NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

FINAL ACCOUNTS 2007/08

Report of the Treasurer to the Fire and Rescue Authority

Agenda Item No:

Date: 27 June 2008

Purpose of Report:
To seek the approval of Members to the adoption of the final accounts for the Nottinghamshire and City of Nottingham Fire and Rescue Authority for the year 2007/2008 in accordance with the statutory requirement that these be formally adopted by 30 June 2008.

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1. BACKGROUND

1.1 The Statement of Accounts is prepared in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). The legal requirement for approval and publication of the Statement of Accounts is contained within the Accounts and Audit Regulations (England). The full Fire and Rescue Authority must approve the Statement of Accounts before 30 June 2008 following the financial year end.

1.2 The Statement of Accounts attached to this report will be presented to the Audit Commission for auditing once the Fire and Rescue Authority has adopted it. The Auditors will be commencing the audit in August 2008 and will issue their audit report in due course.

2. REPORT

2007/08 Financial Year End Position

2.1 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.

2.2 The Statement of Movement on the General Fund Balance shows an increase in the General Fund Balance (net surplus) for the year 2007/08 of £0.809m. This is £478k higher than the surplus forecast to the Finance and Resources Committee in April 2008. The reasons for this difference are given in paragraphs 2.11 to 2.27 below.

The total funds available for revenue spending in 2007/08 were as follows:

	£000's
Approved Budget	41,673
Funded by:	**£000's**
Revenue Support Grant	3,028
Precept	20,600
National Non Domestic Rates	18,045
Total Funding	41,673

2.3 The underspend of £0.809m is a variance of 1.9% of the original budget. Several significant overspends and underspends have contributed towards the net position and reasons for the most significant variances against the budget are given in paragraphs 2.11 to 2.24.

2.4 The capital programme for 2007/08 was £9.761m. There was an original capital programme of £8.417m plus slippage of £1.344m from 2006/07. The underspend against this programme is £5.230m and the reasons for the most significant variances are given in paragraphs 2.25 to 2.27 of this report. More detailed explanations of these capital programme variances have been reported to the Finance and Resources Committee during the year.

Changes in Accounting Requirements

2.5 There have been significant changes in two areas: financial instruments and capital accounting.

2.6 A financial instrument is a contract giving rise to a financial asset of one entity and a financial liability of another. Examples include trade receivables (debtors) and trade payables (creditors), borrowings, investments and bank deposits. Pension scheme and lease assets and liabilities are covered by other, specific accounting standards.

2.7 The 2007 SORP requirements in respect of financial instruments are now based on the accounting standards: FRS 25 Financial Instruments: Presentation and Disclosure; FRS 26 Financial Instruments: Recognition and Measurement and FRS 29 Financial Instruments: Disclosures, which replaces the disclosure requirements of FRS 25. This change in the SORP is part of the continuing drive to move public sector bodies towards the same accounting requirements as private sector entities.

2.8 The result of this is some changes in accounting treatment as well as changes in presentation in the accounts and considerable changes to disclosures in the notes to the accounts.

2.9 Capital accounting has also changed, with the introduction of a Revaluation Reserve and a Capital Adjustment Account and the removal of the Fixed Asset Restatement Reserve and the Capital Financing Account. The Revaluation Reserve records any net gains from revaluations of assets after 1 April 2007 and the Capital Adjustment Account reflects the difference between the cost of consuming fixed assets and the capital financing set aside to pay for them. With effect from 1 April 2007, local authorities are required to maintain a record of revaluation gains for every individual fixed asset for the life of the asset which has resulted in a considerable administrative burden in setting up appropriate records.

2.10 The result of this is some changes in accounting treatment as well as changes in presentation in the accounts.

Examination of Significant Variances from the Revenue Budget

2.11 Part time Operational Employees - The overspend of £142k on the part time operational employees budget has arisen for two reasons: high activity levels in the summer of 2007 with the widespread flooding and the introduction of co-responding. The IRMP1 contingency budget of £101k for co-responding was not allocated to the part time operational employees budget during the year as the additional costs specifically relating to co-responding could not be readily identified. The underspend on the contingency and the overspend on the pay budget are partially offsetting.

2.12 Administrative and Support Employees - The budget for administrative and support employees underspent by -£176k due to a number of vacancies in senior posts at various times in the year.

2.13 Staff Training - The staff training budget of over £0.5m underspent by -£140k, which was £60k higher than predicted. A saving has been implemented against this budget in 2008/09.

2.14 Building Maintenance - Building maintenance activities once again escalated in the year and the probable overspend was identified at an early stage. As a result, only essential maintenance was carried out in the latter part of the year but a significant overspend of £258k still resulted, some £94k more than predicted.

2.15 Operational Equipment - The overspend on the operational equipment budget was a planned and authorised overspend in the light of underspends elsewhere in the budget. The opportunity to purchase upgraded equipment such as defibrillators and thermal image cameras was taken, in order to improve services to the community. The final overspend against the budget was £198k (£146k higher than reported earlier).

2.16 ICT Equipment and Licences - These budgets underspent by a total of £189k, which was £134k higher than predicted. A saving has been implemented against the 2008/09 budget.

2.17 Insurances - There were underspends on insurances totalling -£269k arising from a combination of factors: a reduction in premiums paid; a reduction in the level of insurance provision required and a significant insurance claim receipt. This underspend was £170k higher than previously reported as the reduction in insurance provision and claim receipt were transactions at the end of the year.

