NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

FINAL ACCOUNTS 2014/15

Report of the Treasurer to the Fire and Rescue Authority

Date: 25 September 2015

Purpose of Report:

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

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1. BACKGROUND

1.1 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The full Fire and Rescue Authority must approve the audited Statement of Accounts before 30 September following the financial year end.

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

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

2. REPORT

The Core Statements in the Accounts

2.1 There are four core statements in the Statement of Accounts, and these are on pages 18 to 22 of the Accounts. The core statements show references to disclosure notes within the Accounts which give further information and explanations about the figures within the core statements.

2.2 The Movement in Reserves Statement shows the movement in the year on the Authority's various reserves, analysed into "usable" and "unusable" reserves. The usable reserves total £11.1m at 31 March 2015, including the General Reserve and Earmarked Reserves and these are available to be spent by the Authority in the future. This statement also shows how the net deficit on the provision of services is adjusted in accordance with accounting regulations to give the net increase in the General Reserves of £193k for the year.

2.3 The Comprehensive Income and Expenditure Statement shows all of the items of income and expenditure which constitute the accounting cost in the year of providing services. Although this Statement shows a deficit of £12.2m, this does not represent the cost to taxpayers, as the deficit is adjusted in accordance with accounting regulations to give the net underspend of £193k, which is the net underspend against the revenue budget.

2.4 The Balance Sheet shows the value of the Authority's assets and liabilities at 31 March 2015. The Authority's net assets are matched by the Authority's reserves. Paragraph 2.13 below gives further explanation of the Pensions Reserve on the Balance Sheet.

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

2.6 On pages 92 and 93 of the Accounts are the Pension Fund Statements which show the transactions in the year on fire-fighter pensions and the assets and liabilities as at 31 March 2015 (although not the future liabilities due after the period end – see paragraph 2.13 below).

The Treasurer's Foreword

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

Revenue Expenditure

2.8 The Authority set a revenue budget of £42.9m for 2014/15 and the end of year position shows an underspend of £198k against this budget (a variance of 0.5%). A detailed explanation of the main reasons for the variance is included within the Treasurer's Foreword on pages 6 and 7 in the Statement of Accounts at Appendix A, but the most significant variances were an underspend against the pay budget of £1,062k, an overspend on industrial action of £431k and contributions to earmarked reserves of £780k.

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

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

Capital Expenditure

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

Reserves

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

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

Pensions

2.13 Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability (Pensions Reserve) of £460m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes which stands at £443m.

2.14 The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is paid for mainly by employee contributions and employer contributions. The Department for Communities and Local Government meets any annual shortfall i.e. if the contributions into the fund do not meet the cost of pensions paid in the year. The Authority is required to continue to show the liability in respect of the Firefighter Pension Schemes in its Balance Sheet and notes to the core financial statements.

General Reserves

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

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

Nottinghamshire Fire and Rescue Service (Trading) Ltd

2.17 Nottinghamshire Fire and Rescue Service (Trading) Limited is an arm's length trading company, established by the Authority, whose main activity is to sell fire extinguisher maintenance services to external customers. The financial statements for this company are attached as Appendix B.

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

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been carried out because this is a report of the Authority's financial performance for the 2014/15 financial year rather than a new or amended policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

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

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

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

9. RECOMMENDATIONS

9.1 That Members approve the Statement of Accounts for 2014/15, as attached at Appendix A.

9.2 That Members note the financial results for the 2014/15 year for Nottinghamshire Fire and Rescue Service (Trading) Limited, as attached at Appendix B.

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

None.

Peter Hurford
TREASURER TO THE FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham Fire Authority

Statement of Accounts 2014/2015

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

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TREASURER'S FOREWORD TO THE STATEMENT OF ACCOUNTS

The Nottinghamshire and City of Nottingham Fire Authority was formed as an independent body on 1st April 1998 following Local Government Reorganisation.

The accounting policies adopted by the Fire Authority are explained fully in the notes to the accounts and comply with current recommended accounting practice.

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

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

For the purpose of the Statement of Accounts the Authority's expenditure has been categorised in accordance with the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, which is published by CIPFA. The following are included in this Statement of Accounts:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority analysed into usable reserves, which can be applied to fund expenditure or reduce local taxation, and other reserves. The Authority holds reserves for two reasons. There are always issues which may arise for which the Authority has no specific budget but in order that these “one off” type events do not unduly impact upon a single year's budget it is wise to maintain some money to deal with these events should they occur. These are what are known as General Fund Balances. Similarly, the Authority may wish to hold back sums of money because it knows that certain items of expenditure will occur but that these are of a “one off” nature and it is uncertain as to when they will occur. These are called earmarked reserves because they are for a specific purpose. As Treasurer I am required to assess the adequacy of these reserves to meet future events and issue a statement annually to that effect. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. Adjustments are then made to the Surplus (or Deficit) on the Provision of Services to recognise the fact that the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes are different. The Net Increase (or Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

It is important to note that some of the Authority's reserves which appear on the balance sheet cannot be used to fund expenditure. An example of an unusable reserve would be the Revaluation Reserve, which contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The Authority held £6.535m in General Reserves as well as £3.831m in Earmarked Reserves as at 31st March 2015.

Comprehensive Income and Expenditure Statement

This statement brings together all of the items of income and expenditure which constitute the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the net cost to be funded from council tax and other taxation. The reader may wish to refer to the Movement in Reserves Statement to find out the net increase or decrease to the General Fund Balance, which is effectively the underspend or overspend against the revenue budget for the year, and is a £193k underspend for 2014/15.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31st March. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority and thus the Balance Sheet is "in balance". The reader will notice that the total on the Balance Sheet is a negative figure of £415.929m, which means that the Authority's liabilities exceed its assets. This would usually be a cause for concern, however in this case the large liability in question relates to future pension liabilities (£459.916m) which at present are funded by Central Government. The underlying financial position of the Fire Authority is a strong one because when this pension liability is excluded, assets exceed liabilities by £43.987m.

Cash Flow Statement

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

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

The resultant figure shows the real movement in cash during the year, which is an increase in cash of £1.273m.

Pension Fund Account

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

Pension Net Assets Statement

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

Annual Governance Statement

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

Key Figures

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

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

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

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

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

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

Summary of the Year

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

Revenue Income and Expenditure

Revenue expenditure describes the day to day costs of running the Authority and includes items such as employees' pay, running costs of buildings and vehicles and office expenses. The Authority set a revenue budget of £42.892m for 2014/15 and the position at the end of the year shows an underspend of £193k. The outturn represents a variation to the original budget of 0.5% and the reasons for this variance are explained below.

