrangements for specialist rescue provision to enable them to consider future opportunities.

CONTACT OFFICER

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1. BACKGROUND

1.1 Members will appreciate that a great deal of analysis has taken place over the past few months and it is clear that opportunities exist to deliver a specialist rescue provision in a more efficient way.

1.2 In 2007 the Specialist Rescue Team (SRT) was formed following a review of Nottinghamshire Fire and Rescue Service's (NFRS) response to non-fire related incidents.

1.3 As part of the steps taken to improve the specialist rescue provision, all front line appliances were provided with an upgraded capability through the provision of both enhanced equipment and training. Over the preceding years since the formation of the SRT, response crews have therefore developed an increased level of competence in this area.

1.4 Current levels of demand and risk can be found in the latest operational activity report for 2014.

2. REPORT

2.1 The SRT is responsible for broadly four main areas of specialist rescue which are road traffic collisions, animal rescue, water rescue, and rope rescue. The SRT currently provides a county-wide response from two locations, Highfields and Tuxford fire stations.

2.2 The current road traffic collision data shows a county-wide spread of road traffic collisions which occur not only on major roads, but also on minor roads. The rescue capability that exists currently on all front line appliances provides a first response and resolves most of the incidents attended by the service. The Specialist Rescue Unit and the Rapid Response Unit are currently utilised for heavy rescue and for more complex incidents.

2.3 Animal rescue incidents account for a relatively low number of calls, but can be complex in nature relying on a high degree of skill and technical equipment. Generally the incidents are resolved using simple methods and basic equipment, however in a proportion of incidents the complexity requires the full range of skills and technical equipment.

2.4 Flooding incidents have been relatively low over the period since 2009, however data for 2007 shows a totally different overview during major flooding. Flooding can occur from heavy rainfall alone, does not necessarily follow a river course and can be totally random in geographical location. When flooding is discounted, the water incidents tend to follow the River Trent corridor through the City and in to Newark, with exceptions being known hotspots such as fords and other water hazards.

2.5 With the potential for flooding to have a high demand on the Service and the high risk level identified for water/flood rescue, contained within the national and local Community Risk Register, a county-wide water rescue provision utilising front line appliances and crews as a first response, with support from the technical water rescue capability for more complex operations such as rescues, is deployed.

2.6 Rope incidents are an infrequent event but when they do occur they require a high skill level and a substantial amount of specialist equipment where a rapid response may be required to save life. Rope rescue capabilities are utilised to support other specialist rescue capabilities.

2.7 Other capabilities include heavy rescue equipment, hydraulic shoring for trench or building collapse, initial urban search and rescue and national resilience assets.

2.8 In 2015 a review and feasibility study has been carried out and the opportunity to update the delivery model has been identified. The work carried out so far has challenged the need for a separate SRT and has looked at the feasibility of other delivery models.

2.9 A number of areas for consideration have been identified, ranging from a reduction in the current specialist rescue provision to an integration of the specialist rescue capabilities into response locations across the Service.

2.10 The next steps are to enter into formal discussions with employees and their representatives, and to further investigate and analyse identified areas so that firmer proposals and options can be presented to Members at a future Fire Authority meeting.

3. FINANCIAL IMPLICATIONS

3.1 The current staffing costs of the SRT are £1.78 million, therefore significant scope exists to generate efficiencies.

3.2 There is also the potential to reduce costs in non-pay budgets, for example equipment, personal protection equipment and training.

3.3 All financial implications will be identified and reported in full to Members as part of future reports.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

Any changes to the current specialist rescue provision will have implications of a contractual nature and have significant learning and development impacts for the Service. The scale and impact will vary dependent upon the changes made, further details will be presented as part of future reports.

5. EQUALITIES IMPLICATIONS

An equality impact assessment (EIA) has not been undertaken at this stage because a final decision has yet to be made on the options available and therefore the impact cannot be assessed. An EIA will be undertaken when required.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Fire Authority has to satisfy its legal obligations under various legislation, but primarily the Fire and Rescue Services Act 2004 and the Civil Contingencies Act 2004. Any proposals contained within this report will be assessed to ensure the Fire Authority will not be in breach of these legal duties.

8. RISK MANAGEMENT IMPLICATIONS

There is a risk that any changes to the current specialist rescue provision will impact upon the Service's ability to meet its statutory duties to provide a rescue capability. This risk will be mitigated by ensuring that any changes to the current delivery model will be fully risk assessed to ensure the current level of service provided by NFRS will reflect the risk and demand that currently exists or can be reasonably expected to exist in the future.

9. RECOMMENDATIONS

That Members support the Chief Fire Officer to carry out further analysis of the specialist rescue capability, to consult with workforce representatives and to report back specific options to a future Fire Authority meeting.

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

None.

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

PAY POLICY

Report of the Chief Fire Officer

Date: 25 September 2015

Purpose of Report:

To agree a pay policy statement for approval by the Fire Authority, in line with the requirements of the Localism Act 2011.

CONTACT OFFICER

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1. BACKGROUND

1.1 The Localism Act 2011, Section 38(1), places a requirement on 'relevant authorities' to prepare pay policy statements for each financial year. This duty commenced in the financial year 2012/13.

1.2 The Fire Authority is a "'relevant authority' as defined by Section 43(1) of the Act.

1.3 Pay policy statements must articulate an authority's own policies towards a range of issues relating to the pay of its workforce, particularly that of its Chief Officers and its lowest paid employees.

1.4 The pay statement must be agreed by the Fire Authority annually and be published and accessible.

2. REPORT

Requirements of the Localism Act

2.1 The basis for Section 38(1) of the Act reflects the recommendations of the Hutton Report on Fair Pay in the Public Sector, published in March 2011. The Act drew on these recommendations to emphasise the need for accountability, transparency and fairness in the setting of local pay and place a requirement on elected members to take a greater role in determining pay, and that such decisions should be set clearly within the context of the pay of the wider workforce.

2.2 To this end, pay policy statements must be considered by the full Authority and may not be delegated to sub-committee. Any meetings at which pay policy is established must be open to the public.

2.3 Additionally, the full Authority should be offered the opportunity to vote before large salary packages are offered in respect of new appointments. The threshold to be set at packages valued at £100k and to include bonuses, fees and allowances and any benefits in kind.

2.4 The published policy statement must specifically include the approach to the publication of and access to information relating to the remuneration of Chief Officers and Deputy Chief Officers.

2.5 The statement must also set out the policy on remuneration for highest and lowest paid employees and establish the relationship between the remuneration of its Chief Officers and other employees. The Authority does not currently use a pay multiple to establish a differential between the highest and lowest paid employees – ie: the ratio between the highest paid employee and the mean average earnings across the organisation – as a means of illustrating that relationship, and it is not intended that such a pay multiple be established within the current pay policy.

2.6 The policy must also set out the approach to other elements of remuneration, including bonuses, performance related pay and severance payments.

2.7 The policy also needs to set out the position taken on re-engagement of Chief Officers in receipt of a pension (including under a Contract for Services), and any abatement measures in place across the workforce.