2.18 Other Supplies and Services - This budget was reported previously as being a probable overspend at year end. However, some of the items previously charged to the revenue budget were capitalised at year end, resulting in a total underspend, a difference to the reported variance of £87k.

2.19 Travel Costs - The budget for business travel costs of employees overspent by £153k for several reasons: there has been an increase in the amount of regional and partnership working, which often entails travelling to meetings around the East Midlands; some employees have been transferred to new workplaces and are entitled to reclaim additional travel costs arising; the vacancies in Watch and Crew Manager posts throughout the year has resulted in employees acting up to cover vacancies and increased travelling between fire stations as a result. This situation is expected to improve in 2008/09 due to the filling of Watch and Crew Manager vacancies and the pilot self rostering scheme has shown that travelling costs could be further reduced. Overspends relating to increased fuel prices and vehicle hire costs attributed to a £47k overspend above that previously reported.

2.20 Support Services - The support services budget overspent by £120k largely in three areas. The restructuring of committees in line with changes to governance arrangements resulted in an increased cost of committee administration services (+£15k), the increased pension administration cost due to the new firefighters' pension scheme (+£26k) and legal costs overspent due to the cost of the court action in respect of co-responding (+£62k).

2.21 Operating Leases - The underspend on the capital programme has impacted on the cost of capital financing, together with a decision to finance some assets by way of borrowing rather than by leasing. The total underspend was -£514k. The probable underspend was identified earlier in the year and reported to Members, but the decision to borrow rather than lease was made late in the year, resulting in an additional £193k underspend above that reported earlier.

2.22 Grant and Other Income - Grant income was received to fund various activities and the surplus offsets overspends on non pay items within various budget heads. In addition, income was received from other Fire and Rescue Services in the region to reimburse the cost of operational equipment purchased on behalf of the region.

2.23 Prince's Trust - It was identified during the year that the income assumptions used in setting the Prince's Trust budget had turned out to be incorrect and that there would be a deficit against the budget. Although the overspend against the budget is £122k, the deficit of expenditure above the level of income is £30k. This £30k is largely due to the cost of an additional post covering maternity leave.

2.24 Contingencies - All of the contingency budgets contained within IRMP2 underspent during the year by -£105k, but the use of these budgets in 2008/09 was planned during the budget process and the contingencies will be allocated to mainstream budgets.

The contingency for pay awards underspent by -£367k for two reasons: pay inflation in the year was less than that budgeted for and most of the remaining contingency for the shift change project brought forward from 2006/07 was not required and has been treated as a budget saving in 2008/09. Most of this underspend (£307k) was not reported previously.

Examination of Significant Variances from the Capital Budget

2.25 Premises Capital Programme - The underspend in the Premises capital programme of -£1,471k is largely due to delays in the commencement of the building of the Authority's new Highfields fire station.

2.26 Transport Capital Programme - Changes to the procurement process for fire appliances have resulted in longer lead time and this, coupled with the global shortage of commercial chassis, has resulted in an underspend of -£1,331k within the Transport capital programme.

2.27 ICT Capital Programme - Key projects within the Information Technology capital programme were started in the year and are due for completion next year, with the balance of the budget to be slipped forward. A review of the programme at budget time resulted in a reduction in the size of the programme next year, in line with the resources available to deliver the objectives of the ICT Strategy. The total underspend in the year was -£1,184k.

Balances and Earmarked Reserves

2.28 The Authority's General Fund balance at the year end is £3.449m.

2.29 Earmarked Reserves now stand at £2.401m. These are expected to be used to support expenditure on various projects as follows:

Earmarked Reserve	31 March 2008 £000s
Integrated Clothing Project	800
Modernisation	110
FiReControl / FireLink Transition	200
Fire Safety	227
ICT Projects	23
Capital and Other One-Off Items	300
LPSA Reward Grant	741
Total	2,401

Opinion Audit Risk Assessment

2.30 The Authority's external auditors have provided a risk assessment of the opinion audit which will be carried out in respect of the 2007/08 Statement of Accounts. The risks identified have been addressed during the closure of accounts, as follows:

2.31 Risk: SORP changes relating to capital accounting.
Addressed by: The changes to capital accounting have necessitated the creation of a new fixed asset register on a spreadsheet, which replaces the old register held within the financial system. The spreadsheet analyses reserve balances by individual asset.

2.32 Risk: Possible requirement for group accounts for the Regional Control Centre company.
Addressed by: The year end accounts for East Midlands Fire and Rescue Control Centre Limited show that transactions and balances are not material, thereby removing the requirement for group accounts to be prepared. PriceWaterhouseCoopers, who are the external auditors for Leicestershire FRS, have been consulted on this matter.

2.33 Risk: Uncertainty over whether separate disclosure of two firefighter pension schemes required.
Addressed by: The Authority's actuary has provided separate data for the two schemes and separate disclosure has been made.

2.34 Risk: Uncertainty over accounting treatment of pensions top-up grant.
Addressed by: The SORP has clarified that the top-up grant is a current contribution towards the liabilities for retirement benefits.

2.35 Risk: SORP changes relating to financial instruments and accounting treatment of the lender-borrower option loan.
Addressed by: Financial instruments have been accounted for in line with the SORP guidance, or the Capital Finance and Accounting Regulations 2007 where these override the SORP. The Authority's treasury management consultants, Sector, have provided advice.