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

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

Significant Variances

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

Explanation of variances

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

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

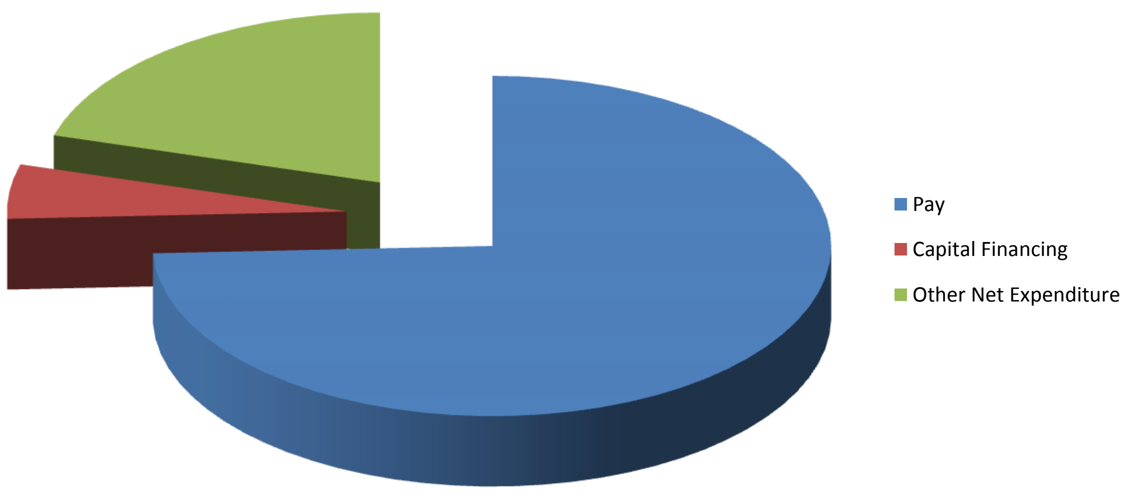
The industrial action called by the Fire Brigades Union over pension issues continued during the year, with a net total expenditure of £431k. This was an overspend as no budgetary provision was made for the cost of this action.

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

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

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

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



Capital Expenditure

Capital expenditure describes the purchasing, upgrading and improvement of Fire Authority assets. These assets are known as “non current assets" and they provide a benefit to the Authority over a longer period of time than the current financial year. During the year, the following major non current assets were acquired or upgraded (including assets under construction as at 31 March 2014):

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

The Fire Authority had a Capital Programme for 2014/15, which detailed the capital expenditure projects to be undertaken in the year. A summary of the Capital Programme and actual expenditure for the year is shown below. The Capital Programme amounts include slippage of £5.5m (budgets carried forward) from 2013/14:

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

Significant Variances

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

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

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

Financing of Capital Expenditure

The Authority did not undertake any borrowing during the year, and repaid £2.068m of debt to the Public Work Loans Board (PWLB). The Authority's level of borrowing at the year end was £20.4m, with £1.1m of this held as investments and not yet applied to finance capital expenditure. This compares to long term assets on the Balance Sheet valued at £55.342m. The capital financing requirement as at 31 March 2015 is £22.160m, which demonstrates that the current level of net borrowing is prudent.

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

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2015/16 and beyond. The effect of this will be that these earmarked reserves will support the 2015/16 budget and allow certain non-recurrent expenditure to take place. Earmarked reserves have been funded from two sources – they either arise from grants or donations received which have not been spent by the end of the year or they are created from within the revenue budget .The earmarked reserves held by the Authority are shown in note 9.

Pension Funds

Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability of £459.916m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £442.718m. The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is paid for by employee contributions and employer contributions. The Department for Communities and Local Government meets any annual shortfall i.e. if the contributions into the fund do not meet the cost of pensions paid in the year. The Authority is required to continue to show the liability in respect of the Firefighter Pension Schemes in its Balance Sheet and notes to the core financial statements.

Other Significant, Material and Unusual Items

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

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

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

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

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

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

Economic Climate

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

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

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

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

The Authority has a Medium Term Financial Strategy in place - its reserves are sufficient to withstand any short terms changes in the funding regime and budget plans are in place to respond to anticipated reductions.

Other Published Financial Information

Summarised financial information, which is extracted from this Statement of Accounts, will be published on the Authority’s website (www.notts-fire.gov.uk) following completion of the audit and before 30 September 2015. In addition, details of all transactions over £250 in value are published on the Authority’s website, in line with the Government’s transparency code for public bodies.

Nottinghamshire Fire and Rescue Service (Trading) Limited

The Authority established an arm's-length trading company, which began operating on 1 September 2010. The company is called "Nottinghamshire Fire and Rescue Service (Trading) Limited" and its main activities are to sell fire extinguisher maintenance services and fire safety training to external customers. The financial position of the company is not material in terms of the overall financial position of the Authority so separate accounts are prepared for both the Authority and the trading company.

Further detail about the company's trading results and overall financial position, as well as about its interaction with the Authority, can be found in notes 33 and 40. For 2014/15, Nottinghamshire Fire and Rescue Service (Trading) Limited made a profit before tax of £76k.

Plans for 2015/16

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

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

With this in mind our strategy has been to use fluctuations in balances to cushion the transitional effect of reductions and therefore to take opportunities to increase these balances whenever possible to support an overall strategy of budget reduction going forward. Whilst funding for 2016/17 is not yet known, further reductions are expected for the foreseeable future so we will continue to re-engineer services in order to keep within the lower overall budget, and this will undoubtably bring about further changes to our workforce.

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

The 2015/16 revenue budget and capital programme provide the financial resources required for the replacement or refurbishment of assets as well as for the day to day running of the service. We have planned to use mainly borrowing and internal financing to finance the capital programme in 2015/16.

Mr P Hurford B.Soc.Sc. CPFA
Treasurer to the Nottinghamshire and City of Nottingham Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- iii) approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer has:

- i) selected suitable accounting policies and then applied them consistently;
- ii) made judgements and estimates that were reasonable and prudent;
- iii) complied with the local authority Code.

The Treasurer has also:

- i) kept proper accounting records which were up to date;
- ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer to the Authority is Mr P Hurford, B.Soc.Sc. CPFA.

This Statement of Accounts is that upon which the auditor should enter his opinion and certificate. It presents a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 19 June 2015 by the Treasurer to the Authority. This is the date up to which events have been considered for recognition in the Statement of Accounts.

Signed ______________________________

Mr P Hurford, B.Soc.Sc. CPFA
(Treasurer)

Dated ______________________________

STATEMENT OF APPROVAL OF THE STATEMENTS OF ACCOUNTS

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 25 September 2015.

