NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham Fire and Rescue Authority

FINAL ACCOUNTS 2013/14

Report of the Treasurer to the Fire and Rescue Authority

Date: 26 September 2014

Purpose of Report:

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

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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 2013/14, 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 2014 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 During 2013/2014 the authority had planned to use £2m of surplus balances to support the Revenue Budget. This would have resulted in a notional overspend of £2m as these balances were used up.

1.4 At its meeting on 27 June 2014 the Fire Authority received a provisional out-turn report setting out that after contributions to earmarked reserves, the estimated out-turn overspend (or use of balances) against the budget would be of the order of £1.554m subject to any accounting adjustments. The final out-turn for the year requires a slightly lower contribution from balances of £1.423m.

2. REPORT

THE CORE STATEMENTS IN THE ACCOUNTS

2.1 There are four core statements in the Statement of Accounts, and these are on Pages 19 to 24 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 £13.4m at 31 March 2014, 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 decrease in the General Reserves of £1.423k 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 £14.5m, this does not represent the cost to taxpayers, as the deficit is adjusted in accordance with accounting regulations to show the net overspend of £1.423m, which is the net overspend against the revenue budget.

2.4 The Balance Sheet shows the value of the Authority's assets and liabilities at 31 March 2014. 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 97 and 98 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 2014 (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 £43.9m for 2013/14 and the end of year position shows an overspend of £1.423m against this budget (a variance of 3.2%), which is £131k lower than the predicted overspend due to accounting adjustments. A detailed explanation of the main reasons for the variance is included within the Treasurer's Foreword in the Statement of Accounts at Appendix A, but the main point to note is that the Authority made a Voluntary Revenue Provision charge of £1.0m and a revenue contribution to finance capital expenditure of £1.6m in the year.

2.9 As indicated above, the Authority continued its strategy of financing capital from the revenue budget to reduce expenditure in future years. The table below shows the overspend 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	43,899	45,323	1,425
Financed By:			
Revenue Support Grant / NNDR	23,743	23,743	0
Council Tax Freeze Grant	234	236	2
Precept from Constituent Authorities	19,921	19,921	0
Net			**(1,423)**

CAPITAL EXPENDITURE

2.10 The Capital Programme for 2013/14 was £8.3m, spending against this was £3.3m leaving an underspend of £5.0m, which was reported to Finance and Resources Committee during the year. The Treasurer's Foreword in the Statement of Accounts includes a detailed analysis and explanation of this variance.

RESERVES

2.11 The total balance of Earmarked Reserves at the end of the financial year was £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, in total, the level of Earmarked Reserves fell by £0.76m in the year.

2.12 Two significant additions were made to Earmarked Reserves in the year: an additional £500k was added to the Organisational Transition (One-off Costs) reserve to help fund future redundancy payments; the sum of £219k was set aside for backlog building maintenance to help ensure that the Authority's estate is maintained in a good state of repair.

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 £391m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes which stands at £378m.

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 overspend for the year of £1.423m, stood at £6.342m at 31 March 2014.

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 appended as Appendix B.

2.18 This is the Trading Company's third full year of trading and the declared profit after taxation is £70,901. Contributions in the region of £48k 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. Cumulative Retained Earnings are £120,758. It is anticipated that a dividend of £15,000 will be paid to the Fire Authority as the sole shareholder. Members are requested to note the out turn.

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 2013/14 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

It is recommended that Members:

9.1 Approve the Statement of Accounts for 2013/14, as attached at Appendix A.

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

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

None.

Peter Hurford
TREASURER TO THE FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham Fire Authority

Statement of Accounts 2013/2014

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2013/14

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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 2013/14, 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 £6.342m in General Reserves as well as £3.804m in Earmarked Reserves as at 31st March 2014.

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 £1,422k overspend for 2013/14.

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 £348.114m, 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 (£390.847m) which at present are funded by Central Government. The underlying financial position of the Fire Authority is a strong one because when this pension liability is excluded, assets exceed liabilities by £42.7m.

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 £936k.

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 £8.442m.

Pension Net Assets Statement

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

Annual Governance Statement

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

Summary of the Year

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

Revenue Income and Expenditure

Revenue expenditure describes the day to day costs of running the Authority and includes items such as employees' pay, running costs of buildings and vehicles and office expenses. The Authority set a revenue budget of £43.899m for 2013/14 and the position at the end of the year shows an overspend of £1,422k. This was a planned overspend, and includes a Voluntary Revenue Provision charge of £1.000m as well as a revenue contribution to finance capital expenditure of £1.652m. Both of these initiatives will contribute towards the on-going budget savings required in future years. The outturn represents a variation to the original budget of 3.2% and the reasons for this variance are explained below.

The 2013/2014 year was another challenging one financially, with the amount of grant funding from Central Government 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 forwards and preserving the Authority's strong, underlying financial position.

	Budget 2013/14 £000	**Actual 2013/14 £000**	**Variance from Budget 2013/14 £000**
Net Expenditure	43,899	45,323	1,424
Financed By:			
Revenue Support Grant / NNDR	23,743	23,743	0
Council Tax Freeze Grant	234	236	2
Precept from Constituent Authorities	19,921	19,921	0
Net			**1,422**

Significant Variances

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

	Overspend £000	Underspend £000
Wholetime Operational Pay	148	
Non-Uniformed Pay		280
Retained Pay		395
Staffing Costs Other	306	
Indirect Employee Expenses		43
Pensions & Redundancy	221	
Building Maintenance	201	
Staff Travelling Allowances		44
Vehicle Leasing & Hire		39
Operational Equipment, Furniture & Materials		187
Other Services		97
Protective Clothing & Uniform		118
Communications & Computing		143
Other Expenses		296
Government Grants		129
Recovered Costs		49
Other Grants, Reimbursements & Contributions		318
Capital Financing	383	
Subtotal	1,259	2,138
Contribution from General Reserves not required	2,065	
Net contributions to / from Earmarked Reserves	218	
Subtotal	2,283	0
Net Total of Significant Variances	**3,542**	**2,138**

Explanation of variances

Some of the variances shown in the above table have occurred as a result of deliberate managerial action to find on-going savings and reduce budgets going forward. For example, vacancies arising in the Non-Uniformed establishment have been reviewed and, in some cases, posts have not been filled to allow the budgets to be deleted next year. In the area of supplies such as equipment expenditure has been cut back with many items now repaired and recycled.

The Authority budgeted to overspend by £2,065k as part of the strategy of using general reserves to finance capital expenditure, thereby reducing on-going revenue budgets. At the end of the year, careful management of budgets had reduced this planned overspend by some £500k.

The Wholetime operational pay budget overspent to maintain crewing levels to cover vacancies for part of the year, whilst the Non-Uniformed pay budget underspent as a result of vacancies. The Retained pay budget has had a trend of underspending over the past few years, which is attributed to the fall in incidents and this budget has been reduced for next year.

Staffing Costs Other includes an unbudgeted item of £298k relating to the taxation charge re loss of protected pension age for two individuals and Indirect Employee Expenses underspent on training by £23k and relocation expenses by £14k.

Pensions and Redundancy overspent by £24k on ill health / injury charges and included charges of £245k on redundancy costs and associated pension strain for Retained and Non-Uniformed staff made redundant in the year or confirmed as being redundant next year.

Premises costs relating to building maintenance were overspent by £201k on backlog maintenance, which was an overspend approved by members during the year and funded by the underspend on pay budgets. Clearing backlog maintenance will help to reduce maintenance costs going forward.

Staff travelling expenses underspent due to vacancies, and the vehicle leasing budget underspent as vehicle leases were not extended in line with assumptions made for the budget. Operational Equipment, Furniture and Materials shows an underspend of £187k and this is mainly due to managers seeking out savings wherever possible.

Other Services incorporates various underspends, including £23k on publicity, £24k on occupational health costs, £23k on uninsured losses and £15k on external audit fees.

Protective Clothing and Uniform is another area where items are being repaired and recycled as much as possible, with savings of £118k arising. There was an underspend of £102k on Communications and Computing in the area of IT maintenance contracts, which will be reviewed in detail next year and public consultation underspent by £78k. FireLink charges overspent by £78k due to a combination of of increasing contract costs during the year, and an accrual for indexation costs advised by DCLG plus the purchase of additional equipment over and above the contract. Telephone costs underspent by £41k with the introduction of new mobile phones at a lower cost and an increasing emphasis on other communication technologies.

The Other Expenses budget mainly relates to a contingency budget which was not required to be used in the year, leaving a surplus of £296k.

The surplus within Government Grants of £129k was due to a new grant being received from Central Government, which was unknown in advance, and additional grant received for FireLink charges to help cover some of the additional costs referred to above.

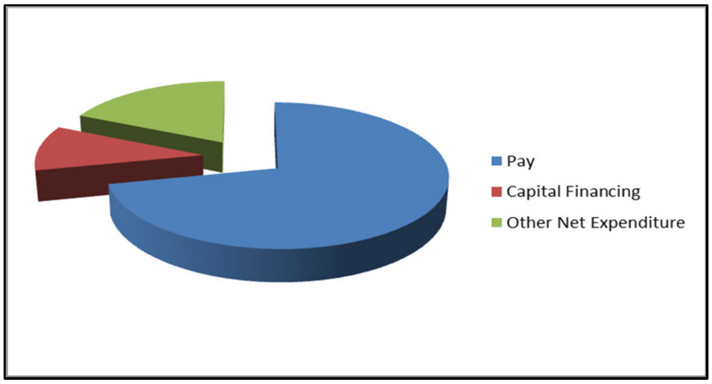
Recovered Costs refers to monies received from other organisations in respect of costs incurred on their behalf. The total surplus was £83k with the related costs shown within various expenditure categories.

Other Grants, Reimbursements and Contributions showed a surplus of £158k in respect of items such as insurance claim income (£46k), car leasing contributions (£40k) and income relating to project costs (£32k), as well as a surplus of £160k in respect of two Government Grants which were unbudgeted.

Capital Financing Charges overspent by a net £383k, which was largely due to an underspend of £581k on revenue contributions as a result of the overall underspend on the capital programme, and the decision made during the year to make a voluntary revenue provision charge of £1,000k.

Within the above variances, the net cost to the Authority of industrial action taken during the year was £140k.

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):

	2013/14 £000s
Fire Appliances	917
Edwinstowe Fire Station	393
Retford Fire Station	626
Refurbishment of Control Room	216
HR System	108
Wide Area Network and Infrastructure	111
Control System	605

The Fire Authority had a Capital Programme for 2013/14, which detailed the capital expenditure projects to be undertaken in the year. A summary of the Capital Programme and actual expenditure for the year is shown below. The Capital Programme amounts include slippage of £3.1m (budgets carried forward) from 2012/13:

	Capital Programme 2013/14 £000	**Actual 2013/14 £000**	**Variance from Budget 2013/14 £000**
Property Programme	4,567	1,300	(3,267)
Transport Programme	2,662	1,056	(1,606)
IT and Communications Programme	1,110	971	(139)
Total	**8,339**	**3,327**	**(5,012)**

Significant Variances

The Property programme underspent by £3.267m. The main reason for this was the delay in purchasing 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 will delay the building project.

The Transport programme underspent by £1,606k and this budget will be slipped forward to 2014/15 to fund the build of four special appliances which started in the year as well as light vehicles.