2.36 Risk: Depreciated Replacement Cost (DRC) should only be used as a last resort for the valuation of buildings.
Addressed by: The SORP allows the use of a DRC valuation for operational or specialised property, where there is insufficient evidence of market transactions to support an Existing Use Valuation. This applies to the Authority's Fire Stations and our Valuers have applied this as a basis of valuation.

2.37 Risk: Publication of a Governance Statement supported by a review in accordance with CIPFA guidance.
Addressed by: A review of the Authority's Corporate Governance Code has been carried out and an Annual Governance Statement is included within the Statement of Accounts, replacing the former Statement on Internal Control.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITY IMPACT ASSESSMENT

An initial equality impact assessment is attached at Appendix A. There are no equality implications arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

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

7. RISK MANAGEMENT IMPLICATIONS

7.1 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.

7.2 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.

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

8. RECOMMENDATIONS

That Members approve the Statement of Accounts for 2007/08, as attached.

That Members approve capital programme slippage of £5.71m as a variation to the 2008/09 capital programme.

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

None.

PETER HURFORD
TREASURER TO THE FIRE AND RESCUE AUTHORITY

Appendix A

INITIAL EQUALITY IMPACT ASSESSMENT

Section Finance	*Manager* Sue Cornish	Date of Assessment **19 June 2008**	New or Existing **New**
Name of Report to be assessed		**FINAL ACCOUNTS 2007/08**	

1. Briefly describe the aims, objectives and purpose of the report.	The report seeks Members approval to the adoption of the 2007/08 accounts.
2. Who is intended to benefit from this report and what are the outcomes?	Members
3. Who are the main stakeholders in relation to the report?	Members, SMT, external auditors
4. Who implements and who is responsible for the report?	Principal Accountant

5. Please identify the differential impact in the terms of the six strands below. Please tick yes if you have identified any differential impacts. Please state evidence of negative or positive impacts below.

STRAND	**Y**	**N**	*NEGATIVE IMPACT*	**POSITIVE IMPACT**
Race		N		
Gender		N		
Disability		N		
Religion or Belief		N		
Sexuality		N		
Age		N		

	Y	**N**		**Y**	**N**
6. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group?			7. Should the policy/service proceed to a full impact assessment?		N

I am satisfied that this policy has been successfully impact assessed. I understand the impact assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.

Signed (completing person)…Sue Cornish, Principal Accountant……………. Date …19/06/2008..

Appendix B

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2007/08

TABLE OF CONTENTS

TREASURER'S FOREWORD

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

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

For the purpose of the Statement of Accounts the Authority's expenditure has been categorised in accordance with the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared in accordance with the code of practice on local authority accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The following are included in the Statement of Accounts:

Income and Expenditure Account

This Account summarises the resources that have been generated and consumed in providing services and managing the Fire Authority during 2007/08. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. This account shows how net expenditure was financed from the Precept, Revenue Support Grant and National Non Domestic Rates.

Statement of the Movement on the General Fund Balance

This is a reconciliation statement which summarises the differences between the deficit on the Income and Expenditure Account and the General Fund surplus balance. The detailed breakdown is shown below the statement. The Income and Expenditure Account shows the Authority's actual financial performance for the year measured in terms of the resources consumed and generated over the last 12 months. However the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet

The Balance Sheet sets out the financial position of the Authority as at the 31 March 2008**.** It shows the Authority's balances and reserves and its long term indebtedness, as well as the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The Authority's total liability to pay future retirement benefits to current pension recipients and to current employees who will retire in the future is also represented in the Balance Sheet. Currently there is an expectation that firefighter pension costs will be met by the department of Communities and Local Government.

Cash Flow Statement

This statement summarises all inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Pension Fund Account

This statement shows the income and expenditure relating to the Firefighters' Pension Schemes.

Pension Net Assets Statement

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

Annual Governance Statement

The CIPFA / SOLACE framework "Delivering Good Governance in Local Government" was published in 2007 and introduced the requirement to publish an Annual Governance Statement. The Annual Governance Statement included within this Statement of Accounts meets both this requirement and the requirement to publish a statement on internal control in accordance with the Accounts and Audit (Amendment) (England) Regulations 2006. There is no longer a separate Statement on Internal Control within the Statement of Accounts.

This statement sets out the Authority's responsibilities with regard to corporate governance and gives details of key elements of corporate governance. 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.

The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies, and the notes which follow the core financial statements and the pension statements. In addition, there is a glossary of financial terms.

Summary of the Year

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

Revenue Income and Expenditure

Revenue expenditure describes the day to day costs of running the Authority and includes items such as employees' pay, stationery and office consumables and transport running costs. The Authority set a revenue budget of £41.673m for 2007/08 and the year end position shows an underspend of £0.809m against this budget (a variance of 1.9%).