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

Signed ____

(Chair of the Fire Authority)

Dated ____

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

We have audited the financial statements of Nottinghamshire and City of Nottingham Fire and Rescue Authority for the year ended 31 March 2015 on pages 19 to 107. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority’s expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

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

- the annual governance statement set out on pages 97 to 105 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Nottinghamshire and City of Nottingham Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

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

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

INTRODUCTION TO THE CORE STATEMENTS

Movement in Reserves Statement - Page 18

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can not be applied to fund expenditure or reduce local taxation) and 'other reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement - Page 20

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

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

Balance Sheet - Page 21

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

Cash Flow Statement - Page 22

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

CORE ACCOUNTING STATEMENTS

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2013/14	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2013	**7,764**	**4,563**	**102**	**1,670**	**14,099**	**(359,622)**	**(345,523)**
Surplus or (deficit) on the provision of Services	(14,525)	0	0	0	**(14,525)**	0	**(14,525)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	11,934	**11,934**
Total Comprehensive Income and Expenditure	**(14,525)**	**0**	**0**	**0**	**(14,525)**	**11,934**	**(2,591)**
Adjustment between accounting basis & funding basis under regulations (Note 8)	12,345	0	2,033	(504)	**13,874**	(13,874)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(2,180)**	**0**	**2,033**	**(504)**	**(651)**	**(1,940)**	**(2,591)**
Transfers to/from Earmarked Reserves (Note 9)	757	(757)	0	0	**0**	0	**0**
Increase/(Decrease) in 2013/14	**(1,423)**	**(757)**	**2,033**	**(504)**	**(651)**	**(1,940)**	**(2,591)**
Balance at 31 March 2014	**6,341**	**3,806**	**2,135**	**1,166**	**13,448**	**(361,562)**	**(348,114)**

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2014/15	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014 carried forward	**6,341**	**3,806**	**2,135**	**1,166**	**13,448**	**(361,562)**	**(348,114)**
Surplus or (deficit) on the provision of Services	(12,245)		0		**(12,245)**		**(12,245)**
Other Comprehensive Income and Expenditure	0				**0**	(55,571)	**(55,571)**
Total Comprehensive Income and Expenditure	**(12,245)**	**0**	**0**	**0**	**(12,245)**	**(55,571)**	**(67,816)**
Adjustment between accounting basis & funding basis under regulations (Note 8)	12,464		(2,135)	(446)	**9,883**	(9,883)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**219**	**0**	**(2,135)**	**(446)**	**(2,362)**	**(65,454)**	**(67,816)**
Transfers to/from Earmarked Reserves (Note 9)	(25)	25	0		**0**		**0**
Increase/(Decrease) in 2014/15	**194**	**25**	**(2,135)**	**(446)**	**(2,362)**	**(65,454)**	**(67,816)**
Balance at 31 March 2015 carried forward	**6,535**	**3,831**	**0**	**720**	**11,086**	**(427,016)**	**(415,930)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

BALANCE SHEET

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

CASH FLOW STATEMENT

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

INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 supported by International Financial Reporting Standards (IFRS).

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

Accruals of Expenditure and Income

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

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

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

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

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

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

Allocation of Support Service Costs

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

Borrowing Costs

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

Cash and Cash Equivalents

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

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

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

Contingent Liabilities and Contingent Assets

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

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

Council Tax Income and Non Domestic Rates

Council tax and non domestic rates are collected from taxpayers by billing authorities both for themselves and substantively as agents, collecting council tax and non domestic rates on behalf of precepting authorities and central government and distributing it to them. This authority is a precepting authority, and council tax and non domestic rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account on the Balance Sheet and shown within the Movement in Reserves Statement.

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

a) Council tax and non domestic rates arrears apportioned in relation to the following year's precept proportions are included as Short Term Debtors

b) Impairment allowance for doubtful debts apportioned as for council tax and non domestic rates arrears and deducted from council tax and non domestic rates arrears debtors

c) Council tax and non domestic rates overpayments and prepayments apportioned in relation to the following year's precept proportions are included as Short Term Creditors

d) Collection Fund surplus / deficit – the reversing entry to the Comprehensive Income and Expenditure Account adjustment is included in the Collection Fund Adjustment Account

e) Collection Fund cash surplus / deficit held on the authority's behalf by the billing authority is included in Short Term Debtors or Short Term Creditors

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Participation in Pension Schemes

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

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

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

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

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

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

Discretionary Benefits

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

Events after the Reporting Period

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

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

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

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

Exceptional Items

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

Financial Instruments

Financial Liabilities

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

Financial Assets

Loans and receivables (investments) are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently carried at their amortised cost. The amortised cost will include any interest accrued and not received as at the Balance Sheet date. Where the interest rate is fixed for the term of the investment then the actual interest rate has been used to calculate interest receivable as this is the same as the effective interest rate. There are no transaction costs relating to investments. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

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

Government Grants and Contributions (Revenue)

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

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

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

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

Government Grants and Contributions (Capital)

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

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

> where a capital grant or contribution has been received and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recorded in Cash and held in the Capital Grants Receipts in Advance account as a liability on the Balance Sheet. When the conditions have been satisfied, the income will be credited to Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement.
>
> where no conditions remain outstanding and expenditure has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.
>
> where no conditions remain outstanding and expenditure has not yet been been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account to reflect its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Interests in Companies

The Authority owns a subsidiary company, Nottinghamshire Fire and Rescue Service (Trading) Limited, which commenced operations on 1 September 2010. The Authority is the sole owner of this company. Single entity accounts have been prepared for both the Authority and for Nottinghamshire Fire and Rescue Service (Trading) Limited. The former are shown within this Statement of Accounts and the latter will be available from the Authority.

Further details about the Authority's interest in this company is disclosed in the note on Interests in Companies.

Inventories (Stocks)

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

Leases

Finance Leases (the Authority as Lessee)

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

A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and

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

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

Operating Leases (the Authority as Lessee)

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease (unless the arrangement specifies a rental pattern which is not straight line, in which case this will be disclosed).
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets, and where the costs are material.

Operating Leases (the Authority as Lessor)

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

Non Current Assets

Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

Land and Buildings

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

Furniture and Fittings

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

Vehicles and Plant

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

All other Assets

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

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

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

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

Charges to Revenue for Non Current Assets

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

a) depreciation attributable to the assets used by the relevant service.

b) revaluation and impairment losses on assets used by the service, where there are insufficient accumulated gains in the Revaluation Reserve balance for that asset against which the losses can be written off.

c) amortisation of intangible non current assets attributable to the service.

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

Depreciation and Amortisation

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

Depreciation is calculated on the following bases:

- Buildings: straight line allocation over the remaining useful life as estimated by the Valuation Office
- IT and Communications Equipment: straight line allocation over estimated remaining useful life
- Land, assets under construction and assets held for sale: not depreciated
- Fire Appliances: straight line allocation over the estimated useful life
- Furniture and Fittings: 20% of the balance at the beginning of the financial year
- Intangible Fixed Assets (software): amortisation equal to straight line allocation over the useful life.

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

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

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

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

Revaluation and Impairment Losses

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

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

Disposals and Non Current Assets Held for Sale

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

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

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

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

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

Donated Assets

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

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

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

Re-classification of Assets Under Construction to Operational Assets

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

Intangible Assets

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

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

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

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

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

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

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

Provisions

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

Reserves

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

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

Revenue Reserve

This reserve is the surplus of income over expenditure in the 2014/15 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 22.