2.8 Details of severance payments, including redundancy, must also be explicit within the policy.

2.9 The Statement of Pay Policy is attached as Appendix A to the report.

Pay Policy 2015-16

2.10 The Authority last considered and agreed a Pay Policy in 2014. The attached document updates this policy to reflect policy for the year 2015-16.

2.11 The policy provides a summary of pay policy and practices across the Service and, in particular, details the pay policy for the Chief Fire Officer and other Principal Officers.

2.12 The Statement of Pay Policy is attached as Appendix A. The main changes to the policy are as follows:

- Updates to pay information relating to mean average pay and pay multiples (Paragraphs 1.8 and 1.9);

- Confirmation of national annual pay awards payable in 2014 (Paragraphs 2.4, 3.2, 4.2);

- An update on the number of flexible working arrangements agreed in 2014-15 (Paragraph 5.4);

- Confirmation that compensation payments were agreed in six cases in 2014-15 (Paragraph 6.3). These were all agreed as part of redundancy payments;

- Confirmation that early payment of pension were agreed in six cases in 2014-15 (Paragraph 6.7). These were paid to eligible pension scheme members over 55 as part of voluntary redundancy arrangements;

- Update on employer pension scheme contributions (Paragraphs 2.10.2; 3.7; 4.6).

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

The Service already has in place a number of policies and agreements in relation to pay and remuneration, appointments and severance payments. However, the provisions of the Localism Act 2011 place a requirement on all public bodies to publish such information as a single pay policy and make it accessible to external scrutiny.

5. EQUALITIES IMPLICATIONS

As this is a statement of policy, and will not lead to any amendments to existing policy, no equality impact assessment has been undertaken.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Localism Act places a statutory duty on Authorities to publish an annual Statement of Pay Policy commencing in the financial year 2012-13.

8. RISK MANAGEMENT IMPLICATIONS

As the Localism Act places a statutory duty on the Fire Authority, the Authority must be in a position to publish its agreed position on pay and remuneration each year. A failure to do so may lead to legal challenge.

9. RECOMMENDATIONS

That Members approve the Statement of Pay Policy.

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

None.

John Buckley
CHIEF FIRE OFFICER

Appendix 1

Nottinghamshire and City of Nottingham Fire Authority

Statement of Pay Policy 2015/16

Contents

Introduction

This Statement of Pay Policy is provided in line with Section 38(i) of the Localism Act 2011 and is authorised by the Nottinghamshire and City of Nottingham Fire Authority.

Purpose

The purpose of this statement is to provide transparency to the pay policy adopted by the Nottinghamshire Fire and Rescue Service.

Accountability

The Combined Fire Authority is responsible for establishing the pay policy for the employees of the Nottinghamshire Fire and Rescue Service.

The Combined Fire Authority is directly responsible for reviewing the pay structure for Principal Officers including the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer and Assistant Chief Officer roles.

The Chief Fire Officer has delegated responsibility to establish appropriate gradings and salaries for all other employees of the Nottinghamshire Fire and Rescue Service.

Pay Negotiating Bodies

The Authority applies the annual pay settlements negotiated by:

- The National Joint Council for Local Government Services
- The National Joint Council for Local Authority Fire and Rescue Services
- The National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services

The Authority undertakes negotiations with its recognised representative bodies on local agreements which affects the terms and conditions of its employees and which may include agreement of local allowances.

The Representative Bodies recognised for negotiating purposes are:

- The Fire Brigade's Union
- The Fire Officers Association
- The Association of Principal Fire Officers
- The Retained Firefighters Union
- UNISON

Section One - General Pay Policy

1.1 The Authority applies the pay scales adopted by the respective national Joint Councils for all its employees up to the level of Principal Officer.

1.2 The Authority has adopted the principle of applying the Living Wage rate as the minimum starting point for all substantive appointments. This is subject to annual review by the Centre for Research in Social Policy.

1.3 Local pay arrangements for Principal Officers are established through the provisions of the NJC for Brigade Managers of Local Authority Fire and Rescue Services and are reviewed biennially by the Fire Authority. Further details are set out in Section 2

1.3 The number and level of roles within the Service are determined by the Fire Authority on advisement from the Chief Fire Officer.

1.4 Pay policy reflects the different roles, duties and responsibilities undertaken by Service employees. This is reflected in pay differentials between different groups of workers and between workers in the same pay group. The pay bands established are based on nationally applied role maps (operational employees) or grading bands established through a job evaluation process (support employees).

1.5 Pay policy reflects adherence to the principle of "equal pay for work of equal value". The Service has committed to undertake an independent equal pay audit on a 3-yearly basis as a means of identifying any gender pay issues.

1.7 In applying its policy, the Authority will work to eliminate any elements which may, directly or indirectly, discriminate unfairly on the grounds of sex, race, colour, nationality, ethnic or national origin, age, marital status, having dependants, sexual orientation, gender reassignment, religion or belief, trade union activity, disability or any other factors. Part-time workers receive the same pay and remuneration as full-time workers undertaking the same job role on a pro-rata basis.

Generic pay information

1.8 <u>Mean Average Pay</u>

The mean average pay is calculated based on salary for Fire-fighters, Control and support employees. It does not include Retained Duty System Fire-fighters who are paid according to turn-outs (please refer to section 3.6).

The mean average pay for 2014-15 is £30,216 (as at 01/04/15). This compares to a mean average of £29,333 in 2013-14.

1.9 Pay multiples

The idea of publishing the ratio of the pay of an organisation's top earner to that of its median earner has been recommended in order to support the principles of Fair Pay (Will Hutton 2011) and transparency.

The current ratio is 4.5:1, which compares to 4.9:1 in 2013-14. This will be monitored each year within the Statement of Pay Policy.

Section Two - Pay Policy for Principal Officers

2.1 General Principles

2.1.1 National pay awards negotiated by the National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services are applied by the Authority on an annual basis. This represents a cost-of-living increase.

2.1.2 In addition, a review of Principal Officer pay is undertaken on a two-yearly basis by the Combined Fire Authority. This is managed through the Policy and Strategy Committee and is approved by the full Combined Fire Authority.

2.1.3 This review is undertaken by the Clerk to the Fire Authority and Treasurer to the Fire Authority, who are appointed by the CFA to report to the Authority on the methodology applied and to make recommendations on Principal Officer pay. The last pay review was undertaken in 2014 and supported an increase in pay for Principal Officers equating to 1% in 2014 and 2.8% in 2015.

2.1.4 Principal Officer roles covered by the review include the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer, and Assistant Chief Officer (Director of Finance and Resources).

2.2 Establishing the Pay of the Chief Fire Officer

2.2.1 The National Joint Council for Brigade Managers of Fire Authorities establishes a minimum salary for Chief Fire Officers based upon population size as follows:

Population band 1 : up to 500,00
Population band 2 : 500,001 – 1,000,000
Population band 3 : 1,000,001 – 1,500,000
Population band 4 : 1,500,000 and above (except London)
Population band 5 : London

2.2.2 The population size for the Nottinghamshire Fire and Rescue Service is 1.1m. The minimum payment for the Chief Fire Officer is therefore based upon Population Band 3 which establishes a minimum rate of pay for 2014-15 at £107,803.