	Budget 2007/08	Actual 2007/08	Variance from Budget 2007/08
	£000's	£000's	£000's
Expenditure:			
Net expenditure	41,673	40,932	(741)
Financed By:			
Revenue Support Grant	3,028	3,028	0
Precept from Constituent Authorities	20,600	20,668	(68)
National Non Domestic Rates	18,045	18,045	0
Total	**0**	**(809)**	**(809)**

Significant Variances

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

	Overspend £000's	Underspend £000's
Part time operational employees (retained duty system)	142	
Integrated Risk Management Plan (IRMP) 1 – Co-responding		101
Administrative and support employees		175
Staff training		140
Building maintenance	257	
Operational equipment	198	
Insurances		269
Travel costs	152	
Support services	119	
Operating leases		514
Grant income (to fund non pay expenditure)		121
Grant and other income		204
Prince's Trust	122	
Integrated Risk Management Plan (IRMP) 2		105
Contingencies		366

The overspend on the part time operational employees budget has arisen for two reasons: high activity levels in the summer of 2007 with the widespread flooding, and the introduction of co-responding. The IRMP1 contingency budget for co-responding was not allocated to the part time operational employees budget during the year as the additional costs of co-responding could not be readily identified. The overspend on one budget and the underspend on the other are offsetting to some extent.

The budget for administrative and support employees underspent due to a number of vacancies in high level posts at various times in the year.

The staff training budget of over £0.5m underspent by a significant amount and this was identified as a saving, which has been implemented in the 2008/09 budget.

Building maintenance activities once again escalated in the year and the probable overspend was identified at an early stage. As a result, only essential maintenance was carried out towards the latter part of the year but a significant overspend still resulted.

The overspend on the operational equipment budget was a planned and authorised overspend in the light of underspends elsewhere in the budget. The opportunity to purchase upgraded equipment such as defibrillators and thermal image cameras was taken, in order to improve services to the community.

There were underspends on insurances arising from a combination of factors: a reduction in premiums paid; a reduction in the level of insurance provision required and a significant insurance claim receipt.

The budget for business travel costs of employees overspent for several reasons: there has been an increase in the amount of regional and partnership working, which often entails travelling to meetings around the East Midlands; some employees have been transferred to new workplaces and are entitled to reclaim additional travel costs arising; the vacancies in Watch and Crew Manager posts throughout the year has resulted in employees acting up to cover vacancies and increased travelling between fire stations as a result.

The support services budget overspent largely in two areas. The restructuring of committees in line with changes to governance arrangements resulted in an increased cost of committee administration services. Legal costs overspent due to the cost of the court action in respect of co-responding.

The underspend on the capital programme (see below) has impacted on the cost of capital financing, together with a decision to finance some assets by way of borrowing rather than by leasing. The probable underspend was identified earlier in the year and reported to Members.

Grant income was received to fund various activities and the surplus offsets overspends on non pay items within various budget heads. In addition, income was received from other Fire and Rescue Services in the region to reimburse the cost of operational equipment purchased on behalf of the region.

It was identified during the year that the income assumptions used in setting the Prince's Trust budget had turned out to be incorrect and that there would be a deficit against the budget. Although the overspend against the budget is £122k, the deficit of expenditure above the level of income is £30k. This is largely due to the cost of an additional post covering maternity leave.

All of the contingency budgets contained within IRMP2 underspent during the year, but the use of these budgets in 2008/09 was planned during the budget process and the contingencies will be allocated to mainstream budgets.

The contingency for pay awards underspent as pay inflation in the year was less than that budgeted for. Most of the remaining contingency for the shift change project brought forward from 2006/07 was not required and has been treated as a budget saving in 2008/09.

Capital Expenditure

Capital expenditure describes the purchasing, upgrading and improvement of Fire Authority assets. These assets are known as "fixed assets" and they provide a benefit to the Authority over a longer period of time than the current financial year. During the year, the following major fixed assets were acquired / upgraded (including assets under construction as at 31 March 2007):

	2007/08 £000s
Collingham Fire Station	364
Headquarters extension and other improvements	1,404
Service Development Centre improvements	113
Specialist rescue equipment	197
IT equipment and software	380
Small vehicles	382
Fire appliances	660

The Fire Authority had a Capital Programme for 2007/08, 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 (budgets carried forward) from 2006/07:

Significant Variances

	Capital Programme 2007/08 £000's	Actual 2007/08 £000's	Variance from Budget 2007/08 £000's
Premises Programme	5,118	2,886	(2,232)
Transport Programme	2,728	1,068	(1,660)
IT and Communications Programme	1,698	380	(1,318)
Specialist Operational Equipment	217	197	(20)
Total	**9,761**	**4,531**	**(5,230)**

The underspend in the Premises capital programme is largely due to delays in the commencement of the building of the Authority's new Highfields fire station.

Changes to the procurement process for fire appliances have resulted in longer lead time and this, coupled with the global shortage of commercial chassis, has resulted in an underspend within the Transport capital programme.

Key projects within the Information Technology capital programme were started in the year and are due for completion next year, with the balance of the budget to be slipped forward. A review of the programme at budget time resulted in a reduction in the size of the programme next year, in line with the resources available to deliver the objectives of the ICT Strategy.

Financing of Capital Expenditure

The Authority borrowed £4.0m from Dexia Credit Local Bank during the year, and repaid £47k of debt to the PWLB. The additional borrowing was to help finance the Capital Programme and was timed to take advantage of favourable interest rates.

Change of Accounting Policy

There have been changes in accounting requirements in 2007/08 in two key areas, which are summarised here. The related new accounting policies are shown in the Accounting Policies section of this Statement of Accounts.