Earmarked Reserve

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

Capital Reserves

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

The Revaluation Reserve

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

The Capital Adjustment Account

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

The Usable Capital Receipts Reserve

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

The Capital Grants Unapplied Reserve

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

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

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

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

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

Value Added Tax

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

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

IFRS 13 *Fair Value Measurement*

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

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

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

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

Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

IFRIC 21 *Levies*

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

„

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that which are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

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

Item	Uncertainties	Effect if Actual Results Differ from
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. A sensitivity analysis showing the impacts of changes in the discount rates used is included in note 37

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

5. PRIOR PERIOD ADJUSTMENTS

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

6. MATERIAL ITEMS OF INCOME AND EXPENSE

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

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

7. EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 19 June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves			
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,011)			3,011
Revaluation losses on Property Plant and Equipment	710			(710)
Amortisation of intangible assets	(91)			91
Capital Grants and contributions applied	1,088		446	(1,534)
Gain relating to donated assets	0			0
Revenue expenditure funded from capital under statute	0			0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2)			2
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,344			(1,344)
Capital expenditure charged against the General Fund balances	0			0
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the CIES	0			0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:				
Capital Receipts during the year, not applied to the financing of capital expenditure during the year	0	0		0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	45	(45)		0
Use of Capital Receipts Reserve to finance new capital expenditure	0	2,180		(2,180)

2014/15	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(25,549)			25,549
Employers pension contributions and direct payments to pensioners payable in the year	13,168			(13,168)
Adjustment primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(144)			144
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	(21)			21
Total Adjustments	**(12,464)**	**2,135**	**446**	**9,883**

2013/14	**Usable Reserves** General Fund Balance £000	**Usable Reserves** Capital Receipts Reserve £000	**Usable Reserves** Capital Grants Unapplied £000	**Movement in Unusable Reserves** £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,086)			3,086
Revaluation losses on Property Plant and Equipment	(30)			30
Amortisation of intangible assets	(86)			86
Capital Grants and contributions applied	1,088		504	(1,592)
Gain relating to donated assets	0			0
Revenue expenditure funded from capital under statute	0			0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2,704)			2,704
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,337			(2,337)
Capital expenditure charged against the General Fund balances	1,652			(1,652)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the CIES	0			0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:				
Capital Receipts during the year, not applied to the financing of capital expenditure during the year	2,033	(2,033)		0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0		0
Use of Capital Receipts Reserve to finance new capital expenditure		0		0

2013/14	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(26,815)			26,815
Employers pension contributions and direct payments to pensioners payable in the year	13,246			(13,246)
Adjustment primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	43			(43)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	(23)			23
Total Adjustments	**(12,345)**	**(2,033)**	**504**	**13,874**

9 TRANSFERS TO/FROM EARMARKED RESERVES

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

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

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

10 OTHER OPERATING EXPENDITURE

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

11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

13 PROPERTY PLANT AND EQUIPMENT

Movements in 2014/15	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At April 2014	48,340	15,518	1,155	3,143	**68,156**
Prior Year Adjustments	0	0	0	0	**0**
Additions	127	487	0	3,172	**3,786**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(581)	0	0	(384)	**(965)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,142	0	0	769	**1,911**
Derecognition - Disposals	0	(159)	0	0	**(159)**
Derecognition - Other	0	0	0	0	**0**
Assets reclassified (to)/from Assets Under Construction	2,500	2,148	0	(4,648)	**0**
At 31 March 2015	**51,528**	**17,994**	**1,155**	**2,052**	**72,729**
Accumulated Depreciation & Impairment					
At April 2014	(8,005)	(8,136)	(1,094)	0	**(17,235)**
Prior Year Adjustments	0	0	0	0	**0**
Depreciation & Impairment Charges	(1,423)	(1,583)	(6)	0	**(3,012)**
Depreciation written out to the Revaluation Reserve	151	0	0	0	**151**
Depreciation written out to the Surplus/Deficit on the Provision of Services	730	0	0	0	**730**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**0**
Derecognition- Disposals	0	157	0	0	**157**
At 31 March 2015	**(8,547)**	**(9,562)**	**(1,100)**	**0**	**(19,209)**
Net Book Value					
at 31st March 2015	**42,981**	**8,432**	**55**	**2,052**	**53,520**
at 31st March 2014	**40,335**	**7,382**	**61**	**3,143**	**50,921**

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

Capital Commitments

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

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

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by the Valuation Office, the last valuation took place on the 31 March 2015, covering 6 properties and was carried out by Richard Hemsworth MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

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

	Other Land & Buildings £000	Vehicles, Plant, Equipment £000	Surplus Assets £000	Total £000
Carried at Historical cost	0	8,434	0	**8,434**
Valued at Fair Value as at:				
31 March 2015	7,442	0	0	**7,442**
31 March 2014	6,320	0	0	**6,320**
31 March 2013	8,518	0	0	**8,518**
31 March 2012	4,204	0	55	**4,259**
31 March 2011	16,497	0	0	**16,497**
Total Cost or Valuation	**42,981**	**8,434**	**55**	**51,470**

14 INTANGIBLE ASSETS

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

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

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

15 FINANCIAL INSTRUMENTS

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

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

Note: the figures for debtors and creditors in the above table include grant receipts in advance but exclude Council Tax and Non Domestic Rates (NDR) debtors and creditors because Council Tax is a statutory debt not arising from a contract and therefore falls outside the scope of financial instruments. The table below provides a reconciliation between the figures in the above table and those on the Balance Sheet.
The values for financial instruments in the above table, and on the Balance Sheet, are all gross figures i.e. no netting of financial instruments has taken place.

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

Income, Expense, Gains and Losses

	2014/15			2013/14		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	846	0	**846**	944	0	**944**
Total expense in Surplus or Deficit on the Provision of Services	**846**	**0**	**846**	**944**	**0**	**944**
Interest Income	0	(71)	**(71)**	0	(100)	**(100)**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**(71)**	**(71)**	**0**	**(100)**	**(100)**
Net gain/(loss) for the year	**846**	**(71)**	**775**	**944**	**(100)**	**844**

Fair Values of Assets and Liabilities

The fair value of financial instruments has been determined by calculating the net present value (NPV) of future cashflows. The discount rates used in the NPV calculations are equivalent to the current rates in relation to the same or similar instruments of the same remaining duration from comparable lenders on the date of valuation i.e. market rates. For loans from the Public Works Loans Board (PWLB) the interest rate for comparable new loans has been used as the discount rate. No early repayment or impairment is recognised. Financial liabilities are carried on the Balance Sheet at amortised cost (in long term liabilities with accrued interest and principal due to be repaid within 1 year in current liabilities). The fair value of trade debtors and other receivables is taken to be the invoiced or billed amount.