2.2.3 The base salary for the Chief Fire Officer role at Nottinghamshire Fire and Rescue Service is currently £140,053 within the range £132,736 to £147,368 per annum. Please refer to paragraph 2.3.1 for further details of pay policy on appointment.

2.2.4 Additionally, a car is provided for business use up to a value of £11,088 per annum. All private mileage is reimbursed to the Authority at HMRC approved rates.

2.2.5 Pension: The Service makes an employer contribution of 21.7%. This is in accordance with the contribution made to all members of the Firefighter's Pension Scheme (1992). The employee contribution for 2015 is either 17% (1992 scheme), 12.5% (2006 scheme) or 13.5% (2015 scheme) of pensionable pay. For employees in the 1992 scheme this is 2% higher than in 2014.

2.3 Local Pay Review

2.3.1 In 2013 the CFA revised the payment for Principal Officers from a single pay point to a 3-point model based upon length of service, as follows:

- Year One of appointment: 90% of full pay
- Year Two of appointment; 95% of full pay
- Year Three of appointment: 100% of full pay

Progression through the pay band is subject to a review of performance.

2.3.2 The CFA has also revised the methodology for the review of Principal Officer pay based upon a comparator for the role of Chief Fire Officer. The review compares the pay levels of comparable Fire and Rescue Authorities in the same Family Group of 18 Fire and Rescue Services, and establishes an average median pay point as a benchmark salary which is taken into account by the Combined Fire Authority when reviewing Principal Officer pay on a 2-yearly basis.

2.3.3 The pay review undertaken in 2013 supported a pay increase of 1% from 1st January 2014 and a 2.8% pay increase from 1st January 2015 to align with comparator roles. The next pay review is scheduled for 2015.

2.4 National Pay Review

The national pay review undertaken by the NJC for Brigade Managers of Fire and Rescue Services applied either an increase of 1% for those earning less than £100k per annum or a flat rate increase of £1,000 for those earning above £100k per annum, with effect from 1st January 2014.

An increase of 1% has been agreed by the NJC, effective from 1st January 2015.

2.5 Other Principal Officer Pay

2.5.1 The Authority has established a policy that Principal Officer roles below that of Chief Fire Officer would be paid as a proportion of the locally agreed Chief Fire Officer base pay rate as follows:

- Deputy Chief Fire Officer - 82.5%
- Assistant Chief Fire Officer - 75%
- Assistant Chief Officer - 65%
  (Director of Finance & Resources)

2.6 Publication of Principal Officer Pay

2.6.1 Details of Principal Officer Pay are published on the Nottinghamshire Fire & Rescue Service internet site. This can be found by clicking on the section About Us>Access to Information>Local Transparency Data>Local Transparency Reports.

2.7 Principal Officer – internal pay comparators

2.7.1 In 2014-15, the lowest paid role within the Service was £15,207 (fte), which reflects the Authority's commitment to the living wage, the highest paid role within the Service is £140,053. The Service does not have a policy of direct correlation between the highest and lowest paid roles i.e. it does not apply a pay multiple in establishing Principal Officer pay.

2.7.2 The ratio of pay between the highest paid employee of the fire service and a median salary is set out in paragraph 1.9.

2.7.3 The pay (including rota allowances) of the most senior officer below Principal Officer (Area Manager) is 71.4% of Assistant Chief Fire Officer pay and 53.7% of Chief Fire Officer pay.

2.7.4 The pay of the most senior support role below Principal Officer (Grade 9) is 47.94% of Assistant Chief Fire Officer pay and 36.04% of Chief Fire Officer pay.

It should be taken into account that the salaries of Principal Officers and other flexi-duty officers reflects a requirement to provide duty cover on a 24/7 rota basis.

2.8 Re-engagement

2.8.1 Principal Officers are subject to the same Re-engagement provisions as other Service employees. These are set out in more detail in Section 5.

2.9 Severance Payments

2.9.1 Principal Officers are subject to the same severance arrangements as other Service employees. These are set out in more detail in Section 6.

2.10 Other allowances

2.10.1 A car is provided for business use to Principal Officers (other than the Chief Fire Officer) up to the value of £8,022 per annum. All private mileage usage is reimbursed at the HMRC approved rate.

2.10.2 Pension: The Service makes an employer contribution of either 21.7% (92 scheme), 11.9% (2006 scheme) or 14.3% (2015 scheme). This is in accordance with the contribution made to all members of the Firefighter's Pension Schemes. The employee contribution for 2015 will be between 16.5% and 17% (92 scheme), 12.1% (2006 scheme) and 13.5% (2015 scheme) of pensionable pay. For 1992 and 2006 scheme members this contribution level is the same as in 2014.

2.10.3 Business mileage is reimbursed using fuel cards.

2.10.4 Subsistence allowances: reimbursement of expenses when working away from the home work base.

2.10.5 All employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees, and access to MRI, PET scans and counselling support. This is at a cost of £52 per employee per annum. Principal Officers are also members of this scheme.

Section Three - Pay Policy for Fire-fighters

3.1 This policy applies to Whole-time, Retained Firefighters and Control staff.

3.2 National pay awards negotiated by the National Joint Council for Firefighters of Local Authorities Fire and Rescue Services are applied by the Authority on an annual basis. This represents a cost-of-living increase. A 1% pay award was applied by the NJC for Local Authority Fire and Rescue Services from 1st July 2014 and 1% from 1st July 2015.

3.3 Pay is based upon the role undertaken and the stage of competence of each individual i.e. trainee, in development and competent.

3.4 A formal assessment of individuals is undertaken at each stage of development before moving to the next salary level. Maintenance of competence is a requirement at all levels of the Service and is reviewed annually.

3.5 Progression between roles is subject to a competitive selection process.

Retained Duty System

3.6 Employees employed on the Retained Duty System are paid an annual Retaining Fee and receive subsequent payments based on attendance at incidents and other activity – these include attendance at drill nights, disturbance fees, turnout fees, attendance fees, training fees, other authorised NFRS duties and compensation for loss of earnings. All payments are made in line with nationally agreed pay scales and rates.

3.7 **Other allowances and payments**

Pension contributions: the Service makes an employer contribution of 21.7 % of salary (1992 scheme), 11.9% of salary (2006 scheme) or 14.3% (2015 scheme) of salary (2015 scheme) for members of the Fire-fighter's Pension Scheme. The employee will make a contribution in 2015 of between 11% and 16% (1992 scheme), or between 8.5% and 11.7% (2006 scheme) or 10% and 13.5% (2015 scheme) of pensionable pay.

Flexible duty payment: under national conditions of service, a flexible duty payment is made to Station Managers, Group Managers and Area Managers who provide flexible duty cover on a 24/7 rota basis and who are available to attend emergency incidents when required, and provide Duty Officer cover. This is paid at an allowance of 20% of base salary.

Area Manager rota payment: under local arrangements, Area Managers are paid a rota payment equating to 11.67% of base salary.

Acting up: An allowance is paid on a daily basis where employees temporarily undertake the duties of a higher graded role. This is paid at the rate applicable to the role being undertaken. Employees must be qualified to undertake the higher level role.

Overtime rates: paid for roles below Station Manager. This is paid a time and a half or double time on public holiday or time may be granted in lieu at the appropriate enhanced rate.