The 2007 SORP requirements in respect of financial instruments are now based on the three accounting standards relating to financial instruments. The result of this is some changes in accounting treatment as well as changes in presentation in the accounts and considerable changes to disclosures in the notes to the accounts. The transition date for the new requirements is 1 April 2007 and the new accounting policies apply mainly to new transactions in 2007/08, with 2006/07 comparative figures only adjusted for a few specific types of transaction. Any effect on the General Fund balance is counteracted by way of a new reserve, the Financial Instruments Adjustment Account.

The other key area of change is in respect of capital accounting, with the introduction of a Revaluation Reserve with effect from 1 April 2007. The Revaluation Reserve opens with a zero balance and henceforth will comprise revaluation gains arising in respect of individual assets. Revaluation losses may only be written off against the Revaluation Reserve if there are sufficient revaluation gains already in the reserve for that individual asset. In addition, a Capital Adjustment Account reserve has been created, which amalgamates the balances on the former Fixed Asset Restatement Account and the Capital Financing Account. The opening balance sheet has been adjusted as follows:

	Closing Balance Sheet 31 March 2007 (as shown in the Statement of Accounts 2006/07)	Opening Balance Sheet 1 April 2007
	£000s	£000s
Fixed Asset Restatement Account	25,648	N/A
Capital Financing Account	(5,153)	N/A
Capital Adjustment Account	N/A	20,495
Revaluation Reserve	N/A	0

In addition, software has been reclassified from a tangible fixed asset to an intangible fixed asset for the first time in 2007/08. As the value of intangible assets as at 31 March 2007 was not material (£71k), the comparative figure for 2006/07 has not been restated.

Movements in Debtors and Creditors

There has been a decrease in debtors on the balance sheet of £2.923m. This is mainly because the Authority received sufficient top-up grant to fund pension transactions relating to the firefighters' pension schemes in 2007/08, whereas in 2006/07 there was a shortfall of £2.425m. In addition, recovery of VAT owed to the Authority decreased by £0.105m.

There has been an increase in creditors on the balance sheet of £0.584m. This is mainly the result of the creditor relating to the firefighters' pension schemes cash surplus, which was a debtor last year, (£0.427m)

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2008/09 and beyond. The effect of this will be that these earmarked reserves will support the 2008/09 budget and allow certain non recurrent expenditure to take place. The earmarked reserves as at the year end are as follows:

	31 March 2007	Net Movement in Year	31 March 2008
	£000's	£000's	£000's
Pensions – Ill Health Charges and Retained Firefighters' Commutations	155	(155)	0
Integrated Clothing Project	600	0	600
Modernisation	237	(127)	110
FiReControl / FireLink Transition	200	0	200
Fire Safety	242	(15)	227
ICT Projects	25	(2)	23
Local Public Service Agreement Reward Grant	448	293	741
Capital and Other One-Off Items	300	200	500
Total	**2,207**	**194**	**2,401**

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 £286m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £278m. The total pension scheme liabilities increased in 2007/08 by £38m.

The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is funded mainly by employee contributions and employer contributions. The department for Communities and Local Government funds 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 Published Financial Information

The Authority publishes its Annual Report 2008 by 30 June 2008. This contains summarised financial information, which is extracted from this Statement of Accounts.

Plans for 2008/09

The Fire Authority will be undertaking various service developments over the forthcoming year, in line with proposals outlined in the Community Safety Plan 2007 to 2010.

- Continuing improvements will be sought in the areas of response, prevention and education.
- The Authority is anticipating the transfer of several "New Dimensions" vehicles and associated equipment from CLG (Communities and Local Government) ownership to the Authority's ownership. New Dimensions assets are currently used by Fire and Rescue Services to respond to major disruptive events such as collapsed buildings and flooding. The value of these assets is not yet known, but is likely to be significant.
- Regional projects will be progressing, in particular the move towards a regional control centre. The new regional control centre at Castle Donington is expected to be operational by 2009 and until then, the directors of the company are ten elected Members from the

five Fire and Rescue Authorities. There have been only minimal financial transactions between the Authority and East Midlands Fire and Rescue Control Centre Ltd in 2007/08.

- Demand Led Resourcing will allow operational resources to be directed towards the highest areas of risk. Beeston and Dunkirk fire stations will be closed and resources merged and moved to a new fire station (Highfields) in 2008/09.
- The Integrated Clothing Project will be implemented in 2008/09, providing every operational employee with new, high standard personal protective equipment. The cost of this will largely be funded by the earmarked reserve set aside for the purpose.

The 2008/09 revenue budget and capital programme provide the financial resources required for all of these initiatives as well as for the day to day running of the service. In addition, earmarked reserves have been created to fund the set up costs associated with some of the major developments.

The Authority’s capital expenditure plans will be financed mainly by a combination of borrowing, finance leasing, operational leasing and capital receipts.

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 ensure that one of its officers has 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 and publish the Statement of Accounts in accordance with the Accounts and Audit Regulations (England).

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 of Practice').

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 Code of Practice

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 certificate and opinion. It presents fairly the position of the Authority at 31 March 2008 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 27 June 2008 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 STATEMENT OF ACCOUNTS

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 27 June 2008

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

Signed ____________________________________

Councillor D Pulk
(Chairman of the Fire Authority)

Dated ____________________________________

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2007/08 financial year and its position at the year end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practice 2007. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of asset.

Accruals of Income and Expenditure

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 stock on the balance sheet, where they are held in Stores prior to being distributed and used.