Fair Values of Assets and Liabilities

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

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

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

16 INVENTORIES

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

17 DEBTORS

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

18 CASH AND CASH EQUIVALENTS

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

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

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

19 ASSETS HELD FOR SALE

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

20 CREDITORS

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

21 PROVISIONS

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

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

Retained Duty System
This liability arises from an employment tribunal test case relating to “Part Time Workers (Prevention of Less Favourable Treatment) Regulations”. A prudent estimate was made in 2009/10 and 2010/11 relating to the payment of compensation to Retained Duty System firefighters. During the year amounts of compensation have continued to be paid, although there remain some amounts of compensation to be paid as well as the possibility that further applications for compensation may be made. The remaining provision should cover any outstanding liabilities.

Exit Packages
This liability arises from decisions made in 2013/14 to allow employees to leave the Authority in 2014/15. No further provisions were made during the year 2014/15 due to uncertainties of the amount.

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

22 USABLE RESERVES

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

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

General Fund

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

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

Earmarked Reserves

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

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

Capital Receipts Reserve

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

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

Capital Grants Unapplied

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

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

23 UNUSABLE RESERVES

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

Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

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

Capital Adjustment Account

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

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

Note 8 provides details of the source of all the transactions posted to the Account, apart from

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

Pension Reserve

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

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

Collection Fund Adjustment Account

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

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

Accumulated Absences Adjustment Account

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

2013/14 £000			2014/15 £000
(144)	**Balance at 1 April**		**(167)**
144	Settlement or cancellation of accrual made at the end of the preceding year	167	
(167)	Amounts accrued at the end of the current year	(188)	
(23)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(21)
(167)	**Balance at 31 March**		**(188)**

24 CASHFLOW STATEMENT - OPERATING ACTIVITIES

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

CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

25 CASHFLOW STATEMENT - INVESTING ACTIVITIES

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

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

26 CASHFLOW STATEMENT - FINANCING ACTIVITIES

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

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

As the Authority is single purpose, budget management reports provided to the Authority do not show expenditure and income in segments. Note 8 "Adjustments between Accounting Basis and Funding Basis under Regulations" provides a reconciliation between the total Comprehensive Income and Expenditure and the amount of resource consumed by the Authority in accordance with statutory provisions. The total Deficit on the Provision of Services shown in the Comprehensive Income and Expenditure Statement is £12,245k, and this is adjusted by £12,464k in total to give an underspend of £219k. This underspend is then adjusted by the net transfer to and from earmarked reserves of £25k to give a final underspend of £194k which is in accordance with the funding basis under regulations. The adjustment of £12,464k is detailed in the table in note 8, under the heading "General Fund Balance".

28 POOLED BUDGETS

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

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

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

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

29 MEMBERS' ALLOWANCES

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

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

30 OFFICERS' REMUNERATION

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

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

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

The table below shows the number of employees whose remuneration was £50,000 or more, in bands of £5,000. It includes the senior officers shown in the previous table. Remuneration is defined as pay, taxable expenses allowances and the monetary value of any benefits such as a provided car. Employer's pension contributions are excluded.

Remuneration Band	**2014/15 Number of employees**	**2013/14 Number of employees**
£50,000-£54,999	25	27
£55,000-£59,999	5	3
£60,000-£64,999	3	5
£65,000-£69,999	3	1
£70,000-£74,999	0	2
£75,000-£79,999	0	1
£80,000-£84,999	2	3
£85,000-£89,999	1	0
£90,000-£94,999	1	1
£95,000-£99,999	1	0
£100,000-£104,999	0	1
£105,000-£109,999	0	0
£110,000-£114,999	0	0
£115,000-£119,999	0	1
£120,000-£124,999	1	0
£125,000-£129,999	1	0
£130,000-£134,999	1	0
£135,000-£139,999	0	1
£140,000-£144,999	0	0
£145,000-£149,999	0	0

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	5	5	1	4	6	9	25,822	19,410
£20,001 - £40,000	0	0	5	1	5	1	138,261	30,325
£40,001 - £60,000	0	0	1	0	1	0	46,423	0
£60,001 - £80,000	0	0	1	0	1	0	69,670	0
Total	**5**	**5**	**8**	**5**	**13**	**10**	**280,176**	**49,735**

31 EXTERNAL AUDIT COSTS

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

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

32 GRANT INCOME

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

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

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the year-end are as follows:

Current Liabilities

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

33 RELATED PARTIES

The Authority is required to disclose material transactions with related parties, which are bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in the analysis in Note 32.and Note 12

Members

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

Officers

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

Nottinghamshire County Council and Nottingham City Council

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

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

Other Public Bodies

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

Entities Controlled or Significantly Influenced by the Authority

The Authority is the sole shareholder of Nottinghamshire Fire & Rescue Service (Trading) Limited, with 2 officers and 2 members forming the Board of Directors. The Authority recovers costs incurred in the provision of certain goods and services to the Company including finance, payroll, human resources, insurance and transport. The Company is the Authority's provider of fire extinguisher maintenance services, and half of the Company manager's salary is charged in exchange for management services provided to the Authority's hydrant maintenance operation.

The Authority provided a loan of £55k to the Company on the commencement of trading on 1 September 2010. The loan is a revolving credit facility allowing the Company to draw down up to a maximum of £100k and decrease to nil at any time. Interest is charged at 15 basis points above the Bank of England bank rate, a rate negotiated at arm's length. The Authority's transactions and balances with the Company are detailed below. Note 40 provides more details regarding the company's transactions for the year 2014/15.

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

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

34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

35 LEASES

Authority as Lessee

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

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

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

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

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

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

Authority as Lessor

Operating Leases

The Authority has entered into an operating lease arrangement with Nottinghamshire Police in respect of one of its properties, which is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1). Rent received in 2014/15 was £15k.

Future contracted receipts are:

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

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

36 TERMINATION BENEFITS

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

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

37 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

1) The Local Government Pension Scheme (LGPS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The two Firefighters' Schemes are very similar in nature. They are unfunded pension schemes, meaning that there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. The Authority has primary responsibility for meeting the costs and managing the risks relating to the firefighters' pension arrangements. However, there is currently an arrangement in place whereby the cost of the schemes are met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Department for Communities and Local Government (DCLG). Any surplus funding is paid over to the DCLG.

The schemes provide benefits based on final salary and length of service at retirement, although a new scheme which provides benefits based on revalued average salary will be implemented on 1 April 2015. The governance arrangements are managed by the Authority, and this essentially involves managing the cash flows and being responsible for the administration of the schemes. The day to day administration is carried out by Leicestershire County Council on behalf of the Authority.

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

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

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

A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the 1992 FPS and the 2006 NFPS. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 91 to 96) and it is therefore not the Authority's income, however in IAS 19 terms it is a current contribution towards the Authority's liabilities for retirement benefits. The grant is therefore credited to other operating income in the Comprehensive Income and Expenditure Statement. The grant is not treated as an asset of the firefighters' pension schemes, but as a source of income to the schemes it does reduce the year end pension liability.