Detachments: paid when operational employees are required to provide cover at other stations. Paid at 2 hours overtime rate.

Recall to duty: paid at a minimum of three hours at double time rates.

Continuous Professional Development Payment (CPD): Under national conditions of service, a CPD payment is approved annually on an individual basis for employees with more than 5 years of service (since attaining competence in role).

This is paid as an annual payment of £885 (whole-time FF-WM), £1062 (whole-time SM-AM) and £221.25 (retained). The payment made to retained duty system employees is paid on pro-rata basis (25% of full value).

The payment is made by application and authorised at a senior management level. To be eligible, an individual must demonstrate evidence of CPD over and beyond that required for competence and have a good attendance, performance and disciplinary record.

Additional Responsibility Allowance (ARA's): may be paid where employees perform duties outside of the national role map. At NFRS, two levels of payment are applied. The lower level is paid at £250 per annum and the higher level at £500 per annum. There are 68 higher level ARA's and 6 lower level in payment at the current time. Payments are conditional upon individual's performing additional duties / responsibilities and maintaining competence in these areas, this may include taking professional or vocational qualifications.

National Resilience Payment: a local payment is made for employees volunteering for crewing of the High Volume Pump, Enhanced Command Support Vehicle and Incident Response Unit which form part of the national resilience network. Volunteers are available on an on-call basis and could be required to operate outside of the county to respond to national emergencies. Current payments are £500 per annum and there are 27 employees receiving this payment, and 3 receiving a higher level co-ordinators allowance of £1000. The payment is funded by national grant.

Special Response Team: a local payment is made for employees volunteering for this tactical response team. Volunteers are available on an on-call basis. Current payments are £500 per annum and there are 59 employees receiving payments.

Incident Liaison Officers: a local payment is made for employees volunteering to be Incident Liaison Officers at Special Response incidents. Volunteers are available on an on-call basis. Current payments are £500 per annum and there are 6 employees receiving payments.

Messing allowance: Paid to station personnel who are responsible for catering arrangements on fire stations.

Spoilt meals: Paid when prepared meals are uneaten as a result of attending an emergency call-out.

Kit Carrying allowance: business mileage rate as per national conditions paid to compensate operational employees who are required to transfer fire kit in their own vehicles.

Travel allowance: a local allowance to cover additional travel costs when an operational employee is compulsorily transferred to another work base. A payment is made of the difference in mileage undertaken and is paid for 3 years (compulsory transfer) or 18 months (promotion).

Essential Car User: A lump sum is paid to employees who are required to use their own vehicles to undertake their job role. This is based on nationally determined allowances.

Business mileage is reimbursed in line with nationally agreed rates.

Subsistence allowances: reimbursement of expenses when working away from the home work base.

Clothing allowance: Paid to Control employees for provision of uniform (where this is not provided by the Service), and to female operational employees for the provision of maternity wear.

Reimbursement of medical fees: this only applies to employees whose service commenced before November 1994. The reimbursement of fees cover dental, optical and prescription fees and are paid at NHS rates.

Health scheme membership: all employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees and access to MRI, PET scans and counselling support. This is at a cost of £52 per employee per annum.

Section Four - Pay Policy for Support Roles

4.1 This policy applies to employees covered by the NJC for Local Government Services and includes all non-operational staff.

4.2 National pay awards negotiated by the National Joint Council for Local Government Services are applied by the Authority on an annual basis if applicable. This represents a cost-of-living increase. A lump sum pay award of between £100- £325 was applied by the NJC for Local Government Services in December 2014, and an average 2.2% increase from 1st January until 31st March 2016.

4.3 The Authority has a locally agreed grading structure, which uses nationally recognised salary points (spinal column points) across 9 grading levels. Each level is comprised of 5 salary points. Movement between grades is through a competitive selection process.

4.4 A job evaluation process, based on the national model, assesses all roles and allocates an appropriate grade according to the duties and responsibilities undertaken. Employees may apply for a review of their grade where permanent, substantial and material changes have increased the level of duties and responsibilities attached to their role. Any substantive changes to grade must be authorised by the Chief Fire Officer and reported to the Authority.

4.5 On an annual basis, employees progress incrementally through their respective grade until they reached the maximum point of their grade. Progression is subject to satisfactory performance.

4.6 **Other allowances and payments**

Pension contributions: the Service makes an employer contribution which equates to 12.6% for all members of the Local Government Pension Scheme. The employee makes a contribution of between 5.5% and 10.5% of pensionable pay depending on their salary band.

Overtime: Paid up to Grade 5, at the rate of time and a half and double time for weekend and public holidays. Time in lieu may be taken as an alternative to payment.

Acting up: An allowance is paid if an employee is required to undertake a higher level role for a period of more than one month.

Honorarium: A discretionary payment may be made, with the approval the Strategic Director – Corporate Support, for duties undertaken outside of the normal job requirements for an extended period of time. The maximum payable is £1000. Any payments above £1000 must be approved by the Fire Authority.

Stand by: Employees required to attend work outside of normal office hours or to be on-call are paid an allowance depending on the nature of the arrangements.

Essential Car User A lump sum is paid to employees who are required to use their own vehicles to undertake their job role. This is based on nationally determined allowances.

Business mileage is reimbursed in line with nationally agreed rates.

Disturbance: Paid when an employee is required to move work location. Actual additional mileage is paid for a period of 4 years.

Subsistence allowances: reimbursement of expenses when working away from the home work base.

Health scheme: All employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees, and access to MRI, PET scans and counselling support. This is at a cost of £52 per employee per annum.

Section Five - Policy on Re-engagement and Pension Abatement

5.1 This applies where individuals retire from the Service, and draw pension benefits, and are subsequently re-engaged into the same or other role with the Nottinghamshire Fire and Rescue Service. The policies set out below apply to all employees, including senior officers of the Service.

5.2 The Service no longer operates a Re-engagement Policy.

5.3 Abatement of pension is applied when employees who retire from Service with pension benefits from the Firefighter's Pension Scheme, are successful in attaining another job with the Service through a competitive process. This means that they may not earn more in the new role than in their previous role when pension and salary are combined. This complies with the provisions of the Firefighter's Pension Scheme.

5.4 The Service operates a Flexible Retirement Policy for employees in the Local Government Pension Scheme (LGPS) which allows employees to take their pension benefits and be re-employed on reduced hours or at a lower grade without abatement of pension. This complies with the provisions of the Local Government Pension Scheme. There were no flexible retirement arrangements made during 2014-15.

5.5 In circumstances in which employees who have taken retirement benefits from the LGPS (either as former NFRS employees or employees of another public sector organisation) apply for a support role with the Nottinghamshire Fire and Rescue Service as part of a competitive selection process and are successful, no abatement of pension is applied.

Section Six - Severance Payments

6.1 In the event of redundancy, the Service applies statutory redundancy payments under the provisions of its Redundancy Procedure. This applies to both compulsory and voluntary redundancy situations.

6.2 In addition, members who are members, or who are eligible to be members, of the Local Government Pension Scheme may be awarded an additional compensation payment under the provisions of the Discretionary Compensation Payments Scheme. This payment is based upon age and length of service. A Discretionary Compensation Payments Board assesses each application to determine whether there are any exceptional personal circumstances to enhance the compensation element of the award. This applies to both compulsory and voluntary redundancy situations. A cap of 66 weeks pay is applied in normal circumstances. This can be increased to up to 104 weeks in exceptional circumstances.