The Information and Communications Technology programme also underspent during the year, by £139k. Most projects either completed in the year or made good progress, with the HR and Control systems due to go live in 2014/15.

Financing of Capital Expenditure

The Authority did not undertake any borrowing during the year, and repaid £3.064m of debt to the PWLB. The Authority's level of borrowing at the year end was £22m, with £2m of this held as investments and not yet applied to finance capital expenditure. This compares to long term assets on the Balance Sheet valued at £52.2m. The capital financing requirement as at 31 March 2014 is £22.8m, which demonstrates that the current level of net borrowing is prudent.

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

Movements in Debtors and Creditors

There has been only a small increase in debtors over the preceding year amounting to £2k. Of this sum, £504k was a reduction in prepayments in respect of the amount of capital grant for the Tri-Service Control project spent in the year. Counteracting this were three items where the amount of debt outstanding increased: income due for Prince's Trust activity increased by £251k, Council Tax arrears increased by £125k and there was a new debtor for Non Domestic Rates arrears of £172k.

There has been an increase in creditors over the preceding year amounting to £295k. The table belows shows the movements by type of creditor:

	2012/13	**2013/14**	**Inc/(Dec)**
	£000's	**£000's**	**£000's**
Accounts Payable	1579	1533	-46
Sundry Creditors	2632	2973	341
Total	4211	4506	295

Explanation of major movements in creditors:

Sundry Creditors (this relates to goods and services received in the 2013/14 year, but for which invoices had not been received at 31st March). The balance due to creditors has increased by £369k. This is mainly in respect of an amount due to HMRC for loss of protected pension age of £304k and Non Domestic Rates overpayments of £58k. Employees creditors increased by £50k, mainly due to the amount accrued for voluntary redundancies.

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2014/15 and beyond. The effect of this will be that these earmarked reserves will support the 2014/15 budget and allow certain non-recurrent expenditure to take place. Earmarked reserves have been funded from two sources – they either arise from grants or donations received which have not been spent by the end of the year or they are created from a revenue budget underspend. The earmarked reserves held by the Authority are shown in note 9.

Pension Funds

Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability of £390.8m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £378m. The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is paid for by employee contributions and employer contributions. The Department for Communities and Local Government meets any annual shortfall i.e. if the contributions into the fund do not meet the cost of pensions paid in the year. The Authority is required to continue to show the liability in respect of the Firefighter Pension Schemes in its Balance Sheet and notes to the core financial statements.

Other Significant, Material and Unusual Items

The site of the former Dunkirk Fire Station has now been sold and the Authority received £2m for it in the year. This capital receipt has been carried forward and will be used to help finance the next fire station rebuild. The Central Fire Station has been sold subject to contract - it is expected that the sale will complete in 2014/15, with the project to acquire land and build a replacement fire station underway. The move to a new location will better align our resources with areas of higher risk. During the year, Retford Fire Station was demolished, with crews moved into temporary accommodation while a replacement fire station is built.

The project to replace the Authority's mobilising system progressed well in the year. We are working with Leicestershire and Derbyshire on a joint mobilising system which will increase the Authority's resilience and lead to more efficient ways of working.

As part of the plan to move the Authority closer towards plugging the future budget deficit, during the year the programme of voluntary redundancies entered into a second phase, with a number of Non-Uniformed employees leaving either at the end of March 2014 or during next year. In addition, the Retained section at Arnold Fire Station closed, with some retained fire-fighters redeployed to the wholetime duty system and others taking compulsory redundancy. The costs of these redundancies is shown in note 36 and includes pension strain costs for some employees.

The Comprehensive Income and Expenditure Statement shows an item of "Remeasurement on the net defined benefit pension liability". This has changed from a loss of £36m in 12/13 to a gain of £11m in 13/14 due to changes in actuarial assumptions, for example future interest rate and mortality assumptions, etc.

In 2013/14, legislation came into force to allow retained firefighters employed between July 2000 and April 2006 access to a new, modified section of the Firefighters' Pension Scheme. Work will be undertaken early in 2014/15 to identify all of the eligible firefighters and calculate their potential pension benefits. The legislation will not have a direct and immediate financial impact on the Authority because employer contributions are not required to be paid directly by the Authority in respect of retained firefighters opting to join the modified pension scheme, however there may be an impact on the employer contribution rate for the scheme over the longer term.

2013/14 saw a series of industrial actions undertaken by members of the Fire Brigades Union. This was a national programme of action in protest at the Government's proposed pension reforms and has continued into 2014/15. For the 2013/14 financial year, the net cost of this industrial action for the Authority was £140k.

Economic Climate

The financial year 2013/14 saw some improvement in the national economy with a return to growth, albeit at a very low level. Inflation returned to the 2% government target and unemployment fell significantly during the year, although productivity did not keep pace with the growth so there is a very cautious optimism about the economic forecast for next year. Property prices increased in 2013/14 and if this trend continues, it may impact positively on the values of the Authority's fire stations and other buildings, as shown on the Balance Sheet.

The national budget deficit reduced during the year along with a fall in public sector borrowing, but it is still at a very high level and a key focus for the Government so the prospect of the Fire and Rescue Service suffering additional significant reductions in external funding is by far the greatest risk that the Authority has to face at present.

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.

It is a general assumption that Fire and Rescue Services throughout the country may experience increasing demand for their services as the economy shrinks however there is no indication of this so far, in fact incident numbers have continued to reduce over the past year.

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 2014. In addition, details of all transactions over £500 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 2013/14, Nottinghamshire Fire and Rescue Service (Trading) Limited made a profit before tax of £89k.

Plans for 2014/15

Elected Members of the Fire Authority approved a council tax increase of 1.95% for 2014/15, which was the first increase for several years. The revenue budget for 2014/15 has been set at £42.892m, some £1m less than that set for 2013/14. This is part of an overall requirement to reduce budgets over the period to 2016/17 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.

With this in mind the strategy of the Authority has been to use fluctuations in balances to cushion the transitional effect of reductions and therefore to take opportunities to increase these balances whenever possible to support an overall strategy of budget reduction going forward. Government funding for 2015/16 will again reduce and, whilst funding for 2016/17 is not yet known, further reductions are expected so the Authority will continue to re-engineer services in order to keep within the lower overall budget. A new Local Government Pension Scheme comes into force on 1 April 2014 with little immediate financial impact from the Authority's point of view. A new Firefighter Pension Scheme is due to start in April 2015 and I anticipate that over the forthcoming year we will begin to understand the financial impacts of that scheme, so that budget planning can take account of this if required.

A new Integrated Risk Management Plan has been published, which covers the 2014 to 2019 period and seeks to move the Authority forward in developing services within the currect financial constraints. Furthermore a public consultation period will be opening early in the year, to seek the views of the community and other interested parties about closing some fire stations and removing some fire appliances from service, whilst still maintaining a level of fire cover appropriate to the risks identified within the community. It is likely that more redundancies will take place over the next two years to enable the budget deficit to be closed. We are also making plans to share some of our buildings with other public organisations such as local authorities and the ambulance service, which will help to reduce costs from a wider perspective. It is my opinion that this remodelling of the service, supported by the use of reserves, is the most appropriate strategy to implement the changes required and preserve the financial stability of the Authority.

The budget planning work which will take place during the year will continue to seek further savings from within existing base budgets and the Authority will be facing up to the challenge of continuing to provide high quality services and to improve services in accordance with the Integrated Risk Management Plan with a reduced amount of resource. Financial and non-financial performance management will again play a crucial role.

Our two major projects, Tri-Service mobilising system and the new HR system, have made very good progress and are expected to complete this year. We will also be working towards implementing a new duty system, to be known as "Enhanced Crewing", which will improve our fire cover without increasing our overall budget.

The 2014/15 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 capital receipts and capital grants to finance the capital programme in 2014/15, and have the facility to take new borrowing if required.

Finally, I wish to share with you that we have three new members of the Senior Management Team, including a new Chief Fire Officer, John Buckley, appointed from 1 April 2014. The team faces many challenges going forward, but has a wealth of experience within it and a firm commitment to providing the best service possible to the people of Nottinghamshire and the City of Nottingham.

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 2014 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 27 June 2014 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 26 September 2014.

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 NOTTINGHAMSHIREAND CITY OF NOTTINGHAM FIRE AUTHORITY

Independent auditor's report to the members of Nottinghamshire and City of Nottingham Fire Authority

We have audited the financial statements of Nottinghamshire and City of Nottingham Fire Authority for the year ended 31 March 2014 on pages 20 to 111. 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 2013/14.

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 2014 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 2013/14.

KPMG

Matters on which we are required to report by exception

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

- the annual governance statement set out on pages 102 to 109 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Other matters on which we are required to conclude

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. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2013, we have considered the results of the following:

- our review of the annual governance statement; and
- locally determined risk-based work on economy, efficiency and effectiveness.

As a result, we have concluded that there are no matters to report.

Certificate

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

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

INTRODUCTION TO THE CORE STATEMENTS

Movement in Reserves Statement - Page 20

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 22

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

Balance Sheet - Page 23

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 under regulations' .

Cash Flow Statement - Page 24

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 2012/13 Restated	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012	**7,118**	**3,761**	**0**	**1,800**	**12,679**	**(316,419)**	**(303,740)**
Surplus or (deficit) on the provision of Services	(9,041)	0	0	0	**(9,041)**	0	**(9,041)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(32,742)	**(32,742)**
Total Comprehensive Income and Expenditure	**(9,041)**	**0**	**0**	**0**	**(9,041)**	**(32,742)**	**(41,783)**
Adjustment between accounting basis & funding basis under regulations (Note 8)	10,489	0	102	(130)	**10,461**	(10,461)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,448**	**0**	**102**	**(130)**	**1,420**	**(43,203)**	**(41,783)**
Transfers to/from Earmarked Reserves (Note 9)	(802)	802	0	0	**0**	0	**0**
Increase/(Decrease) in 2012/13	**646**	**802**	**102**	**(130)**	**1,420**	**(43,203)**	**(41,783)**
Balance at 31 March 2013	**7,764**	**4,563**	**102**	**1,670**	**14,099**	**(359,622)**	**(345,523)**

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 carried forward	**7,764**	**4,563**	**102**	**1,670**	**14,099**	**(359,622)**	**(345,523)**
Surplus or (deficit) on the provision of Services	(14,525)				**(14,525)**		**(14,525)**
Other Comprehensive Income and Expenditure	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		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**
Increase/(Decrease) in 2013/14	**(1,423)**	**(757)**	**2,033**	**(504)**	**(651)**	**(1,940)**	**(2,591)**
Balance at 31 March 2014 carried forward	**6,341**	**3,806**	**2,135**	**1,166**	**13,448**	**(361,562)**	**(348,114)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 Restated					2013/14		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
5,822	(444)	5,378	Community Safety		6,515	(467)	6,048
40,702	(654)	40,048	Firefighting and Rescue Operations		42,886	(676)	42,210
625	(112)	513	Fire Service Emergency Planning		629	(175)	454
603	0	603	Corporate and Democratic Core		607	0	607
211	0	211	Non Distributed Costs		429	(4)	425
47,963	**(1,210)**	**46,753**	**Cost of Services**		**51,066**	**(1,322)**	**49,744**
0	(3)	(3)	Other Operating Expenditure	10	670	0	670
18,264	(143)	18,121	Financing and Investment Income and Expenditure	11	17,977	(100)	17,877
0	(55,830)	(55,830)	Taxation and Non-Specific Grant Income	12	0	(53,766)	(53,766)
66,227	**(57,186)**	**9,041**	**Surplus (-) or Deficit on Provision of Services**		**69,713**	**(55,188)**	**14,525**
		(2,841)	(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets				(931)
		35,583	Remeasurements on the net defined benefit pension liability				(11,004)
		32,742	**Other Comprehensive Income and Expenditure**				**(11,935)**
		41,783	**Total Comprehensive Income and Expenditure**				**2,590**