The Authority also participates in the Firefighters' Compensation Scheme. The Firefighters' Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. The level of benefits payable is dependent on salary, service and the degree of disablement of the individual at the time the injury is incurred. Therefore the level of long term benefits can be both material and volatile. For this reason the Compensation Scheme is treated as an unfunded defined benefit scheme and accounted for, under International Accounting Standard 19 (IAS 19), in the same manner as for the Firefighters' Pension Schemes.

The Compensation Scheme is administered by the Authority in accordance with statutory arrangements determined by the Department of Communities and Local Government. The cost of the scheme is met solely by the Authority. The risks arising from the Authority's participation in this scheme are as follows:

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

Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

	Local Government £'000		Firefighters' £'000	
	2014/15	**2013/14**	**2014/15**	**2013/14**
Comprehensive Income and Expenditure Statement				
Cost of Services				
Service cost comprising:				
- current service costs	1,220	1,285	6,961	8,095
- past service costs*	(71)	429	0	0
Administration expenses	4	1	0	0
Financing and Investment Income and Expenditure				
Net interest expense	537	491	16,898	16,514
Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services	1,690	2,206	23,859	24,609
Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(1,410)	(271)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	14	641	(4,689)	5,187
Actuarial (gains) and losses arising on changes in financial assumptions	5,231	2,349	67,404	(16,755)
Experience (gains) and losses	(51)	(2,363)	(9,811)	0
Other actuarial gains and losses	0	208	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	5,474	2,770	76,763	13,041
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,690)	(2,206)	(23,859)	(24,609)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	1,021	877	11,491	11,726
Retirement benefits payable to pensioners			656	643

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

Further Analysis of Firefighters' Pension Schemes

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

Local Government Pension Scheme assets comprised:

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

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

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

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities of the Local Government Pension Scheme and the Firefighters' schemes have been assessed by Barnett Waddingham Public Sector Consulting and Mercer Limited respectively, both of whom are independent firms of actuaries.

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

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

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

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

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

Sensitivity analysis for the Firefighters' Schemes

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

Sensitivity analysis for the LGPS

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

Asset and Liability Matching Strategy

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

Impact on the Authority's Cash Flows

The defined benefit liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £460m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The net liability on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The aims of the Fund are to keep employer contribution rates as constant as possible. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities.

- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid, and any shortfalls are currently met by the Department for Communities and Local Government.

- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2014/15 was £687k.

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

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

38 CONTINGENT ASSETS AND LIABILITIES

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

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

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

39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Authority may be required to renew a financial instrument on maturity at less advantageous interest rates or terms
- Market risk – the possibility that financial loss might arise as a result of changes in, for example, interest rates.

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

- The Authorised Limit for 2014/15 was set at £29.0m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £26.3m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.
- An upper limit of £2.0m was set for principal sums invested for longer than 364 days.

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

<u>Credit Risk</u>

Credit risk arises from deposits with financial institutions and from providing chargeable services to customers. The Authority has a list of approved banks and financial institutions to which it will lend surplus cash. The list is based on minimum independent credit ratings from Fitch, Moodys and Standards and Poor, which are overlaid by credit outlooks, credit default swap spreads and sovereign ratings to give an overall rating for each counterparty which indicates a maximum term for investments. The annual investment strategy also considers maximum amounts to be deposited with any one institution. The Authority is advised of ratings changes by Capita Asset Services and the list is updated accordingly on an ongoing basis.

The Authority’s maximum exposure to credit risk in relation to its investments with banks and other local authorities cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments and there was no evidence at 31 March 2015 that any of the Authority’s deposits might not be repaid.

Invoices to customers for chargeable services are usually of relatively low value. The Authority actively pursues outstanding debts and the Debt Recovery Policy provides for non emergency services to be ceased to non paying customers.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on actual experience in terms of deposits and the percentage of debt which has been written off as unrecoverable over the last 5 years in terms of debtors. There were six deposits as at 31 March 2015 showing on the Balance Sheet and three of these were due to be repaid to the Authority by July 2015. The remaining three deposits are in call accounts.

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

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

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

Liquidity Risk

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

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

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

Re-financing Risk

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

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

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

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

Market Risk

The Authority has no investments in equity shares and therefore has no exposure to loss arising from movements in share prices.

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

The Authority is exposed to risk in terms of interest rate movements on borrowings and investments. A rise in fixed interest rates would have the following effects:
- For borrowings at fixed interest rates, the fair value of the borrowing would fall (but this would not impact upon revenue balances)
- For investments at fixed interest rates, the fair value of the assets will fall (but this would not impact upon revenue balances)

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

The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. In 2014/15, this maximum was set at 30%. In addition, the annual Treasury Management Strategy includes an expectation of interest rate movements, which can be taken into account when planning borrowing and investment activities and when determining whether fixed or variable rate instruments are appropriate. The portfolio of long term borrowings is kept under review and may be

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

	£000
Decrease in fair value of fixed rate investment assets	7
Decrease in fair value of fixed rate borrowings	2,638

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

40 INTERESTS IN COMPANIES

Nottinghamshire Fire and Rescue Service (Trading) Limited.

Principal activities

Nottinghamshire Fire and Rescue Service (Trading) Limited is a limited company and wholly owned by Nottinghamshire Fire and Rescue Service. The company was formed on 1st September 2010. The company is engaged in fire extinguisher sales and maintenance together with some safety training activity.

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

The company is considered to be a related party to the Authority, and details of transactions between the two entities have been disclosed in Note 33. The Authority's maximum exposure to loss from its interest in the subsidiary is limited to the share capital sum of £1.

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

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

The accounts of the company can be obtained from:

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

PENSION STATEMENTS

PENSION FUND ACCOUNT

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

PENSION NET ASSETS STATEMENT

The net current assets and liabilities arising from the operation of the pension fund are shown in this statement. This statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the core accounting statements and are explained in more detail in note 37.

2013/14 £000		2014/15 £000
	Current Assets	
15	Contributions from employer	24
13	Contributions from members	19
39	Transfer into Scheme Receivable	85
927	Prepaid Pensions	965
1,968	Pension top-up grant receivable from CLG	685
2,962	**Total**	**1,778**
	Current Liabilities	
(586)	Unpaid pension benefits	(145)
(125)	Tax payable on behalf of members	(18)
(2,251)	Amount owing (to)/from General Fund	(1,615)
(2,962)	**Total**	**(1,778)**
0	**Net Current Assets**	**0**

NOTES TO THE PENSION STATEMENTS

1. The Firefighters’ Pension Fund

The Firefighters’ Pension Fund was established for Fire Authorities in England under the Firefighters’ Pension Scheme (Amendment) (England) Order 2006. Until April 2015 there were two separate pension schemes for firefighters: the 1992 Scheme and the 2006 Scheme. The Firefighters’ Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to April 2006. Although this modified version does not constitute a scheme on its own, it has different benefits to the main 2006 Scheme and is therefore often referred to separately as the “Modified Scheme”. The Modified Scheme came into being on 1 April 2014. More details about this scheme and its impact on the Pension Fund can be found below.