6.3 All recommendations for enhanced payments are subject to agreement by the Human Resources Committee. There were six such compensation awards agreed as part of redundancy payments in 2014-15.

6.4 In exceptional cases, the Chief Fire Officer is authorised to agree a compensation payment as part of a compromise agreement when the employment of an employee is terminated by the Service, or in settlement of a claim. There were no such settlements in 2014-15. Such agreements are subject to confidentiality clauses.

Early payment of pension benefits

6.5 Under the provisions of the Local Government Pension Scheme, employees aged over 55 who are made redundant or who are retired from Service on the grounds of efficiency are awarded early payment of pension benefits.

6.6 In this case, a charge is made against the Fire Authority by the pensions fund, this is referred to as actuarial strain.

6.7 In 2014-15 the Service agreed to the early payment of pension in six cases. All cases were linked to redundancy.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

FIRE CONTROL COLLABORATION

Report of the Chief Fire Officer

Date: 25 September 2015

Purpose of Report:

To update Members on the latest developments regarding fire control collaboration with Leicestershire Fire and Rescue Service.

CONTACT OFFICER

Name :	John Buckley Chief Fire Officer
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Media Enquiries Contact :	Bridget Aherne (0115) 967 0880 bridget.aherne@notts-fire.gov.uk

1. BACKGROUND

1.1 As part of the balancing the budget report to the Fire Authority on 28 February 2014, it was agreed to consider the opportunity for greater collaboration between Leicestershire and Derbyshire Fire and Rescue Services. Following that meeting the Chief Fire Officer received confirmation that Leicestershire wished to engage in considering a shared Control function.

1.2 After the establishment of a Member led joint working group and subsequent meetings with Leicestershire, the Authority, at its meeting of 14 December 2014, agreed to the principle of combining control functions and the formation of an appropriate governance structure.

2. REPORT

2.1 The Tri-Service (Leicestershire, Nottinghamshire, Derbyshire) Fire Control system that is now in use links all three Control Rooms seamlessly and enables each one to mobilise the assets of the other two.

2.2 The Authority recognised that this technology would enable greater collaboration and the ability to generate additional savings through combination of control functions. This was also recognised by Leicestershire and work commenced to progress the concept with joint savings anticipated in the region of £400k per annum for each authority.

2.3 At a meeting held in May, attended by the respective Chairs and Chief Fire Officers, concerns were raised from Leicestershire that there may be issues that could potentially have an impact on the collaboration project progressing. At that time it was agreed to halt the implementation work and revisit the issue in September.

2.4 In early September the Chief Fire Officer engaged in discussion with the Leicestershire Chief Fire Officer, and unfortunately this has lead to a position that Leicestershire is unable to move forward with a combined control function at this time.

2.5 The inability to move forward with the collaboration does not compromise the operational effectiveness of the organisation, however it does remove the opportunity to generate the £400k savings this project had the potential to deliver. This impact will need to be considered in future budget deficit work-streams.

2.6 A similar report is being presented to Leicestershire Fire Authority and co-ordinated briefings will be undertaken with employees and their representatives.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report, however the inability to create savings from this project will need to be factored into ongoing work-streams regarding the future financial deficit.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no direct implications arising from this report, however officers are conscious of the impact of uncertainty on staff and this will be factored in to employee briefings.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken as this report does not propose any changes to Service 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

The inability to generate savings from the collaboration project means that other work will need to move forward to address the budget deficit in a timely manner. The Chief Fire Officer is aware of this, and other reports elsewhere on the agenda have the potential to address the issue in the short term.

9. RECOMMENDATIONS

It is recommended that Members:

9.1 Note the inability to progress the Control Collaboration project with Leicestershire Fire and Rescue Service; and

9.2 Dissolve the Member led working group and governance structure to oversee the implementation and long term delivery of the Control function.

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

None.

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

COMMITTEE OUTCOMES

Report of the Chief Fire Officer

Date: 25 September 2015

Purpose of Report:

To report to Members the business and actions of the Fire Authority committee meetings which took place in July 2015.

CONTACT OFFICER

Name :	John Buckley Chief Fire Officer
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Email :	john.buckley@notts-fire.gov.uk
Media Enquiries Contact :	Bridget Aherne (0115) 967 0880 bridget.aherne@notts-fire.gov.uk

1. BACKGROUND

As part of the revised governance arrangements the Authority has delegated key responsibilities to specific committees of the Authority. As part of those delegated responsibilities, the chairs of committees and the management leads report to the Authority on the business and actions as agreed at Fire and Rescue Authority meeting on 1 June 2007.

2. REPORT

The minutes of the following meetings are attached at Appendix A for the information of all Fire Authority members:

Community Safety Committee	03 July 2015
Finance and Resources Committee	10 July 2015
Human Resources Committee	17 July 2015
Policy and Strategy Committee	24 July 2015

3. FINANCIAL IMPLICATIONS

All financial implications were considered as part of the original reports submitted to the committees.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

All human resources and learning and development implications were considered as part of the original reports submitted to the committees.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to update the Fire Authority on the outcomes of committee business.

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 directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

The Service's performance in relation to matters addressed through the committee structure is scrutinised through a range of audit processes. The Service needs to continue to perform well in these areas as external scrutiny through Comprehensive Performance Assessment and auditors' judgement is key to future Service delivery.

9. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY - COMMUNITY SAFETY COMMITTEE

MINUTES of the meeting held at Fire and Rescue Service Headquarters, Bestwood Lodge, Arnold, Nottingham, NG5 8PD on 3 July 2015 from 10.02am to 11.01am.

Membership

Present	Absent
Councillor Eunice Campbell (Chair)	Councillor Mike Pringle, Substituted by Councillor Malcolm Wood
Councillor Brian Grocock	
Councillor Ken Rigby	
Councillor Roger Jackson	
Councillor Eunice Campbell (Chair)	
Councillor Dave Liversidge	
Councillor Malcolm Wood	
Councillor Malcolm Wood (substitute for Councillor Mike Pringle)	

Colleagues, partners and others in attendance:

Wayne Bowcock - Deputy Chief Fire Officer
Catherine Ziane-Pryor - Governance Officer

1 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Mike Pringle, for whom Councillor Malcolm Wood substituted.

2 DECLARATIONS OF INTERESTS

None.

3 MINUTES

The Committee confirmed the minutes of the meeting held on 27 March 2015 as a true record and they were signed by the Chair.

4 PRIMARY AUTHORITY SCHEME

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which updates members on the Primary Authority Scheme.