BALANCE SHEET

31 March 2013 £000		Notes	31 March 2014 £000
	Property, Plant & Equipment		
40,979	- Land and Buildings	13	40,335
8,022	- Vehicles, Plant and Equipment	13	7,383
2,203	- Assets Under Construction	13	3,143
2,069	Surplus Assets	13	62
250	Intangible Assets	14	239
279	Intangible Assets Under Construction	14	991
53,802	**TOTAL LONG TERM ASSETS**		**52,153**
12,128	Short Term Investments	15	10,065
0	Assets Held For Sale	19	0
294	Inventories	16	372
5,864	Short Term Debtors	17	5,784
864	Cash and Cash Equivalents	18	1,800
19,150	**TOTAL CURRENT ASSETS**		**18,021**
(3,121)	Short Term Borrowings	15	(2,124)
(4,211)	Short Term Creditors	20	(4,422)
(142)	Short Term Provisions	21	(355)
(100)	Other Short Term Liabilities - Finance Leases	35	(53)
(35)	Grants Receipts in Advance - Revenue	32	(28)
(7,609)	**TOTAL CURRENT LIABILITIES**		**(6,982)**
(55)	Long Term Provisions	21	(48)
(22,475)	Long Term Borrowing	15	(20,408)
	Other Long Term Liabilities		
(388,282)	- Pensions Liability	37	(390,847)
(53)	- Finance Leases	35	0
(410,865)	**TOTAL LONG TERM LIABILITIES**		**(411,303)**
(345,522)	**TOTAL NET ASSETS**		**(348,112)**
	Usable Reserves		
7,764	- General Fund Balance	22	6,342
4,564	- Earmarked Reserves	22	3,804
102	- Capital Receipts Reserve	22	2,135
1,670	- Capital Grants Unapplied	22	1,167
	Unusable Reserves		
17,624	- Capital Adjustment Account	23	19,422
11,096	- Revaluation Reserve	23	9,903
(388,282)	- Pension Reserve	23	(390,847)
0	- Financial Instruments Adjustment Account	23	0
84	- Collection Fund Adjustment Account	23	127
(144)	- Accumulated Absences Adjustment Account	23	(167)
(345,522)	**TOTAL RESERVES**		**(348,114)**

CASH FLOW STATEMENT

2012/13 Restated £000		2013/14 £000
9,041	**Net (Surplus)/Deficit on the Provision of Services**	**14,527**
(14,593)	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(19,822)
1,589	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	3,121
(3,963)	Net Cash Flows from Operating Activities (Note 24)	(2,174)
3,929	Investing Activities (Note 25)	(1,926)
2,388	Financing Activities (Note 26)	3,164
2,354	Net Increase or Decrease in Cash and Cash Equivalents	(936)
(3,218)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(864)
(864)	**Cash and Cash Equivalents at the End of the Reporting Period (Note 18)**	**(1,800)**

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 2013/14 financial year and its position at the year end of 31 March 2014. 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 2013/2014 (the Code) and the Service Reporting Code of Practice 2013/2014 supported by International Financial Reporting Standards (IFRS).

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

Accruals of Expenditure and Income

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

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

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

c) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

d) Fees and charges due from customers are recognised as income at the date the Fire Authority provides the relevant services. Debts outstanding at the year end are assessed for evidence of uncollectability based on past events and a charge is made to revenue where the total value of debts for which there is evidence of impairment exceeds a £5,000 de minimis threshold. This policy applies to debts from unpaid fees and charges – council tax debtors are subject to a different policy (see below).

e) Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of cash flows determined by the contract.

Allocation of Support Service Costs

Support services are provided primarily by the Authority itself although some are purchased directly from the constituent authorities. The provision of a Clerk to the Authority is purchased from Nottingham City Council and some limited financial services are provided by Nottinghamshire County Council. The services of the Authority Treasurer are also provided by the County Council.

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

Borrowing Costs

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

Discontinued Operations

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. 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 them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Participation in Pension Schemes

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

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

- The Local Government Pension Scheme (LGPS) is for administrative, support and Control employees and is administered by Nottinghamshire County Council. This is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets.
- The Firefighters' Pension Scheme 1992 (1992 FPS) has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters. It is an unfunded pension scheme, meaning that there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. The cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Department for Communities and Local Government (DCLG). Any surplus funding is paid over to the DCLG.
- The Firefighters' Pension Scheme 2006 (2006 NFPS) is also an unfunded pension scheme. This scheme came into being with effect from April 2006 and its members are retained firefighters and wholetime firefighters. Like the 1992 FPS, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the DCLG and any surplus being paid over to them.
- The Firefighters' Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. The Firefighter Compensation Scheme (FFCS) is treated as an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

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

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

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

Discretionary Benefits

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

Events after the Reporting Period

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

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

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

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

Exceptional Items

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

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. The amortised cost will include any interest accrued and not paid as at the Balance Sheet date. Where the transaction costs of borrowing are immaterial and there is no premium or discount on borrowing and the interest rate is fixed for the loan term, then the actual interest rate has been used to calculate interest payable as this is the same as the effective interest rate. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

A repurchase of borrowing took place in 2006/07 as part of a restructuring of the loan portfolio. The terms of the replacement loan are substantially different from the terms of the replaced loans, so the discount received on restructuring is amortised to the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the shortest duration replaced loan in accordance with the Capital Finance and Accounting Regulations 2007. The balance of the discount after amortisation is held in the Financial Instruments Adjustment Account on the Balance Sheet and the discount was fully amortised during 2012/13.

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.

The Authority had an interest in East Midlands Fire and Rescue Control Centre Limited (formerly trading as East Midlands Fire and Rescue Control Centre, but which has now ceased to trade).The interest was not considered to be material and this company was treated as a related party, with appropriate disclosures shown in the notes to the core financial statements.

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

Inventories (Stocks)

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

Leases

Finance Leases (the Authority as Lessee)

The Fire Authority accounts for leases as finance leases when substantially all of the risks and rewards relating to the leased asset transfer to the Authority. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.
Lease rentals payable are apportioned between:

> A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
>
> A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

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

Operating Leases (the Authority as Lessee)

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease (unless the arrangement specifies a rental pattern which is not straight line, in which case this will be disclosed).

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

Operating Leases (the Authority as Lessor)

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

Non Current Assets

Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

Assets are then carried in the balance sheet using the following measurement bases:

Land and Buildings

These assets are classified as either operational or non operational and valued at fair value which is deemed to be the amount that would be paid for the asset in its existing use (Existing Use Value - EUV). Specialised, operational assets (e.g. Fire Stations) and specialised, non operational, surplus assets are valued at Depreciated Replacement Cost (DRC), which is a proxy for EUV and recognises that for specialised assets there is no market based evidence of fair value. Non operational assets under construction are valued at historical cost. Operational assets which are non-specialised are valued at Existing Use Value (EUV). All assets are revalued every 5 years on a rolling basis by the Nottingham Valuation Office, or more frequently if there have been material changes in value. All buildings are revalued subsequent to major refurbishment works being completed.

Furniture and Fittings

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

Vehicles and Plant

Some of the Fire Authority's fire appliances were originally financed by operating leases. They have been retrospectively redefined as assets financed by finance leases, according to the requirements of IAS 17. Their valuation in the Balance Sheet represents the capital value of the assets less depreciation charged on a straight line basis over the primary lease period.

All other Assets

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (although see section below: Revaluation and Impairment Losses). Where decreases in value and impairments are identified, they are accounted for by:

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

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

Charges to Revenue for Non Current Assets

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

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

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

Depreciation and Amortisation

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

Depreciation is calculated on the following bases:

- Buildings: straight line allocation over the remaining useful life as estimated by the Valuation Office
- IT and Communications Equipment: straight line allocation over 5 years
- Land, 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 5 years

Previously part year depreciation was charged in the years of acquisition and disposal (calculated to the nearest 3 months). This policy has now changed such that depreciation is charged from the start of the month of acquisition. This change of policy has not had a material impact on the amount of depreciation charged in the year.

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

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

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

Revaluation and Impairment Losses

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

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

Disposals and Non Current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Amounts received from disposals are credited to the Usable Capital Receipts Reserve, which will then be used for new capital investment or set aside to reduce the borrowing requirement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Any accumulated balance of gains in the Revaluation Reserve, relating to an asset which has been disposed of, are written out to the Capital Adjustment Account.

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

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

Donated Assets

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

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

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

Intangible Assets

Intangible assets are identifiable, non financial, non current assets controlled by the Authority which do not have physical substance. This Authority has one type of intangible non current asset, which is software. Expenditure on the acquisition of intangible non current assets is capitalised on an accruals basis, provided that it yields benefits for more than one financial year.

The value of assets capitalised is subject to a £30,000 de minimis level. Assets with a value of less than £30,000 will, however, be capitalised if they form part of a larger asset e.g. an ICT project to implement a new system with both hardware and software. Where an asset incorporates both hardware and software, it will be classified as an intangible asset when the majority of the cost is attributable to software – otherwise it will be classified as Equipment within Property, Plant and Equipment.

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

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

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

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

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

Provisions

Provisions are made where an event has taken place which gives the Fire Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year and a provision may then be reversed and credited back to the relevant service if the requirement has changed.

Reserves

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

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

Revenue Reserve

This reserve is the surplus of income over expenditure in the 2013/14 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 22.

Earmarked Reserve

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

Capital Reserves

There are four capital related reserves shown in the Balance Sheet. Of these four reserves the Usable Capital Receipts Reserve and the Capital Grants Unapplied Reserve are cash backed; the remaining two are non cash backed.

The Revaluation Reserve

This represents the total of all fixed asset revaluation gains since 1 April 2007, less any revaluation losses since 1 April 2007 which have been offset against prior revaluation gains for the same asset.

The Capital Adjustment Account

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

The Usable Capital Receipts Reserve

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

The Capital Grants Unapplied Reserve

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

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

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

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

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

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

Value Added Tax

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

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

IFRS 10 *Consolidated Financial Statements*

IFRS 10 Consolidated Financial Statements was issued in May 2011 and outlines the requirements for the preparation and presentation of consolidated financial statements where an entity controls another entity. Control is established as the basis for consolidation and its principles are defined in the standard as:

- Power over the entity i.e. the ability to direct activities which significantly affect the investee's returns.
- Exposure or rights to variable returns from its involvement with the investee.
- Ability to use power to affect the amount of the investor's returns.

The Authority wholly owns Nottinghamshire Fire and Rescue Service (Trading) Limited, which is a limited company. An assessment has been carried out to determine whether or not consolidation is required and the result of that assessment is that whilst the principle of control does apply, the activity of the subsidiary and the related financial transactions and position are not material within the Authority's context, therefore consolidation is not required. This standard will not therefore impact on the Authority.