A new pension scheme came into being on 1 April 2015. This is referred to as the 2015 Scheme, and it will eventually replace the 1992 and 2006 Schemes after a transitional phase which will last for 10 years.

All Firefighters’ Pension Schemes are unfunded and consequently the fund holds no investement assets. Benefits are payable to pensioners in accordance with the regulations. Benefits payable are funded by contributions from employees and from the Authority, and any deficit in the funding required is met by a top-up grant from the Department for Communities and Local Government. If the amounts receivable exceed the amounts payable then the surplus is paid over to the Department for Communities and Local Government. Employees’ and employer’s contribution rates are set nationally by central government and are subject to a triennial revaluation by the Government Actuary’s Department.

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

2. The Modified Scheme

Following the court’s decision in the employment tribunal case involving retained firefighters who made a claim for equal treatment with wholetime firefighters under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, the Government introduced a modified version of the 2006 Firefighters’ Pension Scheme. This scheme is available for those who had retained service for all or part of the period from 1 July 2000 to 5 April 2006 inclusive. Fire and rescue authorities are now undertaking an options exercise to provide those individuals affected with an opportunity to join the modified scheme, as compensation for having previously had no access to a pension scheme during this period.

This options exercise is not due to be completed until 30 September 2015, however over 120 individuals have already elected to join the modified scheme. These individuals can choose to pay their historic contributions either by a lump sum or in instalments over a 10 year period. These contributions are being accounted for in the year that the cash is received as the individuals concerned do not accrue any additional pensionable service until the contributions are paid. Of the individuals who have already elected to join, 33 are now receiving pension payments. These payments have been accounted for on an accruals basis. This has resulted in £331k of pension payments being recognised as expenditure in the Pension Fund Account, and £81k of unpaid pension benefits being shown in the Pension Net Assets Statement.

Overall there is a net deficit of £97k relating to the Modified Scheme. This has increased the overall pension fund deficit to £7,859k.

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

4. Accounting Policies for the Pension Fund

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

Accruals
Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. Accruals are shown as debtors and creditors in the Net Assets Statement. Further details relating to the debtors and creditors are shown in note 5 below. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements. The one exception to this policy is the treatment of historic employee contributions paid into the Modified Scheme (see note 2 above for details).

Administration Costs
The cost of managing pension activities, which includes part of the costs of Human Resources, Payroll and Finance staff as well as part of the cost of Pension Services provided by Leicestershire County Council and the cost of actuarial services, are not accounted for within the Pension Fund but are included in the Authority's Comprehensive Income and Expenditure Statement.

5. Events after the Balance Sheet Date

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

6. The Liability to Pay Pensions

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

7. Accruals Within the Pension Fund and Net Assets Statement

Prepaid Pensions

Retirement benefits payable under the 1992 Scheme are paid to members monthly in advance. The payments made in March 2015 relate to April 2015 and have been treated as prepayments.

Transfers Between Pension Schemes

The Pension Regulations state that where members transfer between Fire Authority Schemes within England, no transfer of accrued pension benefits will take place. However, where members transfer to/from the Fire Authority Scheme to/from another Fire Authority in Scotland, Wales or Northern Ireland or to/from a non Fire Authority organisation, they can opt to transfer their accrued benefits. As at 31 March 2015, 2 transfers into the Fire Authority Scheme had been requested but the money had not been received. This income has been accrued for.

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

Pension Top-Up Grant Payable/Receivable

The amount required to be paid to the Department for Communities and Local Government in order to balance the Pension Fund to nil has been calculated and accrued for.

Contributions Payable

Retained firefighters are paid one month in arrears, therefore employee and employer contributions relating to March 2015 were still outstanding at 31 March 2015. These outstanding contributions have been calculated and accrued for.

Unpaid Pension Benefits

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

Tax Payable on Behalf of Members

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

8. Financing of the Pension Fund

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority's main bank account. These amounts are shown as "Amounts owing from the General Fund". Top-up grant received in advance from the Department for Communities and Local Government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable by the Authority to the Department for Communities and Local Government is £685k. The difference between the grant payable and the cash deficit of £1,615k as at 31 March 2015 is the total of the accruals included in the Pension Fund

9. Contingent assets and liabilities

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

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

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

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

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

1.0 **SCOPE OF RESPONSIBILITY**

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

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

1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government.* A copy of the authority's code can be obtained from the Finance Department, Nottinghamshire Fire and Rescue Authority Headquarters, Bestwood Lodge, Arnold, Nottinghamshire, NG5 8PD.

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

2.0 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

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

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

3.0 **THE GOVERNANCE FRAMEWORK**

3.1 In addition to the Annual Governance Statement the Authority has a Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In this document, officers have identified against each of the Code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the Code.

3.2 In developing a code of corporate governance the Authority has sought compliance with the CIPFA/SOLACE guidelines but has also sought to develop internal governance structures that also follow the broader Organisation for Economic Co-Operation and Development principles which provide a stronger framework for internal decision making.

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

> Changes in the Committee Structure to remove the Performance Monitoring Committee and re-allocate its responsibilities
>
> Changes in the composition of the Corporate Management Board to include a wider group of senior managers and moving meetings to monthly rather than weekly.
>
> Changes to the corporate objectives of Response, Protection, Prevention, Resilience, Diversity and Workforce and Governance Improvement to new Service priorities of Service Delivery, Employees and Workforce, Improvement and Governance, Engagement and Partnerships, Environment and Inclusion and Equality.

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

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

3.5.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The latest IRMP covers the period 2014–2019 and the Authority consults with the citizens and other stakeholders to formulate its business plans for each financial year within this plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

3.6.1 The Service operates a system of cascading business plans. The IRMP is the highest level and from this a series of departmental and functional business plans are produced. Progress against these plans is reported on regularly using a piece of specialist software and the performance management team report on progress and outcomes to the relevant committees. These reports had previously been presented to the Performance Monitoring Committee.

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

3.7 **The Internal Control Environment:**

3.7.1 The Authority's internal control environment comprises many systems, policies, procedures and operations. In reality these split into risk management, internal check/financial control and internal audit. Internal Check and financial control are clearly targeted towards financial matters whereas risk management has a much broader brief and is more associated with the risk of non-achievement of objectives and targets. The system cannot however eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority, where possible will eliminate that risk. If this is not possible then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

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

3.7.3 **Management Structure**
The Authority has a clear management structure with defined roles and responsibilities. The Corporate Management Board has been extended to include all department heads as well as the Directors. This is because weaknesses were identified in the previous structure of steering groups which could make the decision making process opaque and blur lines of accountability. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process.

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

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

3.7.4 **Established Policies, Procedures & Regulations**
The Authority ensures compliance with established policies, procedures, laws and regulations. The information regarding policies and procedures is held on the intranet, and these are continually enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud, fraud response and confidential reporting. The Authority carries out a regular review of financial regulations which clearly define how decisions are taken and the processes and controls required to manage risk. The list below outlines some of the key policies and process in place to enhance the internal control system, which are reviewed as and when required:

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

3.7.5 **Internal Audit Function**
The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council, and has well-established protocols for working with External Audit.