The following points were highlighted:

(a) having taken part in the trial since January 2013, Nottinghamshire Fire and Rescue Service (NFRS) is to continue working as a Primary Authority with Boots UK now that the scheme has been adopted within legislation and came into effect on 1 April 2014;

(b) although legislation is clear, interpretation of that legislation by different Fire and Rescue Authorities has meant that some larger companies with multiple business sites have received inconsistent guidance and enforcement advice from the different Fire and Rescue Authorities responsible for the areas in which each premises is sited;

(c) having linked with Boots UK, NFRS will continue to provide advice on fire protection standards which will be applied to all Boots UK premises including those sited in other counties;

(d) other fire and rescue services are aware that NFRS has taken responsibility for providing the core guidance and setting the standards for the company and will refer to these when inspecting premises based within their own boundaries;

(e) if on undertaking a fire safety for enforcement check at a Boots UK premises outside of Nottinghamshire, the attending fire and rescue service have a query or concern, this is raised directly with NFRS as the Primary Authority, which will then check that it complies to the standards agreed, or ensures the concern is addressed;

(f) each Primary Authority is responsible for providing fire safety training to their partner business;

(g) Boots UK have given very positive feedback on the service provided by NFRS although a broader reaching improvement has been suggested regarding communication between primary authorities. It is predicted that communications will improve once a central database is operational;

(h) it is proposed that further business partners are engaged with NFRS, through the Primary Authority Scheme;

(i) all costs for the Primary Authority service provided to the partner business are covered from the business.

Councillors suggested that the Finance and Resources Committee consider undertaking a review to ensure that the Primary Authority Program is cost neutral to NFRS.

RESOLVED

(1) **to note the requirement to comply with the Primary Authority Scheme under the obligations within the Regulatory Reform (Fire Safety) Order 2005;**

(2) **to endorse Nottinghamshire Fire And Rescue Service expanding the delivery of the Primary Authority Scheme to other businesses from April 2015.**

5 EMERGENCY FIRST RESPONDING

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which informs members of a trial of the Emergency First Responder Scheme (EFRS) with East Midlands Ambulance Service (EMAS) at Harworth and Newark Fire Stations.

(a) the Service has been involved in community emergency first responding with EMAS for the past 14 years but only in a limited capacity involving four fire stations;

(b) Under the existing scheme, a responder car is kept at the fire station and collected by retained fire staff when called to a non-fire medical emergency incident. At the same time EMAS dispatch an ambulance to provide support at the incident;

(c) a refreshed trial scheme, which started on 1 April 2015 and will run for six months, involves two firefighters attending emergency calls in a blue light equipped response vehicle which is kept with the on-call retained firefighters, either at their home or place of business. Crews are mobilised directly by EMAS Control if the incident is within six minutes travel of the crew, who can then provide emergency medical assistance;

(d) it is emphasised that emergency fire cover is not compromised and EMAS continue to dispatch a support crew to the incident;

(e) EMAS provides training and overarching clinical governance, in addition to contributing to the use of the vehicle and the whole cost of one firefighter as this aligns with the EMAS lone responder policy;

(f) not all participating Fire and Rescue Authorities choose to deploy two firefighters to an incident, but Nottinghamshire Fire and Rescue Service have found this to be the most appropriate position;

(g) some other Fire And Rescue Services have decided not to provide a responder car but attend incidents with a fire appliance and a full fire crew;

(h) the University of Hull and Vanguard Consultants Ltd will evaluate the effectiveness of the trial and this will be reported back to this Committee.

Members welcomed the positive effect of the scheme during the first month of the trial, during which 23 incidents were attended, but are concerned at the financial impact on the Service of providing two firefighters when the cost of only one is covered.

RESOLVED to note the report and receive a further report on conclusion of the trial period.

6 SERVICE DELIVERY ACTIVITY

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which updates members on the service delivery activity relating to 'prevention, protection and response' which are identified as priorities within the Integrated Risk Management Plan 2014 to 2019 and the Service Delivery Business Plan.

The following points were highlighted:

(a) Community Safety Priorities are:

  i. 'Persons at Risk;
  ii. Road Safety;
  iii. Older Persons, and;
  iv. Education;

(b) the Person's at Risk Team (PART) has been established to work with partner agencies, ensuring that information is shared, and on specific Service priority activities which are outlined within the report;

(c) other partnership working includes engagement with the Multi-Agency Safeguarding Hub (MASH) and the City and County Safeguarding Boards;

(d) work continues to engage and educate new and emergency communities, both with regard to domestic and business safety and enforcement. This includes a BME Support Officer and a Business Education Advocate, supported by Nottingham University foreign language Students, engaging with target groups;

(e) inter-partner staff development on community safety awareness has resulted in members of Nottinghamshire Police taking part in a work-placement period with the PART;

(f) the Safety Advisory Groups (SAG) consider and work in partnership (Councils, Police, and Fire and Rescue Services) to identify potential risks and agreeing measures to avoid them, at specific venues and events such as football stadia, sports grounds and large public events;

(g) As discussed in a previous agenda item, the First Responder Scheme continues with an additional pilot testing refreshed arrangement;

(h) crews continue to deliver a range of safety packages to school children;

(i) the Player Street fire on 30 March 2015, which lasted 12 days, at its height required approximately 20 fire crews, including crews and appliances from neighbouring Fire and Rescue Authorities under the Mutual Strategic Cover Agreement. This enabled 283 other incidents to be responded to during the Player Street fire;

(j) there were 3 fire deaths in the past year, all of whom were vulnerable people;

(k) 506 road traffic collisions were attended and 12 people died on the roads;

(l) road safety will continue to be a priority in the Community Safety Strategy 2016-2019.

It is noted that the Service will be attending the ‘999 Emergency Services Day’ to be held on 30 August 2015 at Clumber Park.

RESOLVED to note the report.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

FINANCE AND RESOURCES COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 10 July 2015 from 10.00am to 10.46am

Membership
Present
Councillor Malcolm Wood (Chair)
Councillor John Clarke
Councillor Gordon Wheeler
Councillor Liz Yates (Substitute for Councillor Chris Barnfather)
Councillor Darrell Pulk (Substitute for Councillor John Allin)

Absent
Councillor John Allin, Substituted by Councillor Darrell Pulk
Councillor Chris Barnfather, Substituted by Councillor Liz Yates

Colleagues, partners and others in attendance:

Neil Timms	-	Assistant Chief Officer for Finance and Resources
Sue Maycock	-	Head of Finance
Catherine Ziane-Pryor	-	Governance Officer

1 APOLOGIES FOR ABSENCE

Councillor Chris Barnfather for whom Councillor Liz Yates is substitute;
Councillor John Allin, for whom Councillor Darrell Pulk is substitute.

2 DECLARATIONS OF INTERESTS

None.

3 MINUTES

The Committee confirmed the minutes of the meeting held on 17 April 2015 as a true record and they were signed by the Chair.

4 REVENUE AND CAPITAL MONITORING REPORT TO MAY 2015

Neil Timms, Assistant Chief Officer for Finance and Resources, presented the report which informs members of the financial performance of the Service in the year 2015/16 to the end of May 2015.

The report identifies areas of overspend and underspend against the approved budget and provides explanations as to why these variances have occurred.