IFRS *12 Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements*

IFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The objective of the standard is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IAS 27 Separate Financial Statements contains accounting and disclosure requirements for investments in subsidiaries when an entity prepares separate financial statements.

These standards do not come into effect until 2014/15, however, if they had been in force in 2013/14 the following additional disclosure would have been made in the Interests in Companies disclosure note:

"The Authority wholly owns Nottinghamshire Fire and Rescue Service (Trading) Limited, which is a limited company. 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 disclosure note "Related Parties" gives the nature and value of transactions during the year between the Authority and the subsidiary and the Authority's maximum exposure to loss from its interest in the subsidiary is limited to the share capital sum of £1.

The Authority will adopt IFRS 12 and IAS 27 with effect from 1 April 2014.

IAS 32 *Financial Instruments: Presentation*

IAS 32 Financial Instruments: Presentation sets out requirements for the presentation of financial instruments in terms of their classification, as well as clarifying guidance on when assets and liabilities may be offset in the Balance Sheet.

This standard does not come into effect until 2014/15, however, if it had been in force in 2013/14 the following disclosure would have been made:

“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”.

The Authority will adopt IAS 32 with effect from 1 April 2014.

IAS 1 *Presentation of Financial Statements*

IAS 1 Presentation of Financial Statements sets out that the other comprehensive income section of the Comprehensive Income and Expenditure Statement must be presented as line items which are classified by their nature, and grouped between those items that will not be, and those items that may be, reclassified to the Surplus or Deficit on the Provision of Services.

This standard does not come into effect until 2014/15, however, if it had been in force in 2013/14 all of the items shown within the Comprehensive Income and Expenditure Statement under Other Comprehensive Income would have been presented under the heading "Items that will not be reclassified to the Surplus or Deficit on the Provision of Services".

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 around £2.4m by 2016/17. Plans are in progress, including public consultation, to reduce base budgets over the next two 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 2014 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £109k 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

Changes to International Accounting Standard 19 *Employee Benefits* (IAS 19)

A revised IAS 19 applies for accounting periods beginning on or after 1 January 2013. As a result of this revision, some of the comparative figures for 2012/13 have been restated as follows:

Comprehensive Income and Expenditure Statement:

	As previously stated 31 March 2013 £'000s	**As restated 31 March 2013 £'000s**	**Change £'000s**
Cost of Services: Firefighting and Rescue Operations	40,700	40,702	2
Cost of Services	**47,961**	**47,963**	**2**
Financing and Investment expenditure	19,040	18,264	(776)
Financing and Investment income	(1,108)	(143)	965
(Surplus) or Deficit on the Provision of Services	**8,850**	**9,041**	**191**
Other comprehensive income and expenditure: Remeasurements on the net defined benefit pension liability	35,774	35,583	(191)
Other Comprehensive Income and Expenditure	**32,933**	**32,742**	**(191)**
Total Comprehensive Income and Expenditure	**41,783**	**41,783**	**0**

Movement in Reserves Statement - Usable Reserves:

	As previously stated 31 March 2013 £'000s	**As restated 31 March 2013 £'000s**	**Change £'000s**
Balance at 31 March 2012	**12,679**	**12,679**	**0**
Surplus or (deficit) on the Provision of Services	(8,850)	(9,041)	(191)
	10,270	10,461	191
Adjustments between accounting basis and funding basis under regulations			
Increase/(decrease) in the year	1,420	1,420	0
Balance at 31 March 2013	**14,099**	**14,099**	**0**

Movement in Reserves Statement - Unusable Reserves:

	As previously stated 31 March 2013 £'000s	As restated 31 March 2013 £'000s	Change £'000s
Balance at 31 March 2012	(316,419)	(316,419)	0
Other Comprehensive Income and Expenditure	(32,933)	(32,742)	191
Adjustments between accounting basis and funding basis under regulations	(10,270)	(10,461)	(191)
Increase/(decrease) in the year	(43,203)	(43,203)	0
Balance at 31 March 2013	**(359,622)**	**(359,622)**	**0**

Cash Flow Statement:

	As previously stated 31 March 2013 £'000s	As restated 31 March 2013 £'000s	Change £'000s
Surplus or (deficit) on the Provision of Services	8,850	9,041	191
Adjustments to surplus or deficit on the provision of services for non-cash movements	(14,402)	(14,593)	(191)
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,589	1,589	0
Net Cash Flows from Operating Activities	(3,963)	(3,963)	0
Net Cash Flows from Investing Activities	3,929	3,929	0
Net Cash Flows from Financing Activities	2,388	2,388	0
Net Increase or Decrease in Cash and Cash Equivalents	**2,354**	**2,354**	**0**

The Balance Sheet is unaffected. Notes 8, 23 and 24 to the accounting statements show restated comparatives for 2012/13 to reflect the changes made to the core statements.

To aid the reader's understanding, a detailed description of the effects of the changes to IAS 19 is included in note 37 Defined Benefit Pension Schemes.

In addition to the prior period adjustments shown above, some errors have been corrected in the comparative figures shown in a number of disclosure notes. In each case, an explanation of the amendment has been included within the appropriate disclosure note.

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	2013/14 £000	2012/13 £000
Depreciation and Amortisation of Non Current Assets	Expense	3,172	3,427
Capital Grant	Income	(1,088)	(1,487)

7. EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 27 June 2014. 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 2014, 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.

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
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
Use of Capital Receipts Reserve to finance new capital expenditure				0

2013/14	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements				0
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**

2012/13 Restated

	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,360)	0	0	3,360
Revaluation losses on Property Plant and Equipment	934	0	0	(934)
Amortisation of intangible assets	(67)	0	0	67
Capital Grants and contributions applied	1,487	0	130	(1,617)
Gain relating to donated assets	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(99)	0	0	99
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,368	0	0	(2,368)
Capital expenditure charged against the General Fund balances	813	0	0	(813)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the CIES	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:				
Capital Receipts during the year, not applied to the financing of capital expenditure during the year	102	(102)	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	0

2012/13	Usable Reserves: General Fund Balance £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(10)	0	0	10
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(25,334)	0	0	25,334
Employers pension contributions and direct payments to pensioners payable in the year	12,574	0	0	(12,574)
Adjustment primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	86	0	0	(86)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	17	0	0	(17)
Total Adjustments	**(10,489)**	**(102)**	**130**	**10,461**

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 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000
Earmarked Reserves Funded by Grants:							
LPSA Reward Grant	**(395)**	0	0	**(395)**	91	0	**(304)**
Bendigo Project	**(9)**	0	9	**0**	0	0	**0**
Extrication Team	**0**	0	0	**0**	0	0	**0**
Fire Setters	**(28)**	0	15	**(13)**	0	13	**0**
SRB / CAP - Stockhill Community Safety	**0**	0	0	**0**	0	0	**0**
Fire Investigation	**(155)**	1	0	**(154)**	32	0	**(121)**
Safe as Houses - Smoke Alarms	**(22)**	0	0	**(22)**	0	0	**(22)**
Community Fire Safety - Innovation Fund	**(31)**	(173)	0	**(204)**	0	3	**(201)**
Resilience Crewing and Training	**(158)**	24	(122)	**(256)**	49	(95)	**(302)**
Gedling - P.C.T. (Primary CareTrust)	**0**	0	0	**0**	0	0	**0**
Thoresby Estate Charitable Trust	**(5)**	1	(1)	**(5)**	0	(1)	**(6)**
Fire Fighter 4 Life Course	**0**	0	0	**0**	0	0	**0**
Area 4 Committee	**(1)**	0	0	**(1)**	0	0	**(1)**
Fire Prevention Grant	**(173)**	173	0	**0**	0	0	**0**
Vodafone Donation	**(2)**	1	0	**(1)**	1	0	**0**
Enhanced Command Support	**(140)**	0	0	**(140)**	0	140	**0**
CACFO Equal Opportunities	**0**	0	0	**0**	0	0	**0**
Migration Impacts Fund	**(16)**	0	16	**0**	0	0	**0**
Safe as Houses - Safety Equipment	**(3)**	0	0	**(3)**	0	3	**0**
New Burdens FiReControl	**(10)**	5	0	**(5)**	0	5	**0**
Community Safety within Bassetlaw	**(6)**	0	0	**(6)**	0	6	**0**
Gedling Donation	**(3)**	0	3	**0**	0	0	**0**
New Risks Programme DCLG	**(145)**	145	0	**0**	0	0	**0**

	Balance at 31 March 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000
Earmarked Reserves Funded by Grants:							
Enhanced Logistical Support DCLG	**(76)**	34	0	**(42)**	18	0	**(24)**
Precept Support Fund	**0**	0	(27)	**(27)**	0	0	**(27)**
Council Tax Transition Grant	**0**	0	0	**0**	0	(85)	**(85)**
Transparency Grant	**0**	0	0	**0**	0	(3)	**(3)**
SubTotal	**(1,378)**	**211**	**(107)**	**(1,274)**	**191**	**(14)**	**(1,096)**
Earmarked Reserves Created by Revenue:							
Pensions - Ill Health	**(250)**	0	170	**(80)**	0	(50)	**(130)**
Fire Safety - On Fire Fund	**(174)**	34	0	**(140)**	12	0	**(128)**
Princes Trust	**(146)**	86	0	**(60)**	60	0	**0**
Fire Control Transition	**(470)**	109	(500)	**(861)**	487	0	**(374)**
Agresso Development	**(45)**	15	0	**(30)**	12	0	**(18)**
Training BCM & Values	**(13)**	2	0	**(11)**	8	0	**(3)**
ICT Sharepoint / Internet / Intranet	**(97)**	0	0	**(97)**	0	0	**(97)**
Operational Equipment	**(45)**	0	3	**(42)**	0	0	**(42)**
Estates Invest to Save	**(206)**	206	0	**0**	0	0	**0**
Equal Pay	**(20)**	0	20	**0**	0	0	**0**
Scania Flowmeters - SDC	**(7)**	7	0	**0**	0	0	**0**
Fire Cover Review Consultation etc	**(20)**	0	20	**0**	0	0	**0**
Capital Reserve	**(381)**	0	(1,476)	**(1,857)**	777	(75)	**(1,154)**
UKRO Competition	**(5)**	1	4	**0**	0	0	**0**
Organisational Transition - One-off Costs	**(500)**	393	0	**(107)**	73	(500)	**(535)**
Swan Project Ashfield	**(5)**	0	0	**(5)**	4	0	**()**
FEU Conference	**0**	0	(2)	**(2)**	2	0	**0**
Backlog Buildings Maintenance	**0**	0	0	**0**	0	(219)	**(219)**
Fire Cadets Project	**0**	0	0	**0**	0	(12)	**(12)**
Subtotal	**(2,383)**	**853**	**(1,761)**	**(3,292)**	**1,436**	**(856)**	**(2,712)**
Total	**(3,761)**	**1,064**	**(1,868)**	**(4,565)**	**1,627**	**(870)**	**3,805**

10 OTHER OPERATING EXPENDITURE

2012/13 £000		2013/14 £000
(3)	(Gains)/Losses on the disposal of non-current assets	670
(3)	**Total**	**670**

11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 Restated £000		2013/14 £000
1,037	Interest payable and similar charges	944
86	Interest paid in relation to Finance Leases	28
17,141	Net interest on defined pension liability	17,005
(143)	Interest receivable and similar income	(100)
18,121	**Total**	**17,877**

12 TAXATION AND NON-SPECIFIC GRANT INCOME

2012/13 £000		2013/14 £000
23,437	Council tax income and surplus on collection	20,025
22,017	Non domestic rates	3,266
7,737	Pension top up grant	8,446
698	Council tax freeze grant	236
27	Council tax reform grant	0
427	Non ringfenced government grants	14,243
1,487	Capital grants and contributions	1,088
0	Council tax top-up grant	6,234
0	Council tax transition grant	85
0	Small Business rate relief grant	66
0	Capitalisation Provision redistribution grant	75
0	Transparency grant	3
55,830	**Total**	**53,767**

Note: changes to the way local government is financed, with the localisation of Non Domestic Rates from April 2013, has resulted in some variances in the sources of external income shown above. Broadly, the total of Non Domestic Rates and Non Ringfenced Government Grants in 2012/13 (total £22.4m) is comparable with Non Domestic Rates, Non Ringfenced Government Grants and Council Tax Top Up Grant in 2013/14 (total 23.7m). Part of the £23.7m in 2013/14 is to support the fall in Council Tax income due to changes in the Council Tax Support regime.