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

3.7.7 **Best Value Duty**
The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. The focus on best value has increased in recent years by the requirement to reduce budgets but initiatives such as the recent functional analysis work have helped to ensure that service quality is maintained.

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

4.0 **REVIEW OF EFFECTIVENESS**

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

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

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

4.3 **The Authority and Its Committees**

4.3.1 **The Authority**
The Authority has reviewed the vision and strategic service objectives as part of the budgeting process which was undertaken between October 2014 and February 2015. This process also had a measure of Member scrutiny with the Chair of Finance and Resources Committee taking an active role.

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

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

In addition to the above there are also panels for appointments, Equalities and Personnel matters
Terms of reference and responsibilities for all of these Committees form part of the Authority's Governance arrangements.

4.4 **Management Review**

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

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority's management structure and processes. The 2014/19 Integrated Risk Management Plan sets out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by the Corporate Services department and managed by the individual departmental management teams.

4.4.3 Risk management at the strategic/corporate level forms part of the overall responsibilities of the Finance and Resources Committee and Members of this committee take a keen interest in Risk Management. This Committee has considered the desirable risk appetite of the organisation in a proactive way, and set risk targets for the Service to report against. Risk Management is an integral part of project management and business planning within the Corporate Services department and both this and operational risk management, which is managed within the Service Delivery function, are considered strong. The Service also maintains a comprehensive approach to health and safety which is undertaken by the Service's Health and Safety advisor and monitored by the Health Safety and Wellbeing Committee. This group of Officers and Representative Bodies reports quarterly to the Corporate Management Board.

4.4.4 The Authority employed appropriate professional staff:

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

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

4.4.5 In addition to the Treasurer the Authority also employs a Director of Finance and Resources who fulfils the role of Chief Financial Officer. This Director is a member of the Strategic Management Team and the Corporate Management Board and is responsible for advising both senior managers and elected members on all financial matters. In effect this is a role shared with the Treasurer who is seen to act independently of the Strategic Management Team advice to the Fire Authority. In reality these two officers work very closely together. Both of these officers are professionally qualified and have many years’ experience within Local Government finance.

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

4.4.7 Budget monitoring remains robust at both strategic and service level via the production of monthly financial monitoring reports for both Capital and Revenue budgets. These reports as well as being scrutinised by budget managers are also reported monthly to the Corporate Management Board and quarterly to the Finance and Resources Committee.

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

4.4.9 The External Auditor approved an unqualified Statement of Accounts for 2013/14 and it is anticipated this will be repeated in 2014/15. A presentation by the Director of Resources on the final accounts together with a detailed year-end report to the Authority helped communicate the year-end position to Members in a clear and understandable format.

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

4.5 Internal Audit

4.5.1 The Authority procured its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2014/15, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Director of Finance and Resources and the relevant managers as appropriate. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee. Audit reports are also fed into the performance management function within the Corporate Services Department to ensure that recommendations are implemented to agreed timescales.

The Annual Internal Audit Report to the Finance and Resources Committee in July 2015 concluded that:

> “From the work carried out during the 2014/15 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.

4.6 **External Review**

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

4.6.2 The principal purposes of the Auditors’ report are:

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

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

5.0 **SIGNIFICANT ISSUES FOR GOVERNANCE**

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

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

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

Signed……………………………………
Cllr Darrell Pulk
CHAIRMAN

Signed……………………………………
John Buckley
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.

Appendix B

Nottinghamshire Fire and Rescue Service (Trading) Ltd

Company Limited by Share Capital
Financial Statements

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

Officers and Professional Advisors
Year Ended 31 March 2015

The Board of Directors

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

Company Secretary Richard Heffer

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

Registered Office
Nottinghamshire Fire & Rescue Service (Trading) Ltd
Bestwood Lodge
Arnold
Nottingham
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Directors Report

The Directors present their Report and the Financial Statements of the Company for the year ended 31st March 2015, which represents 12 months trading; the comparatives are for the 12 months ended 31st March 2014.

Introduction and Principal Activities

Nottinghamshire Fire and Rescue Service (Trading) Limited (the company) is limited by share capital and wholly owned by Nottinghamshire Fire and Rescue Service. The company was formed on 1st September 2010. The company is engaged in fire extinguisher sales and maintenance and has steadily expanded on the fire-related training activity side of the business. The company also has a partnership agreement with a commercial electrical and fire alarm installer and is able to sell its services through this company as necessary.

Business Review and Developments

Over the reporting period, our trading position has seen a moderate upturn in our business activity; both in the existing core customer segment and in new market areas. We have successfully diversified away from being overly reliant upon a “one customer sector” and have strongly expanded our market share. This has been through cross marketing services and products along with a significant general growth in our customer base.

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

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

Results

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

Financial risk management objectives and policies

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

Political donations

The company has made no political donations.

Charitable Donations

The company has made no charitable donations.

Summary of Director's Responsibilities

The company operates under a board of four directors.

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

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

Director Chris Barnfather – responsible for seeking assurance that the company is operating legally and in the best interests of the parent company and the community, a role similar to that of Non-Executive Director.

Director Malcolm Wood - responsible for seeking assurance that the company is operating legally and in the best interests of the parent company and the community, a role similar to that of Non-Executive Director.

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

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

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

- Select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts
- these accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

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

Audit Exemption Statement

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

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

Signed on behalf of the Board by

I PRITCHARD ………………………………………………………………

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

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

Statement of Financial Position
31st March 2015

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

Audit Exemption Statement

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

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

Signed on behalf of the Board by

I PRITCHARD …………………………………………………………..

Cash flow Statement
31st March 2015

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

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

Notes to Financial Statements

1.0 Accounting Policies

The financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards and the Companies Act 2006.

2.0 Revenue

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

3.0 Non-Current Assets

The company currently does not own any non-current assets.

4.0 Pension Costs & Other Post Retirement Benefits

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

5.0 Inventory

Inventory is valued at the lower of cost or net realisable value, using the first in, first out (FIFO) method of stock valuation.

6.0 Audit

For the year ending 31st March 2015, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

7.0 Directors Emoluments

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

8.0 Trade Receivables

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

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

9.0 Employee Information

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

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

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

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

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

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

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

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

14.0 Related Party Transactions

The company has entered into the following transactions with Nottinghamshire Fire and Rescue Service during the course of the 2014/2015 financial year.

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

Of these amounts £114 was owed by Nottinghamshire Fire and Rescue as at 31st March 2015. The transactions were on an arm's length basis and include services sold to Nottinghamshire Fire and Rescue relating to fire extinguisher maintenance and hydrant maintenance. The company purchased human resources, financial, insurance, health and safety and information technology from Nottinghamshire Fire and Rescue, as well as the use of premises and vehicles.

15.0 Dividend Payment

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