In summary the following underspend and overspend were outlined:

Revenue Budget	Underspend	overspend
Whole Time Pay		£47,000
Retained Pay		£68,000
Administrative and Support Pay	£54,000	
Indirect Employee Expenses		£17,000
Premises	£50,000	
Fuel		£78,000
Supplies and Services		£68,000
Support Services		£20,000
Capital Financing Costs	£131,000	
Income	TBC	TBC
Industrial Action		£11,000 to date

The following points were highlighted:

(a) there is an overall variance of 1% underspend on the revenue budgets;

(b) although fuel can be seen to be an overspend, this is not necessarily the case and is a reflection of the way in which fuel purchase is recorded. This is to be addressed and the new recording system agreed to be able to account for fuel as it is used and not whilst it is held in reserve tanks;

(c) the Capital Programme to 2015/16 has been approved by members at £3,407,000;

(d) it is very early in the financial year to be reporting on the capital programme and to date £202,000 has been spent;

(e) it is not possible to release the new appliances until the new radios can be fitted;

(f) the Tri-Service Control is scheduled to go live in September 2015 as part of a phased implementation.

Councillor's questions were responded to as follows:

(g) a property tour would be exceptionally useful for members to see and understand the condition of some stations and the proposals to rebuild;

(h) the budget is phased accordingly to take account of seasonal peaks and troughs.

The question was raised by a Councillor, as to how long ago the Terms and Conditions of employment for the Service had been reviewed and suggested that, in the current difficult financial climate for the Service, a review be considered.

RESOLVED

(1) to note the report;

(2) for an extract of this minute, specifically regarding a suggested review of Terms and Conditions, be forwarded to the Chair of the Human Resources Committee and the Chief Fire Officer.

5 PRUDENTIAL CODE MONITORING REPORT TO 31 MAY 2015

Neil Timms, Assistant Chief Officer for Finance and Resources, presented the report which informs members of the performance for the two-month period to 31 May 2015 with regard to the Prudential Indicators for Capital Accounting Treasury Management, illustrating that the Authority is complying with Prudential limits.

It is noted that that the Authority is not currently entering into any new borrowing, has not done so since 2010, and will not do so until it is necessary, which may be towards the end of this financial year.

RESOLVED to note the report.

6 INTERNAL AUDIT ANNUAL REPORT 2014/15

Neil Timms, Assistant Chief Officer for Finance and Resources, presented the report which provides the only report prepared by the Authority's Internal Auditors, Nottinghamshire County Council.

The following assurances were awarded, with four further audits still in progress:

	Assurance
Migration of Fixed Asset Data (FRS 1501)	Substantial
ICT Strategy (FRS 1502)	Reasonable
Business Risk Management (follow-up) (FRS 1503)	Reasonable
Corporate Governance (FRS 1504)	Substantial
Payroll (FRS 1505)	Substantial

Capital Grant Claim (FRS 1506)	Satisfactory
Loss of Protected Pension Age (FRS 1507)	Substantial
Asset Management (FRS 1508)	Reasonable
Purchasing and Creditor Payments (FRS 1509)	Reasonable
SharePoint (FRS 1513)	Limited

The following points were highlighted and members' questions responded to:

(a) four further audits are yet to be completed including 'Treasury Management', 'Financial Management', 'Cardiff Checks', and 'Pensions';

(b) in auditing terms, a satisfactory rating is the best that can be achieved from an internal audit;

(c) there are no issues or concerns regarding the quality of the audit;

(d) the limited level of assurance issued with regard to SharePoint, is due to its introduction being in the very early stages for the Service. SharePoint will bring IT systems such as the intranet and email together and enable improved sharing of and access to information for the Service. The auditors were invited to examine the proposed process for installing this system, purely to ensure that at an early stage the arrangements are appropriate for the needs of the Service. This has been achieved and the advice provided by the auditors regarding SharePoint, will be adhered to and actioned in time for the next audit.

It is suggested that the Service's IT specialist, Gavin Harris, be invited to a future meeting to better explain the capability and benefits of SharePoint.

RESOLVED to note the report.

7 CORPORATE RISK MANAGEMENT

Neil Timms, Assistant Chief Officer for Finance and Resources, presented the report, updating members on the key risks identified for the Service which will be considered as part of the strategic decision-making process.

The Corporate Risk Register is attached to the report as Appendix A and identifies medium and high level risks.
The 3 highest risks identified in the Corporate Risk Register are as follows:

- mobilising, specifically in respect of the Emergency Services Mobile Communications Project (ESMCP);

- workforce issues, with regard to industrial action;

- use of vehicles on authority business;

In response to members' questions, it is noted that the Service holds public liability but that an additional premium is required as attending any incident which may in some way be connected to terrorism, can void insurance. To prevent this, additional cover is required but this is not predicted to hugely increase the insurance premium.

Members welcomed the public sharing of the risk register.

RESOLVED

(1) to note the contents of the Corporate Risk Register;

(2) to note the assurance by Principal Officers that existing control measures and the progress in the implementation of any further control measures identified as necessary, are effective;

(3) to note the contents of the Strategic Risk Register and consider its contents with regard to medium and long-term strategic decision-making.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

HUMAN RESOURCES COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 17 July 2015 from 10.01am to 11.39am.

Membership

Present	Absent
Councillor Eunice Campbell	Councillor Michael Payne
Councillor Neghat Nawaz Khan	
Councillor Mike Pringle	
Councillor Gail Turner	
Councillor Liz Yates	

Councillor Darrell Pulk (Substitute for Councillor Michael Payne)

Colleagues, partners and others in attendance:

Wayne Bowcock - Deputy Chief Fire Officer
Sue Maycock - Head of Finance
Catherine Ziane-Pryor - Governance Officer

13 APPOINTMENT OF CHAIR FOR THE MEETING

In the absence of the Chair, Councillor Darrell Pulk was appointed Chair for the meeting.

14 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Michael Payne, for whom Councillor Darrell Pulk substituted.

15 DECLARATIONS OF INTERESTS

None.

16 MINUTES

The Committee confirmed the minutes of the meeting held on 12 at June 2015 as a true record and they were signed by the presiding Chair.

17 HUMAN RESOURCES UPDATE

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which updates members on the key human resources metrics for the period 1 April 2015 to 30 June 2015.

The following points were highlighted:

(a) compared to the last quarter, sickness absence was reduced by 13%;

(b) work continues with regard to preventing , and where this is not possible, resolving, musculoskeletal and mental health issues which account for a substantial proportion of long term sickness;

(c) 2 disciplinary actions have been raised;

(d) there are currently six additional whole time posts within the service, this is due to staff moving from a closed station but officers are confident that the pay budgets will be achieved by the end of the year.

Whilst members welcomed the report, especially the reduction in sickness absence, it was suggested that a percentage comparison between Quarter 1 this year and Quarter 1 last year would better reflect seasonal sickness absences.

RESOLVED to note the report.

18 REVIEW OF WORKFORCE PLAN

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which outlines the Corporate Workforce Plan 2014-16 and outlines proposals for the updated plan for 2015-17.