13 PROPERTY PLANT AND EQUIPMENT

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)**
Derecognition - Other	0	0	0	0	**0**
Assets reclassified (to)/from Assets Under Construction	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**
at 31st March 2013	**40,980**	**8,022**	**2,067**	**2,203**	**53,272**

Comparative Movements in 2012/13:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
	Restated	Restated	Restated	Restated	Restated
Cost or Valuation					
At April 2012	49,187	22,157	1,303	3,367	**76,014**
Additions	1,006	332	0	617	**1,955**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	1,391	0	1,450	0	**2,841**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	532	0	402	0	**934**
Derecognition - Disposals	0	(4)	0	0	**(4)**
Assets reclassified (to)/from Assets Under Construction	0	1,781	0	(1,781)	**0**
Correction of classification	5	(5)	0	0	**0**
At 31 March 2013	**52,121**	**24,261**	**3,155**	**2,203**	**81,740**
Accumulated Depreciation & Impairment					
At April 2012	(9,966)	(14,586)	(556)	0	**(25,108)**
Depreciation & Impairment Charges	(1,175)	(1,653)	(532)	0	**(3,360)**
At 31 March 2013	**(11,141)**	**(16,239)**	**(1,088)**	**0**	**(28,468)**
Net Book Value at 31st March 2013	**40,980**	**8,022**	**2,067**	**2,203**	**53,272**

The Authority implemented a new system for accounting for non current assets in 2013/14. The new system has enabled Gross Carrying Amounts and Accumulated Amortisation to be more accurately calculated, so the comparative figures above have been adjusted. The Net Carrying Amounts are unaffected by this restatement. The Prior Year Adjustments shown in the movements for 2013/14 relate to assets disposed of in previous years and written out of Net Carrying Value only. The adjustments shown are to Gross Carrying Value and Accumulated Depreciation.

Capital Commitments

At 31 March 2014 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 £3,661k. Similar commitments at 31 March 2013 were £1,253k. The major commitments for 2014/15 are:

- Retford Fire Station £1,644k
- Central Fire Station £107k
- Retentions for Property projects £27k
- Flood Response vehicle £66k
- 4 Rescue Appliances £692k
- HR System £34k
- Tri-Service Control system £1,091k

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 2014, covering 9 properties and was carried out by Richard Hemsworth MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The basis 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	7,383	0	**7,383**
Valued at Fair Value as at:				
31 March 2014	9,078	0	0	**9,078**
31 March 2013	8,739	0	0	**8,739**
31 March 2012	4,675	0	0	**4,675**
31 March 2011	16,809	0	62	**16,871**
31 March 2010	1,034	0	0	**1,034**
Total Cost or Valuation	**40,335**	**7,383**	**62**	**47,780**

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 2013/14 £000	Software Under Construction 2013/14 £000	Software 2012/13 £000 Restated	Software Under Construction 2012/13 £000 Restated
Balance at start of year:				
• Gross carrying amounts	593	279	364	0
• Accumulated amortisation	(343)	0	(242)	0
Net carrying amount at start of year	250	279	122	0
Purchases	76	712	195	279
Amortisation for the period	(86)	0	(67)	0
Net carrying amount at end of year	**239**	**991**	**250**	**279**
Comprising:				
• Gross Carrying Amounts	669	991	593	279
• Accumulated amortisation	(429)	0	(343)	0
	239	991	250	279

The Authority implemented a new system for accounting for non current assets in 2013/14. The new system has enabled Gross Carrying Amounts and Accumulated Amortisation to be more accurately calculated, so the comparative figures above have been adjusted. The Net Carrying Amounts are unaffected by this restatement.
In 2012/13, Intangible Assets Under Construction were included within Tangible Assets Under Construction. This error has been corrected and the comparatives have been restated.

15 FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Investments				
Loans and Receivables	0	0	10,065	12,128
Cash and cash equivalents	0	0	1,800	864
Total Investments	**0**	**0**	**11,865**	**12,992**
Debtors				
Receivables	0	0	5,026	5,198
Total Debtors	**0**	**0**	**5,026**	**5,198**
Borrowings				
Financial liabilities at amortised cost	(20,408)	(22,475)	(2,124)	(3,121)
Total Borrowings	**(20,408)**	**(22,475)**	**(2,124)**	**(3,121)**
Other Liabilities				
Finance lease liabilities	0	(53)	(53)	(100)
Total other long-term liabilities	**0**	**(53)**	**(53)**	**(100)**
Creditors				
Financial liabilities at amortised cost	0	0	(4,046)	(3,947)
Total Creditors	**0**	**0**	**(4,046)**	**(3,947)**

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.

	31 March 2014 £000	31 March 2013 £000
Debtors		
Debtors - as shown on Balance Sheet	5,784	5,864
Less: Council Tax and NDR debtors	(758)	(666)
Debtors Classified as Financial Instruments	**5,026**	**5,198**
Creditors		
Creditors - as shown on Balance Sheet	(4,422)	(4,211)
Less: Council Tax NDR prepayments / overpayments	404	299
Grant Receipts in Advance - as shown on Balance Sheet	(28)	(35)
Creditors Classified as Financial Instruments	**(4,046)**	**(3,947)**

Income, Expense, Gains and Losses

	2013/14			2012/13		
	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	944	0	**944**	1,037	0	**1,037**
Total expense in Surplus or Deficit on the Provision of Services	**944**	**0**	**944**	**1,037**	**0**	**1,037**
Interest Income	0	(100)	**(100)**	0	(143)	**(143)**
Differences relating to Financial Instruments (Discount on Debt Restructuring)	0	0	**0**	(9)	0	**(9)**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**(100)**	**(100)**	**(9)**	**(143)**	**(152)**
Net gain/(loss) for the year	**944**	**(100)**	**844**	**1,028**	**(143)**	**885**

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 2014		31 March 2013	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities at amortised cost				
- PWLB Loans	(18,521)	(18,868)	(21,586)	(23,191)
- Other Loans	(4,011)	(3,736)	(4,011)	(3,966)

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 2014		31 March 2013	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	11,864	11,767	12,992	13,015

16 INVENTORIES

	Consumable Stores	
	31 March 2014	31 March 2013 (restated)
	£000	£000
Balance Outstanding at start of year	**294**	**350**
Purchases	494	333
Recognised as an expense in year	(415)	(385)
Written off balances	(1)	(4)
Balance outstanding at year end	**372**	**294**

The amount recognised as expense in the year includes internal stock adjustments, which were presented separately in the 2012/13 accounts. The comparative figures have been amended accordingly.

17 DEBTORS

	31 March 2014	31 March 2013
	£000	£000
Central Government bodies	2,057	2,112
Other Local Authorities	576	837
NHS Bodies	1	1
Other entities and individuals	3,150	2,914
Total Short Term Debtors	**5,784**	**5,864**
Other Entities and Individuals	0	0
Long Term Debtors	**0**	**0**
Total	**5,784**	**5,864**

18 CASH AND CASH EQUIVALENTS

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

	31 March 2014	31 March 2013
	£000	£000
Cash held by the Authority	0	2
Bank Current Accounts	100	9
Short-term deposits with banks and building societies	1,700	853
Total Cash and Cash Equivalents	**1,800**	**864**

19 ASSETS HELD FOR SALE

	Current		Non-Current	
	2013/14	**2012/13**	**2013/14**	**2012/13**
	£000	**£000**	**£000**	**£000**
Balance outstanding at start of year	**0**	**0**	**0**	**95**
Assets newly classified as held for sale:	0	0	0	0
Assets declassified as held for sale:	0	0	0	0
Assets Sold In Year:				
Property, Plant and Equipment	0	0	0	(95)
Balance outstanding at year-end	**0**	**0**	**0**	**0**

20 CREDITORS

	31 March 2014	**31 March 2013**
	£000	**£000**
Central Government bodies	(1,253)	(857)
Other local authorities	(1,087)	(1,302)
Other entities and individuals	(2,082)	(2,052)
Short Term Creditors	**(4,422)**	**(4,211)**

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 2013	**(55)**	**(46)**	**(95)**	**0**	**(196)**
Additional provisions made in 2013/14	(5)		(150)	(182)	(337)
Amounts used in 2013/14	12	7	95		114
Unused amounts reversed in 2013/14		16			16
Balance at 31 March 2014	**(48)**	**(23)**	**(150)**	**(182)**	**(403)**

Insurances
This provision allows for potential liabilities arising from existing claims against the authority. Uninsured losses of £12k were covered by the provision during the year. The provision required at 31 March 2014 was determined to be £48k.

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.

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 2014/15.

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 2014	31 March 2013
	£000	£000
General Fund	6,342	7,764
Earmarked Reserves	3,804	4,564
Capital Receipts Reserve	2,135	102
Capital Grants Unapplied	1,167	1,670
Total Usable Reserves	**13,448**	**14,100**

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 2014	31 March 2013
	£000	£000
Balance at 1 April	**7,764**	**7,119**
Transfer into General Fund Reserve	(1,422)	645
Balance at 31 March	**6,342**	**7,764**

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 2014	31 March 2013
	£000	£000
Balance at 1 April	**4,564**	**3,761**
Application of Earmarked Reserves to finance expenditure	(1,032)	(1,065)
Transfer from General Fund Reserve	444	2,128
Write back reserves no longer required	(171)	(260)
Balance at 31 March	**3,805**	**4,564**

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 2014	31 March 2013
	£000	£000
Balance at 1 April	**102**	**0**
Capital Receipts in Year	2,033	102
Capital Receipts applied in year to finance capital	0	0
Balance at 31 March	**2,135**	**102**

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 2014	31 March 2013
	£000	£000
Balance at 1 April	**1,670**	**1,800**
Capital Grants received in Year	1,088	1,487
Capital Grants applied in year to finance capital	(1,591)	(1,617)
Balance at 31 March	**1,167**	**1,670**

23 UNUSABLE RESERVES

31 March 2013 £000		31 March 2014 £000
11,096	Revaluation Reserve	9,903
17,625	Capital Adjustment Account	19,422
(388,282)	Pensions Reserve	(390,847)
84	Collection Fund Adjustment Account	127
(144)	Accumulated Absences Account	(167)
(359,621)	**Total Unusable Reserves**	**(361,562)**

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.