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

c) Fees and charges due from customers are accounted for 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. Where there is evidence of impairment, the balance of debtors is written down and a charge made to revenue for the amounts which may not be received.

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

Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is paid to HM Revenue and Customs and all VAT paid is recoverable from them.

Intangible Fixed Assets

Intangible fixed assets are identifiable, non financial fixed assets which do not have physical substance. This Authority has one type of intangible fixed asset, which is software.

Expenditure on the acquisition of intangible fixed assets is capitalised on an accruals basis, provided that it yields benefits for more than one financial year.

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. an ICT project to implement a new system with both hardware and software.

Software is initially measured at cost and subsequently shown in the Balance Sheet at depreciated historic cost.

Intangible fixed assets have been identified and separated from tangible fixed assets for the first time in 2007/08.The value of these assets as at 31 March 2007 was not material (£75k) so comparative figures have not been restated.

Tangible Fixed Assets

Tangible fixed assets are assets which have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits for more than one financial year. Expenditure on repairs and maintenance is charged to revenue as it is incurred.

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 all expenditure directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

a) Land and Buildings
These assets are classified as either operational or non operational. Operational assets are valued at Depreciated Replacement Cost (DRC), Non operational assets are valued at Market Value. 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.

b) 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.

c) 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 Standard Statement of Accounting Practice (SSAP) 21. 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.

d) 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. Where impairment (reduction) in an asset's value is identified, this is accounted for by:

a) where attributable to the consumption of economic benefits (e.g. damage to an asset or premature obsolescence), the loss is charged to the Income and Expenditure Account.
b) otherwise the loss is written off to the Revaluation Reserve up to the balance of revaluation gains on the Revaluation Reserve specific to that individual asset. The excess impairment above this balance is charged to the Income and Expenditure Account.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. This does not impact on council tax and such amounts are adjusted for in the Statement of Movement on the General Fund Balance. 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.

Basis of Charging for Fixed Assets

There has been a change of accounting policy in respect of impairment losses, following changes in the SORP 2007 with regard to capital accounting. Previously, impairment losses which arose for reasons other than the clear consumption of economic benefits were charged to the Fixed Asset Restatement Account (FARA) in full with no impact on the Income and Expenditure Account. From 2007/08, FARA no longer exists and is replaced with a Revaluation Reserve opening with a zero balance. Revaluation gains arising in respect of individual assets are now credited to the Revaluation Reserve and revaluation losses (not due to the clear consumption of economic benefits) may only be written off against the Revaluation Reserve if there are sufficient revaluation gains already in the reserve for that individual asset. The balance of any downward revaluation is charged to the Income and Expenditure Account. The effect of charging the excess impairment to revenue in 2007/08 is £1.1m, although there is no effect on the general fund balance as this is a charge which is reversed through the Statement of Movement on the General Fund Balance. In addition, a Capital Adjustment Account reserve has been created, which amalgamates the balances on the former Fixed Asset Restatement Account and the Capital Financing Account. The opening balance sheet has been adjusted as follows:

	Closing Balance Sheet 31 March 2007 (as shown in the Statement of Accounts 2006/07)	Opening Balance Sheet 1 April 2007
	£000s	£000s
Fixed Asset Restatement Account	25,648	N/A
Capital Financing Account	(5,153)	N/A
Capital Adjustment Account	N/A	20,495
Revaluation Reserve	N/A	0

Charges to Revenue

The Income and Expenditure Account is charged annually with the following amounts to record the real cost to the Authority of holding fixed assets during the year:

a) depreciation attributable to the assets used
b) impairment losses attributable to the consumption of economic benefits (tangible fixed assets)
c) impairment losses which are not attributable to the clear consumption of economic benefits, where the Revaluation Reserve balance for that asset is insufficient to cover the impairment loss.
d) amortisation of intangible fixed assets

The Authority is not required to raise council tax to cover these charges. It is, however, required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to 4% of the underlying amount measured by the adjusted Capital Financing Requirement). The above charges are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Depreciation

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

Buildings	straight line allocation over the remaining useful life as estimated by the District Valuation Office
IT and Communications Equipment	straight line allocation over 5 years
Land and non operational buildings	not depreciated
Fire Appliances	straight line allocation over 10 or 12 years, depending on the appliance type

Furniture and Fittings	20% of opening balance
Intangible Fixed Assets (software)	amortisation equal to straight line allocation over 5 years

Part year depreciation is charged in the years of acquisition and disposal (calculated to the nearest 3 months).

Stocks

Stocks are included in the balance sheet at the lower of cost or net realisable value. Stock issues are charged to revenue on a weighted average basis.

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. Overheads are allocated to services on various bases in accordance with the CIPFA Best Value Accounting Code of Practice 2007, 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) Costs of discretionary benefits awarded to employees retiring early are charged to Non Distributed Costs.

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 revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year and a provision may then be reversed and credited back to the revenue account if the requirement has changed.

General Reserves

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

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

i) Earmarked Reserve
This reserve contains funds built up to meet expected liabilities. The movement of this reserve is shown in note 25 on page 37.

ii) Revenue Reserve

This reserve is the surplus of income over expenditure in the 2007/08 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 25 on page 37.