The following points were highlighted and members' questions responded to:

(a) overall staffing numbers have decreased from 1007 to 966 employees during the past year;

(b) there has been an a reduction in whole-time operational posts from 531 to 510 with a temporary over establishment of six firefighters;

(c) the transfer of staff from Mansfield and Highfields stations following a reduction in whole-time crewing, has meant that compulsory redundancies have not been necessary;

(d) it was predicted that 26 whole-time personnel would leave the Service during 2014/15 however only 17 did so;

(e) it was predicted that 26 Retained Duty System staff (RDS) would leave during 2014/15, however 36 personnel left;

(f) is not been necessary to recruit whole-time firefighters but a RDS recruitment campaign during 2014 recruited 23 RDS trainee firefighters;

(g) during 2014/15 there has been a reduction of 8 full-time non-operational support posts;

(h) it was predicted that 15 support personnel would leave the Service during 2014-15 but 24 left;

(i) there was a 7.14% turnover in Control staff during 2014/15 but due to the forthcoming implementation of the Tri-Service Mobilising System in September 2015, fixed term contracts are in place to provide cover and ensure resilience whilst training takes place;

(j) overall absence of whole time and support employees has increased from 5.8 days to 8.25 days per employee, however, 67% of these absences are due to long-term medical conditions with a duration exceeding 28 days;

(k) as there have not been any whole-time recruitment drives, it has not been possible to meet the equalities target of 19% of female new entrants and 10% of BME for new entrants to operational roles;

(l) the Service is now within the top 100 employers of the Stonewall index, recognising the work undertaken to promote lesbian gay and transgender issues within the workforce;

(m) in 2013 the Service gained accreditation as an ‘excellent organisation’ under the Fire Service Equality Framework;

(n) with regard to the 2015-17 Workforce Plan, reductions of approximately £3.47 million are necessary with most of this figure predicted to be found as a result of workforce reductions;

(o) the key areas of workforce issues identified in the revised 2015-17 Workforce Plan are outlined within the report.

Responses to members’ questions and comments included:

(p) with regard to Stonewall, the Service was striving to achieve improvements in equalities not just to achieve a top 100 ranking, but because this was the right thing to do;

(q) during a period of staff reductions and very little recruitment, it has not been possible to focus on achieving equalities targets with regard to staffing. However, the most viable route for pursuing equality recruitment targets is through succession planning;

(r) further consideration should be given to the current equalities targets and whether they are set too high for what can realistically be achieved in today's society when a range of impressively proactive engagement has not enabled the Service to meet the equalities targets set;

(s) this organisation is not alone in struggling to meet equality targets so it is important to share information with partners on the recruitment methods which were successful;

(t) recruitment of retained staff has been slightly relaxed only in that the requirement of living or working 'within five minutes travel of the station' is unrealistic in some rural areas where fewer people are within the immediate vicinity of stations. However, distance from stations has to be restrictive and there has to be a cut-off point as appliances are responding to an emergency;

(u) progress has currently halted with regards to control collaboration with Leicestershire. This position is scheduled for review in September and an update will be provided to Members soon after;

(v) having considered the end of employment terms and conditions of both the County and City Councils and Nottinghamshire Fire and Rescue Service, some Councillors are concerned that there is a significant difference in the 'pay-off period' with Nottinghamshire Fire and Rescue Service providing up to 66 weeks compared to local authorities providing 50 weeks and less. In times of budgetary constraint this significant difference needs to be reviewed;

(w) a national review of terms and conditions was undertaken by Adrian Thomas prior to the election but his report has not yet been released. In addition, the LGA are also considering terms and conditions. The point has been previously discussed within the Finance Team with regard to the budget and employee expenses for which the Authority has control (this does not include pay);

(x) to date to the workforce has been supportive of the financial restraints placed on the Service and the requirements to make savings, however, it is important to ensure that in such difficult times and with further difficult decisions to be made, the workforce continues to support the decisions of the Authority. It is proposed that the best course of action regarding any consideration to changes in Terms and Conditions should primarily be discussed with the Chair of the Human Resources

Committee, the Assistant Chief Fire Officer and Chief Fire Officer, prior to progressing the issue to Committee.

RESOLVED

(1) to note the report;

(2) for a report regarding equality targets to be submitted to a future meeting.

19 HER MAJESTY'S ARMED FORCES CORPORATE COVENANT

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which sought approval to sign the Armed Forces Corporate Covenant.

Historically the Service has supported the Armed Forces community through a voluntary pledge but now have the opportunity to sign the covenant, which includes a core statement of commitment in that:

i. no member of the Armed Forces community should face disadvantage in the provision of public and commercial services compared to any other citizen;

ii. in some circumstances special treatment may be appropriate, especially for the injured or bereaved.

The discipline and qualities of Armed Force’s personnel sit well with the requirements of the Emergency Services and provides all round benefits for the Armed Forces, Emergency Services, communities, and the individual.

The Service currently employs six Armed Force Reservists, some of whom have been deployed to active duty.

During November 2014 the support of the Service was recognised with a silver award from Supporting Britain’s Reservists and Employers (SaBRE). To be considered as qualifying for the Gold award, commitments to the corporate covenant must be shown. Already measures are in place to enhance the Service’s inclusion of ex-forces personnel.

Members are assured that where combat related mental health issues occur, such as post-traumatic stress, support was provided jointly from the Armed Forces and the Fire Service. It is also noted that if a reservist employee is deployed, the military will reimburse the salary costs to the Service.

RESOLVED to approve the signing of the Armed Forces Corporate Covenant, which will be valid for a period of five years.

20 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining agenda item, in accordance with section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemptions outweighs the public interest in disclosing the information, as defined in paragraphs 1 ad 3 of Part 1 of Schedule 12A to the Act.

21 VOLUNTARY REDUNDANCY APPLICATIONS

Wayne Bowcock, Deputy Chief Fire Officer, presented the report regarding applications for voluntary redundancy.

RESOLVED for the recommendations within the report to be approved.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

POLICY & STRATEGY COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 24 July 2015 from 10.00am to 11.28am

Membership

Present	Absent
Councillor Darrell Pulk (Chair)	Councillor Jon Collins,
Councillor Gordon Wheeler	Councillor Brian Grocock,
Councillor Yvonne Woodhead	Councillor Chris Barnfather

Councillor Roger Jackson (substitute)
Councillor Neghat Nawaz Khan (substitute)
Councillor Malcolm Wood (substitute)

Colleagues, partners and others in attendance:

John Buckley - Chief Fire Officer
Malcolm Townroe - Clerk and Monitoring Officer to the Authority
Peter Hurford - Treasurer to the Authority
Richard Harbord - Independent Consultant

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from:

Councillor Jon Collins, for whom Councillor Malcolm Wood was substitute;
Councillor Chris Barnfather, for whom Councillor Roger Jackson was substitute;
Councillor Brian Grocock, for whom Councillor Neghat Nawaz Khan was substitute.

2 DECLARATIONS OF INTERESTS

None.

3 MINUTES

The Committee confirmed the minutes of the meeting held on 17 April 2015 as a true record and they were signed by the Chair.

4 EXCLUSION OF THE PUBLIC

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda item in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

5 EXEMPT MINUTES

The Committee confirmed the exempt minutes of the meeting held on 17 April 2015 as a true record and they were signed by the Chair.

6 ADJOURNMENT OF THE MEETING

At the suggestion of the Chair and with the approval of the Committee, the meeting was adjourned from 10.03am until 10.33am.

7 PROPERTY UPDATE

Malcolm Townroe, Clerk and Monitoring Officer to the Authority, introduced the report.

RESOLVED to approve the recommendations within the report and added to during the meeting.

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By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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