2012/13 £000			2013/14 £000
8,710	**Balance at 1 April**		**11,096**
2,841	Upward revaluations of assets	1,172	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(241)	
2,841			931
11,551	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**12,027**
(455)	Difference between fair value depreciation and historical cost depreciation	(282)	
0	Accumulated gains on assets disposed of	(1,842)	
(455)	Amount written off to the Capital Adjustment Account		(2,124)
11,096	**Balance at 31 March**		**9,903**

Capital Adjustment Account

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

The Account contains gains recognised on donated assets that have yet to be consumed by the Authority, and also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000			2013/14 £000
14,963	**Balance at 1 April**		**17,625**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)		
(3,360)	• Charges for depreciation and impairment of non-current assets	(2,804)	
934	• Revaluation losses on Property, Plant and Equipment and reversal of previous impairments	(30)	
(67)	• Amortisation of intangible assets	(86)	
0	• Amounts of non-current assets written off on disposal or		
(99)	sale as part of the gain/loss on disposal to the CIES	(2,704)	
(2,592)			**(5,624)**
455	Adjusting amounts written out of the Revaluation Reserve		1,842
(2,137)	Net written out amount of the cost of non-current assets consumed in the year		**(3,782)**
	Capital financing applied in the year:		
0	• Use of Capital Receipts Reserve to finance new capital expenditure	0	
1,487	• 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	
2,368	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,337	
0	• Voluntary provision for the financing of capital investment charged against the General Fund balance	1,000	
130	• Application of grants to capital financing from Capital Grants Unapplied Account	504	
814	• Capital expenditure charged against the General Fund balance	1,652	
4,799			5,580
17,625	**Balance at 31 March**		**19,423**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage discounts received on the early redemption of loans.

Discounts are credited to the Comprehensive Income and Expenditure Statement when they arise, but reversed out of the General Fund Balance in the Movement in Reserves Statement. Over time, the income is posted back to the General Fund Balance in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account has been fully charged to the General Fund by 2012/13.

2012/13 £000			2013/14 £000
9	**Balance at 1 April**		**0**
(9)	Proportion of discounts received in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	0	
(9)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		0
0	**Balance at 31 March**		**0**

Pension Reserve

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

2012/13 Restated £000		2013/14 £000
(339,939)	**Balance at 1 April**	**(388,282)**
(35,583)	Remeasurements on the net defined benefit pension	11,004
(25,334)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(26,815)
12,574	Employers pensions contributions and direct payments to pensioners payable in the year	13,246
(388,282)	**Balance at 31 March**	**(390,847)**

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.

2012/13 £000		2013/14 £000
(2)	**Balance at 1 April**	**84**
86	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	43
84	**Balance at 31 March**	**127**

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.

2012/13 £000			2013/14 £000
(161)	**Balance at 1 April**		**(144)**
161	Settlement or cancellation of accrual made at the end of the preceding year	144	
(144)	Amounts accrued at the end of the current year	(167)	
17	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		(23)
(144)	**Balance at 31 March**		**(167)**

24 CASHFLOW STATEMENT - OPERATING ACTIVITIES

2012/13 Restated £000		2013/14 £000
9,041	**Net (Surplus) or Deficit on the Provision of Services**	**14,527**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(3,360)	Depreciation	(3,086)
934	Impairment and downward valuations	(30)
(67)	Amortisation	(86)
(14)	Increase/Decrease in impairment for bad debts	(205)
194	Increase/Decrease in Creditors	(1,389)
341	Increase/Decrease in Debtors	1,437
(56)	Increase/Decrease in Inventories	78
(12,760)	Pension Liability	(13,568)
237	Contributions to/(from) Provisions	(206)
(99)	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	(2,704)
57	Accrued Interest	(63)
(14,593)		**(19,822)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
1,487	Capital Grants credited to surplus or deficit on the provision of services	1,088
102	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,033
1,589		**3,121**
(3,963)	**Net Cash Flows from Operating Activities**	**(2,174)**

CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(86)	Interest received	(164)
1,121	Interest paid	972

25 CASHFLOW STATEMENT - INVESTING ACTIVITIES

2012/13 £000		2013/14 £000
4,028	Purchase of property, plant and equipment, investment property and intangible assets	3,207
31,500	Purchase of short-term and long-term investments	154,380
(102)	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	(2,045)
(30,010)	Proceeds from short-term and long-term investments	(156,380)
(1,487)	Other receipts from investing activities	(1,088)
3,929	**Net cash flows from investing activities**	**(1,926)**

26 CASHFLOW STATEMENT - FINANCING ACTIVITIES

2012/13 £000		2013/14 £000
328	Cash payments for the reduction of the outstanding liabilities relating to Finance leases	100
2,060	Repayments of short and long-term borrowing	3,064
2,388	**Net cash flows from financing activities**	**3,164**

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

28 POOLED BUDGETS

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

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

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

	2013/14	2012/13
	£000	£000
Allowances	110	110
Expenses	3	5
Total	**113**	**115**

30 OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of employment	Total Remuneration excluding Pension Contributions	Pension Contribution	Total
		£	£	£	£	£	£
Chief Fire Officer (CFO)	2013/14	139,889	52	0	139,941	29,796	169,737
	2012/13	141,540	52	0	141,592	30,148	171,740
Deputy Chief Fire Officer (start date 25/05/2012)	2013/14	115,408	52	0	115,460	24,582	140,041
	2012/13	94,573	57	0	94,630	20,144	114,774
Assistant Chief Fire Officer	2013/14	104,917	78	0	104,995	22,347	127,342
	2012/13	112,155	52	0	112,207	23,889	136,096
Temporary Assistant Chief Fire Officer (from 16 December 2013)	2013/14	20,496	4,685	0	25,181	5,255	30,436
Assistant Chief Officer	2013/14	90,928	3,450	0	94,378	16,053	110,431
	2012/13	90,951	4,072	0	95,023	14,784	109,807
Total	**2013/14**	**471,637**	**8,317**	**0**	**479,953**	**98,034**	**577,987**
Total	**2012/13**	**439,219**	**4,233**	**0**	**443,452**	**88,965**	**532,417**

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	**2013/14 Number of employees**	**2012/13 Number of employees**
£50,000-£54,999	27	24
£55,000-£59,999	3	10
£60,000-£64,999	5	2
£65,000-£69,999	1	3
£70,000-£74,999	2	3
£75,000-£79,999	1	0
£80,000-£84,999	3	0
£85,000-£89,999	0	1
£90,000-£94,999	1	1
£95,000-£99,999	0	1
£100,000-£104,999	1	0
£105,000-£109,999	0	0
£110,000-£114,999	0	2
£115,000-£119,999	1	0
£120,000-£124,999	0	0
£125,000-£129,999	0	0
£130,000-£134,999	0	0
£135,000-£139,999	1	0
£140,000-£144,999	0	1
£145,000-£149,999	0	0

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0-£20,000	0	5	3	1	3	6	32,975	25,822
£20,001 - £40,000	0	0	3	5	3	5	94,241	138,261
£40,001 - £60,000	0	0	5	1	5	1	242,318	46,423
£60,001 - £80,000	0	0	2	1	2	1	136,926	69,670
Total	**0**	**5**	**13**	**8**	**13**	**13**	**506,460**	**280,176**

Of the 13 exit packages shown in the above table, 6 related to employees who were still employed at 31 March 2014 and were accrued for or accounted for as a provision. The value of these is £202,226.

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.

	2013/14 £000	2012/13 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	33	41
Fees payable in respect of statutory inspections	0	1
Total	**33**	**42**

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.

	2013/14 £000	2012/13 £000
Credited to Services		
Firelink grant (part of the Fire Revenue grant)	(241)	(221)
New Dimension grant (part of the Fire Revenue grant)	(120)	(123)
Sponsorship of events and awards	(18)	(2)
Miscellaneous Community Safety donations	(2)	(3)
Total	**(381)**	**(349)**

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 2014 £000	31 March 2013 £000
Grants Receipts in Advance (Revenue Grants)		
Local Resilience Forum	(10)	(11)
Multi Agency Coordination Centre	(19)	(20)
Regional Recruitment Portal	0	(4)
Total	**(29)**	**(35)**

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.

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.

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 expenditure on cleaning and maintenance services and income from partnership working.

	Nottinghamshire County Council		Nottingham City Council	
	2013/14	2012/13 Restated*	2013/14	2012/13 Restated*
	£000	£000	£000	£000
Expenditure during year	627	683	810	792
Income during year	3	1	2	1
Creditor at 31 March	123	110	69	2
Debtor at 31 March	0	1	0	5

*Some changes have been made to the comparative figures to account for errors which were discovered during the preparation of figures for 2013/14.

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 2013/14 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 3 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 2013/14.

	Nottinghamshire Fire & Rescue Service (Trading) Ltd	
	2013/14	2012/13
	£000	£000
Expenditure during year	47	40
Income during year	55	76
Creditor at 31 March	9	12
Debtor at 31 March	11	18
Outstanding loan to Trading Company	40	40

Other Entities Controlled or Significantly Influenced by Members and Officers

Expenditure of £4k paid for membership and conference fees to Alarm, The Public Risk Management Association in 2013/14, of which one Authority employee was a Director at the time. Transactions and balances with Alarm are detailed below.

	ALARM The Public Risk Management Association	
	2013/14	2012/13
	£000	£000
Expenditure during year	4	2
Income during year	0	0
Creditor at 31 March	0	1
Debtor at 31 March	0	0

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.

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	**25,004**	**27,372**
Capital Investment		
Property, Plant and Equipment - (Operational)	1,131	1,339
Property, Plant and Equipment - (Non Operational)	1,408	896
Intangible Assets (including under construction)	788	195
Sources of Finance		
Capital Receipts	0	0
Government grant and other contributions	(1,591)	(1,616)
Sums set aside from revenue:		
Direct revenue contributions	(1,652)	(814)
Minimum / Voluntary Revenue Provision	(2,337)	(2,368)
Closing Capital Financing requirements	**22,751**	**25,004**
Explanation of Movements in Year		
Decrease in underlying need to borrow (unsupported by government financial assistance)	(2,253)	(2,368)
Decrease in Capital Financing Requirement	**(2,253)**	**(2,368)**

35 LEASES

Authority as Lessee

Finance Leases

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

	31 March 2014 £000	31 March 2013 £000
Vehicles, Plant and Equipment	53	153
	53	**153**

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 2014 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	53	100
• non-current	0	53
Finance costs payable in future years	13	41
Minimum lease payments	**66**	**194**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	66	127	53	100
Later than one year and not later than five years	0	66	0	53
	66	**193**	**53**	**153**

Operating Leases

In 2012/13 the Authority paid rentals in respect of completed finance leases, where a short term secondary lease had been negotiated prior to returning the equipment to the lessor or purchasing the equipment from the lessor. No such payments were made in 2013/14, nor were any other operating leases entered into. The amounts paid under such secondary leases were:

	2013/14 £000's	2012/13 £000's
Secondary operating lease payments:	0	52
	0	**52**

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

Authority as Lessor

Operating Leases

The Authority has entered into an operating Lease arrangement with Nottinghamshire Police in respect of one of its properties, which is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1). The rent received in 2012/13 was trivial as the lease commenced 15th November 2012, with the first quarter rent free. Rent received in 2013/14 was £13k.