Capital Reserves

There are three capital related reserves shown in the Balance Sheet, two of which are non cash backed. Capital accounting requirements in the SORP 2007 have changed in order to bring public sector bodies in line with generally accepted accounting practice (UK GAAP). As a result, two of the capital related reserves are new for 2007/08.

i) The Revaluation Reserve

This represents the total of all fixed asset revaluation gains since 1 April 2007, less any revaluation losses not due to the consumption of economic benefits since 1 April 2007 which have been offset against prior revaluation gains for the same asset. This reserve replaces the Fixed Asset Restatement Account.

ii) 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 replaces the Capital Financing Account and the opening balance is an amalgamation of the closing balances as at 31 March 2007 of the Fixed Asset Restatement Account and the Capital Financing Account

iii) The Usable Capital Receipts Reserve

This reserve is credited with the disposal proceeds when fixed assets are sold. This reserve is ring fenced for supporting new capital expenditure.

Movements on these reserves are shown in note 25 on page 37.

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.

Finance Leases

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. Rentals payable are apportioned between:

i) A charge for the acquisition of the interest in the property (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

ii) A finance charge (debited to the Income and Expenditure Account (interest payable) as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies generally applied to tangible fixed 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

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the revenue account on a straight line basis over the term of the lease.

Government Grants and Contributions (Revenue)

Government grants and third party contributions and donations are recognised as income at the date the Authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in the revenue account with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure. Grants and contributions from external bodies, which have been received in advance of related expenditure being incurred, are analysed between income which is expected to be applied to expenditure within 12 months (shown as Deferred Income within the Current Liabilities section of the Balance Sheet) and income which is expected to be applied to expenditure in the longer term (shown as Deferred Income within the Long Term Liabilities section of the Balance Sheet).

Capital Grants

Capital Grants are credited to the Government Grant Deferred account and amounts are released to the revenue account over the useful economic life of the associated asset.

Deferred Charges

Deferred charges represent expenditure that may be capitalised but does not result in the creation of tangible assets. Smoke alarms funded by a department for Communities and Local Government capital grant have been capitalised as a deferred charge in accordance with guidance issued by the Audit Commission. The Fire Authority does not control the economic benefits arising from this expenditure and therefore the deferred charge has been fully amortised to revenue during the year.

Retirement Benefits

Financial Reporting Standard 17 (FRS 17) specifies the accounting treatment of retirement benefits and related transactions and balances. One of its objectives is to ensure that the cost of providing retirement benefits is recognised in the performance statements in the accounting periods in which those benefits are earned by employees.

Further detail is given in the note 26 to the core financial statements.

Financial Instruments

The accounting requirements in respect of financial instruments have changed for 2007/08 and are based on Financial Reporting Standards 25, 26 and 29. The SORP 2007 incorporates the new requirements and gives the date of transition as 1 April 2007. There is therefore generally no requirement to restate the closing Balance Sheet figures for 2006/07, with a few exceptions.

The valuation of long term borrowing at 31 March 2007 is based on the principal sums outstanding. The valuation of long term borrowing at 31 March 2008 is based on the amortised cost using the effective interest rate. The amortised cost will include any interest accrued and not paid as at 31 March 2008. 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.

The valuation of loans and receivables (investments) at 31 March 2007 is at cost. The valuation of loans and receivables (investments) at 31 March 2008 is based on the amortised cost using the effective interest rate. The amortised cost will include any interest accrued and not received as at 31 March 2008. Where the interest rate is fixed for the term of the investment and there is no premium or discount on lending, 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.

A repurchase of borrowing took place in 2006/07 as part of a restructuring of the loan portfolio. The terms of the replacement loan are substantially different from the terms of the replaced loans, so the discount received on restructuring is amortised to revenue on a straight line basis over the term of the shortest duration replaced loan. This policy is in accordance with the Capital Finance and Accounting Regulations 2007 and is a change of accounting policy. The effect of the change in 2007/08 is that an additional £17k of the discount has been amortised to revenue compared to the amount which would have been amortised under the old policy, which was to amortise the discount over the period of the replacement loan. The opening balance sheet has been restated and the effect of this is shown in the table below. The balance of the discount after amortisation is held in the Financial Instruments Adjustment Account.

The opening balance sheet has been adjusted as follows:

	Closing Balance Sheet 31 March 2007 (as shown in the Statement of Accounts 2006/07)	Opening Balance Sheet 1 April 2007
	£000s	£000s
Deferred Discounts on Early Redemption of Debt	(65)	N/A
Financial Instruments Adjustment Account	N/A	(65)

Interests in Companies

The Authority has an interest in East Midlands Fire and Rescue Control Centre Limited (trading as EM.FIR.CON), which is in the early stages of trading. The interest is not considered to be material at this time. This company is treated as a related party, with appropriate disclosures shown in the notes to the core financial statements.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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 improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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 and including arrangements for the management of risk.

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 code is on our website at www.notts-fire.gov.uk or can be obtained from the Corporate Communications Department, NFRS Headquarters, Bestwood Lodge, Arnold, Nottingham NG5 8PD. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled, 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, cost-effective services.

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 based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.

The code of corporate governance was reviewed and formally adopted at the April 2008 meeting of the full Fire Authority with the CIPFA/SOLACE framework being the mechanism to measure the Authority's performance against the code.