Future contracted receipts are:

	£000's
Within 1 year	15
Within 2 to 5 years	50
Over 5 years	54 *

*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 10 employees in 2013/14, incurring redundancy costs of £78k (£476k in 2012/13). The decision was also taken in 2013/14 to terminate the contracts of 6 employees in 2014/15. Estimated redundancy costs of £202k arising from this decision have been 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 £73k in pension strain recharge costs in 2013/14. The decision to terminate the contracts of staff in 2014/15 will result in estimated pension strain costs of £314k. These costs have been recognised in the Comprehensive Income and Expenditure Statement as Non Distributed Costs, and have increased the pension liability on the Balance Sheet. See Note 37 for more details regarding the movement on the pension liability.

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.

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 the Local Government Pension Scheme Regulations 2007/08, and until 31 March 2014 it provided benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date are 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 36.

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 Fireman'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 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:
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.
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 98 to 102) 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.

The Effect of Revisions to International Accounting Standard 19 Employee Benefits (IAS 19)

A revised IAS 19 standard applies for accounting periods beginning on or after 1 January 2013. As a result of the implementation of the revised standard, some of the comparative figures for 2012/13 have been restated. The main changes are as follows:

a) The Expected Return on Assets and the Interest Cost have been removed and replaced by Net Interest on the Net Defined Benefit Liability comprising interest income on the assets and interest expense on the liabilities, both of which are calculated with reference to the discount rate. The net interest can be viewed as including interest income on plan assets and interest cost on the defined benefit obligation. The interest cost on the defined benefit obligation represents the 'unwinding of the discount' applied in calculating the defined benefit liability, as members of the scheme are one year older and one year closer to receiving their pension. Although IAS 19 permits the inclusion of interest on the current service in the current service cost figure itself, it is the Authority's policy to include this interest in the overall net interest figure.
b) Administration expenses for the LGPS are now accounted for within the Cost of Services section of the Comprehensive Income and Expenditure Statement; previously they were deducted from the actual return less expected return on assets which was reported as part of the Actuarial Gains and Losses figure in Other Comprehensive Income and Expenditure.
c) Actuarial Gains and Losses have been replaced by Remeasurement Gains and Losses, which is broken down into:
    i. The return on plan assets, excluding amounts included in net interest on the net defined benefit liability
    ii. Actuarial gains and losses arising on changes in demographic assumptions
    iii. Actuarial gains and losses arising on changes in financial assumptions
    iv. Experience gains and losses
d) Current service cost, past service cost, and gains or losses on curtailments or settlements are now collectively known as "Service Cost". Curtailments are now accounted for as Past Service Costs.

The comparative figures for 2012/13 have been restated as follows:

2012/13 Prior to restatement			2012/2013 Restated		
Item	**LGPS £'000**	**Firefighters' Schemes £'000**	**Item**	**LGPS £'000**	**Firefighters' Schemes £'000**
Expected return on assets	965	0	Net interest on the net defiined benefit liability	524	16,617
Interest cost	1,300	16,617			
Administration expenses	n/a	n/a	Administration expenses	2	0
Actuarial gains and losses	(1,637)	37,411	Remeasurement gains and losses:		
			Return on plan assets (excluding amount included in net interest on the net defined benefit liability)	(1,837)	0
			Actuarial gains and losses arising on changes in demographic assumptions	0	3,674
			Actuarial gains and losses arising on changes in financial assumptions	6	33,737
			Experience gains and losses on the defined benefit obligation	3	0

As a result of this restatement, the net expenditure recognised in the 2012/13 comparative figures for the Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement has increased by £191k, whilst the amount recognised in the 2012/13 comparative figures for Other Comprehensive Income and Expenditure have decreased by £191k. These changes relate to the way in which the LGPS assets and administration costs are now accounted for.

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		**Firefighters' £'000**	
	2013/14	**2012/13 Restated**	**2013/14**	**2012/13 Restated**
Comprehensive Income and Expenditure Statement				
Cost of Services				
Service cost comprising:				
- current service costs	1,285	1,174	8,095	6,822
- past service costs*	429	195	0	0
Administration expenses	1	2	0	0
Financing and Investment Income and Expenditure				
Net interest expense	491	524	16,514	16,617
Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services	2,206	1,895	24,609	23,439
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)	(271)	(1,837)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	641	0	5,187	3,674
Actuarial gains and losses arising on changes in financial assumptions	2,349	6	(16,755)	33,737
Experience gains and losses	(2,363)	3	0	0
Other actuarial gains and losses	208	0	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	2,770	67	13,041	60,850
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	(2,206)	(1,895)	(24,609)	(23,439)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	877	920	11,726	11,042
Retirement benefits payable to pensioners			643	612

*Of the £429k of past service costs in 2013/14, £314k relates to termination benefits (see note 36 for details).

Further Analysis of Firefighters' Pension Schemes

	Firefighters' Pension Scheme 1992 £'000		**Firefighters' Pension Scheme 2006 £'000**		**Firefighters' Compensation Scheme £'000**	
	2013/14	**2012/13 Restated**	**2013/14**	**2012/13 Restated**	**2013/14**	**2012/13 Restated**
Comprehensive Income and Expenditure Statement						
Cost of Services						
Service cost comprising:						
current service cost	5,257	4,783	2,136	1,475	702	564
Financing and Investment Income and Expenditure						
Net interest expense	15,050	15,331	598	431	866	855
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	20,307	20,114	2,734	1,906	1,568	1,419
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	4,620	3,187	273	223	294	264
Actuarial gains and losses arising on changes in financial assumptions	-14,458	29,910	-1,407	2,039	-890	1,788
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	10,469	53,211	1,600	4,168	972	3,471
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	-20,307	-20,114	-2,734	-1,906	-1,568	-1,419
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)	12,409	11,569	-683	-527		
Retirement benefits payable to pensioners					643	612

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 2013/14	**£'000 2012/13 Restated**	**£'000 2013/14**	**£'000 2012/13 Restated**	**£'000 2013/14**	**£'000 2012/13 Restated**	**£'000 2013/14**	**£'000 2012/13 Restated**
Opening balance at 1 April	**(30,507)**	**(28,407)**	**(345,643)**	**(304,001)**	**(12,139)**	**(7,444)**	**(19,648)**	**(16,789)**
Current service cost	(1,285)	(1,174)	(5,257)	(4,783)	(2,136)	(1,475)	(702)	(564)
Interest cost	(1,425)	(1,300)	(15,050)	(15,331)	(598)	(431)	(866)	(855)
Contributions from scheme participants	(318)	(293)	(1,596)	(1,478)	(619)	(497)	0	0
Remeasurement gains and (losses):								
Actuarial gains/losses arising from changes in demographic assumptions	(641)	0	(4,620)	(3,187)	(273)	(223)	(294)	(264)
Actuarial gains/losses arising from changes in financial assumptions	(2,349)	(6)	14,458	(29,910)	1,407	(2,039)	890	(1,788)
Experience gains/losses on defined benefit obligation	2,363	(3)	0	0	0	0	0	0
Losses on curtailment	(429)	(195)	0	0	0	0	0	0
Benefits paid net of transfers (in)/out	747	850	14,005	13,047	(64)	(30)	643	612
Unfunded pension payments (LGPS only)	21	21	0	0	0	0	0	0
Closing balance at 31 March	**(33,823)**	**(30,507)**	**(343,703)**	**(345,643)**	**(14,422)**	**(12,139)**	**(19,977)**	**(19,648)**

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

	Local Government Pension Scheme	
	2013/14 £'000	2012/13 Restated £'000
Opening fair value of scheme assets	**19,655**	**16,702**
Interest income	934	776
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	271	1,837
Other actuarial gains/(losses)	(208)	0
Contributions from employer	877	920
Contributions from employees into the scheme	318	293
Benefits paid (including unfunded benefits)	(768)	(871)
Administration expenses	(1)	(2)
Closing fair value of scheme assets	**21,078**	**19,655**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets at 31 March 2014		Fair value of scheme assets at 31 March 2013	
	£'000	%	£'000	%
Equities:				
UK investments (49% of total equities)	7,540	36%	*	*
Overseas investments (48% of total equities)	7,386	35%	*	*
Private equity investments – unspecified origin (3% of total equities)	461	2%	*	*
Equities subtotal	15,387	73%	14,348	73%
Gilts:				
UK fixed interest gilts (60% of total gilts)	1,012	5%	*	*
Overseas fixed interest gilts (25% of total gilts)	421	2%	*	*
UK inflation-linked gilts (15% of total gilts)	253	1%	*	*
Gilts subtotal	1,686	8%	1,376	7%
Other Bonds:				
• UK corporate bonds (59% of total other bonds)	622	3%	*	*
Overseas corporate bonds (9% of total other bonds)	95	<1%	*	*
• Inflation-linked bonds (32% of total other bonds)	337	2%	*	*
Bonds subtotal	1,054	5%	1,179	6%
Property	2,319	11%	2,359	12%
Cash	632	3%	393	2%
Total	**21,078**	**100%**	**19,655**	**100%**

*comparator information unavailable

Further information about the Fund's assets can be obtained from the Pension Fund Annual Report, which can be accessed 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 2011 respectively. Full valuations are usually carried out triennially but, in light of the Government's plans to introduce a new Firefighter scheme in April 2015, the decision was made to delay the full valuation of the Firefighters' schemes for 12 months. In updating the net liability figure as at 31 March 2013 both firms of actuaries have adopted the roll-forward approach. This approach takes into account the cashflows paid into and out of each scheme before taking into consideration any changes in assumptions since March 2013.
The principal assumptions used by the actuaries in their calculations were:

	Local Government Pension Scheme		**Firefighters' Schemes 1992 and 2006**		**Firefighters' Compensation Scheme**	
	2013/14	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):						
Men	22	18.7	28	27.4	25.4	24.8
Women	25.1	22.8	30.5	29.7	27.9	27.1
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):						
Men	24.1	20.7	30.4	29.4	27.8	26.8
Women	27.4	24.6	33	31.7	30.3	29.1
Rate of inflation (CPI)	2.90%	2.60%	2.40%	2.40%	2.40%	2.40%
Rate of increase in salaries	4.70%	4.80%	3.90%	3.90%	3.90%	3.90%
Rate of increase in pensions	2.90%	2.60%	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme*	4.50%	4.70%	4.50%	4.40%	4.50%	4.40%

*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 did not change from those used in the previous period.

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.	(6,199)	(152)	(551)	(99)	(398)	(18)
Increase inflation by 0.1% p.a.	6,325	158	573	104	407	18
Increase pay growth by 0.1% p.a.	1,299	59	351	64	98	7
Increase life expectancy by 1 year	6,262	96	241	44	400	12

Sensitivity analysis for the LGPS

	£'000	**£'000**	**£'000**
Adjustment to discount rate:	0.10%	0.00%	-0.10%
Impact on the defined benefit liability	32,854	33,509	34,177
Impact on the projected service cost	1,130	1,155	1,181
Adjustment to long term salary increase:	0.10%	0.00%	-0.10%
Impact on the defined benefit liability	33,647	33,509	33,372
Impact on the projected service cost	1,155	1,155	1,155
Adjustment to pension increases and deferred revaluation:	0.10%	0.00%	-0.10%
Impact on the defined benefit liability	34,049	33,509	32,981
Impact on the projected service cost	1,181	1,155	1,129
Adjustment to mortality age rating assumption:	+ 1 year	None	-1 Year
Impact on the defined benefit liability	32,322	33,509	34,707
Impact on the projected service cost	1,115	1,155	1,196

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 £391m 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 2013/14 was £681k.

There are national changes to the Local Government Pension Scheme under the Public Pensions Services Act 2013. The benefits for service from 1 April 2014 will be based on the Local Government Pension Scheme Regulations 2013. The mains changes are to move from a final salary pension scheme based on 60ths accrual and a retirement age of 65 to a career average revalued earnings pension scheme based on 49ths accrual and a retirement age equal to State Pension Age. There will also be changes to the Firefighters' Pension Schemes under the 2013 Act, with a new scheme being introduced from 1 April 2015. The details of this scheme have yet to be finalised.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in year to 31 March 2015 is £782k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £12.1m 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 16 years, 37 years and 18 years respectively.

38 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2014, the Authority had the following contingent liabilities:

Two separate pension issues concerning the Authority have been referred to the Pensions Ombudsman. In addition there is one instance of a former employee who has made a complaint regarding a pension issue and this complaint is currently at Stage 2 of the Internal Dispute Resolution Procedure (IDRP). The financial impacts of these potential liabilities cannot be quantified at this time, but if liabilities do arise (e.g. compensation is required to be paid) then the Authority will fund them from General Reserves if there are insufficient budgetary funds.

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 2013/14 was approved by the Authority on 22 February 2013. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £29.9m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £27.2m. 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 Servicesand 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 2014 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 2014 showing on the Balance Sheet and four of these were repaid to the Authority before the date this Statement of Accounts was authorised for issue. The remaining deposits are expected to be repaid by August 2014.

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

Of the £49k shown in the above table as due from customers, £34k was not yet due for payment as at 31 March 2014 and £15k was past its due date for payment. The past due amount is analysed by age as follows:

	31 March 2014	**31 March 2013**
	£000	**£000**
Less than one month overdue	1	18
1 to 2 months overdue	0	7
2 to 5 months overdue	4	4
More than 5 months overdue	10	17
	15	**46**

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures outlined above (the setting and approval of prudential indicators and the approval of the treasury management strategy), as well as through cash flow management processes. This ensures that sufficient cash balances are maintained to meet daily revenue requirements without recourse to borrowing other than short term borrowing to deal with temporary cash flow deficits.

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

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

Re-financing Risk

The risk to which the Authority is exposed is that it will need to replenish its borrowings when interest rates are unfavourable. The Authority's strategy is to place limits on the percentage of borrowings due to mature within 10 years, as follows: maturing within 12 months – less than 20%; maturing 12 months to 5 years – less than 30%; maturing 5 years to 10 years – less than 75%. Between 0% and 100% of borrowings may fall due for repayment after 10 years, and between 30% and 100% of borrowings may fall due for repayment after 20 years. This strategy allows the Authority time to restructure debt when interest rates are favourable.

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

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

	31 March 2014 £000	31 March 2013 £000
Less than 1 year	2,068	3,064
Between 1 and 2 years	71	2,068
Between 2 and 5 years	6,737	4,225
Between 5 and 10 years	4,699	4,283
Between 10 and 15 years	0	3,000
Over 15 years	8,900	8,900
	22,476	**25,540**

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 2013/14, 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 restructured when interest rate changes make it advantageous to do so.

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

	£000
Decrease in fair value of fixed rate investment assets	(24)
Decrease in fair value of fixed rate borrowings	(2,025)

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

40 INTERESTS IN COMPANIES

East Midlands Fire and Rescue Control Centre Limited (now dissolved)

Principal activities

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

Current Status of Company

In December 2010, the Department for Communities and Local Government (DCLG) announced that after further review, the Fire Control Project was to cease. The company was officially dissolved in the 2012/13 financial year and consequently there are no transactions and balances to report for 2013/14. The financial year 2012/13 was therefore the last for which any financial statements were published.

In preparing the 2012/13 statements the directors exercised the options available to a small sized company under the Companies Act 2006 and therefore the company is exempt from the requirement to appoint an auditor or to present audited accounts.

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

	2012/13 £000
Profit and Loss	
Turnover	749
Profit on Ordinary Activities before Taxation	0
Profit on Ordinary Activities after Taxation	0
Balance Sheet	
Net Current Assets	0

The 2012/13 accounts of the company can be obtained from:

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

Nottinghamshire Fire and Rescue Service (Trading) Limited.

Principal activities

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

Review of Business and Future Developments

Over the reporting period, the company has seen an upturn in business activity compared to the previous year and a significant growth in the customer base. There has been a net gain of around 100 customers and the company has undertaken some major installations in new school buildings. The provision of training courses has expanded and the company has introduced a service for electrical appliance testing.

The trading profit before tax for the year was £89k, and the company plans to continue to build upon this solid foundation in the year ahead.

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

	2013/14 £000	2012/13 £000
Profit and Loss		
Turnover	388	325
Operating Profit	89	8
Exceptional item of expenditure*	0	7
Profit on Ordinary Activities before Taxation	89	1
Profit on Ordinary Activities after Taxation	71	1
Balance Sheet		
Net Current Assets	161	90

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

The accounts of the company can be obtained from:

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

PENSION STATEMENTS

PENSION FUND ACCOUNT

2012/13 £000		2013/14 £000
	Contributions Receivable	
	Fire Authority:	
(3,303)	Contributions in relation to pensionable pay	(3,282)
(48)	Other (Ill Health Retirements)	(48)
(1,975)	Firefighters' contributions	(2,216)
(5,326)	**Total Contributions Receivable**	**(5,546)**
	Transfers in from other authorities	
(231)	Transfers in from other schemes	(83)
	Benefits Payable	
10,252	Pensions	10,745
2,823	Commutations and lump sum retirement benefits	3,190
13,075	**Total Benefits Payable**	**13,935**
	Payments to and on account of Leavers	
112	Transfers out to other schemes	136
7,630	**Net Amount payable for the year before top-up grant from Communities & Local Government**	**8,442**
(6,270)	Top-up grant received from Communities & Local Government	(6,474)
(1,360)	**Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government**	**(1,968)**

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.

2012/13 £000		2013/14 £000
	Current Assets	
10	Contributions from employer	15
9	Contributions from members	13
1	Transfer into Scheme Receivable	39
872	Prepaid Pensions	927
1,360	Pension top-up grant receivable from CLG	1,968
2,252	**Total**	**2,962**
	Current Liabilities	
0	Unpaid pension benefits	(586)
0	Tax payable on behalf of members	(125)
(2,252)	Amount owing (to)/from General Fund	(2,251)
(2,252)	**Total**	**(2,962)**
0	**Net Current Assets**	**0**

NOTES TO THE PENSION STATEMENTS

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

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

2. Accounting Policies for the Pension Fund

General Principles
The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

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

3. The Liability to Pay Pensions

The Authority has a liability to pay future retirement benefits to current members of the Firefighters' Pension Schemes. The value of this liability has been assessed by an independent firm of actuaries and is shown in the Authority's Balance Sheet and explained further in note 37 to the core financial statements. The Pension Fund Account and Net Assets Statement do not take account of this liability.

4. Accruals Within the Pension Fund and Net Assets Statement

Prepaid Pensions
Retirement benefits are paid to members monthly in advance. The payments made in March 2014 relate to April 2014 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 2014, one transfer into the Fire Authority Scheme had been settled but the money had not been received. This income has been accrued for. Values can take a considerable amount of time to determine and amounts can vary depending upon the date of settlement, therefore transfers values are not accrued for unless they have been settled. As at 31 March 2014, there were no transfers under negotiation awaiting settlement.

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

Contributions Payable
Retained firefighters are paid one month in arrears, therefore employee and employer contributions relating to March 2014 were still outstanding at 31 March 2014. These outstanding contributions have been calculated and accrued for.

Unpaid Pension Benefits
Two commutation payments that were outstanding at year end have been accrued for.

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.

5. Financing of the Pension Fund

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority’s main bank account. These amounts are shown as “Amounts owing from the General Fund”. Top-up grant received from the Department for Communities and Local Government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable by the Department of Communities and Local Government to the Authority is £1,968k. The difference between the grant payable and the cash deficit of £2,251k as at 31 March 2014 is the total of the accruals included in the Pension Fund.

6. Contingent Assets and Liabilities

At 31 March 2014, the Pension Fund had the following contingent asset:

During the 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. In some cases pensions had been overpaid (the annual value of overpayments last year totalled £28k), but in each individual case it is not yet clear when the error arose. This means that the total value of overpayments is not known at this stage. The Authority's former pension administrator is working on resolving the issue, and when the full value of overpayments is known the Pension Fund will be reimbursed with this sum by the former pension administrator.

At 31 March 2014, the Pension Fund had the following contingent liability:

With regard to the errors referred to in the above paragraph, there were some cases where pensions had been underpaid (the annual value of underpayments last year totalled £33k), but in each individual case it is not yet clear how far back the error arose. This means that the total value of underpayments is not known at this stage. The Authority's former pension administrator is working on resolving the issue, and when the full value of underpayments is known the Pension Fund will reimburse the pensioners affected.

All pension errors have already been corrected going forward and it is anticipated that the accumulated historic under and overpayments will be corrected in 2014/15.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1.0 **SCOPE OF RESPONSIBILITY**

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

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

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

1.4 This statement sets out how the Authority has complied with the code and also meets the requirements of regulations 4(3) and 4(4) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

2.0 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

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

2.4 The governance framework has been in place at the Authority for a number of years however it is kept under regular review and modified periodically.

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 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, whilst after the year end, are clearly relevant to readers of the accounts. There are essentially three changes to the governance framework which are reflected in the framework below:

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.

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, 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.

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 collaborate 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 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. Some steering groups still exist but this is more to do with resolving interdependencies between departmental business and setting priorities. The Authority has an approved scheme of delegation to officers that is reviewed periodically by the Chief Fire Officer and the Clerk, with any changes being approved by the Fire Authority.

3.7.4 **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 & 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. This Committee has delegated responsibility from the Fire Authority as part of the Governance arrangements and is advised by the ACO Finance and Resources on behalf of the 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 and its own Value For Money programme.

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. At the 28th June 2013 Authority meeting Members reviewed the performance of the Senior Management Team and set their objectives for 2013/2014.

At the annual general meeting in May the format and structure of its democratic decision process was reviewed and changes were made to the committee structure. The result was that 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. Directors will assess achievement against key objectives and departmental KPIs which are reported monthly to the Corporate Management Board.

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 2012/13 and it is anticipated this will be repeated in 2013/14. 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 2013/14, 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 11 July 2014 concluded that:

> "From the work carried out during the 2013/14 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 2013.

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 2013 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 and IT control environment was found to be effective overall, with sound controls in the Authority's 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

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.