The Governance Framework

The key elements of the Authority's governance framework include:

a) the maintenance and review of
    - Standing Orders
    - Financial regulations
    - Conventions
    - Committee Membership and Terms of Reference
    - Scheme of Delegation to Officers
    - Members Code of Conduct
    - Staff Code of Conduct

b) the Performance Committee which, as well as the Authority itself, receives regular reports monitoring and reporting the Service's performance and governance arrangements

c) an approved Corporate Risk Management Strategy and Policy which includes the maintenance of a comprehensive Risk Register

d) an approved “Local Code of Corporate Governance” in accordance with the CIPFA/SOLACE Framework for Corporate Governance
e) the designation of the Treasurer as Chief Executive responsible to the Authority for all aspects of operational management
f) the designation of the Director of Finance as Chief Financial Officer in accordance with Section 112 of the Local Government Finance Act 1988
g) the designation of the Clerk to the Fire Authority as Monitoring Officer with the requirement to report to the full Authority if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration
h) the approval by the Authority of the Scheme of Financial Principles and Delegation Profiles relating to proper financial management and stewardship
i) the maintenance and review of an Asset Management Strategy
j) the maintenance and review of a Human Resources and Workforce Development Strategy
k) the production of an Annual Report
l) the production of the Community Safety Plan
m) Partnership evaluation arrangements
n) Anti Fraud and Corruption Policy
o) Whistleblowing Policy
p) Complaints procedure
q) The work of the Standards Committee
r) Internal and External Audit and the role of the Audit Committee
s) The Consultation Strategy
t) Members and Staff Development Programmes

The Authority carries out an annual review of its governance arrangements, measured against the CIPFA / SOLACE framework, and formulates action plans arising from the review. The results of the annual review can be found on the Authority’s website.

Signed ________________________ Signed ________________________

F Swann MSc, BA (Hons), MIFireE, MCMI	Councillor D Pulk
(Chief Fire Officer)	(Chairman of the Fire Authority)
Dated _______________________	Dated _______________________

AUDITOR’S REPORT page 1

AUDITORS REPORT page 2

AUDITORS REPORT page 3

CORE ACCOUNTING STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

This Account summarises the resources that have been generated and consumed in providing services and managing the Fire Authority during 2007/08. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year.

2006/07 Net Expenditure		Notes	2007/08 Gross Expenditure	2007/08 Gross Income	2007/08 Net Expenditure
£000's			£000's	£000's	£000's
	Community Fire Safety				
3,367	- Staff		4,353	(56)	4,297
335	- Service		1,141	(523)	618
3,702			**5,494**	**(579)**	**4,915**
	Fire Fighting and Rescue Operations				
28,918	- Staff		30,930	(475)	30,455
8,049	- Service		10,439	(246)	10,193
36,967			**41,369**	**(721)**	**40,648**
125	Fire Service Emergency Planning and Civil Defence		332	(193)	139
157	Corporate and Democratic Core	4	475	0	475
186	Non Distributed Costs		239	0	239
41,137	**Net Cost of Services**		**47,909**	**(1,493)**	**46,416**
2	Gain/Loss on Disposal of Fixed Assets		1	0	1
(68)	(Surpluses) / Deficits on Trading Undertakings	2	381	(412)	(31)
363	Interest Payable and Similar Charges	8,10	389	0	389
(211)	Interest and Investment Income	10	0	(244)	(244)
12,467	Pensions Interest Cost and Expected Return on Pensions Assets	26	13,251	0	13,251
0	Gain re Government Grant payable to the Pension Fund on the Authority's behalf		(2,147)	0	(2,147)
53,690	**Net Operating Expenditure**		**59,784**	**(2,149)**	**57,635**
(19,663)	Precepts		0	(20,668)	(20,668)
(3,277)	General Government Grants		0	(3,028)	(3,028)
(449)	Local Public Service Agreement Reward Grant		0	(444)	(444)
(16,902)	Non Domestic Rates redistribution		0	(18,045)	(18,045)
13,399	**(Surplus) / Deficit for the Year**		**59,784**	**(44,334)**	**15,450**

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Authority's actual financial performance for the year measured in terms of the resources consumed and generated over the last 12 months. However the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The detailed breakdown is shown below the statement.

2006/07 Net Expenditure Restated		2007/08 Net Expenditure
£000's		£000's
13,399	(Surplus) / deficit for the year on the Income and Expenditure Account	15,450
(13,963)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(16,259)
(564)	Increase in General Fund Balance for the year	(809)
(2,076)	General Fund Balance brought forward	(2,640)
(2,640)	General Fund Balance carried forward	(3,449)

Reconciling Items for the Statement of Movement on the General Fund Balance

2006/07		Notes	2007/08
£000s			£000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
0	Amortisation of intangible fixed assets	11	(25)
(1,730)	Depreciation and impairment of fixed assets		(3,262)
165	Government Grants Deferred amortisation		177
(160)	Write downs of deferred charges to be financed from capital resources	22	(171)
(2)	Net loss on sale of fixed assets		(1)
0	Differences between amounts credited to the Income and Expenditure Account and amounts receivable to be recognised under statutory provisions relating to discounts on the early repayment of debt.		(18)
(19,922)	Net charges made for retirement benefits in accordance with FRS 17	26	(20,751)
0	Gain re Government Grant payable to the Pension Fund on the Authority's behalf		2,147
(21,648)	Subtotal		**(21,904)**
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year		
274	Minimum revenue provision for capital financing	14	413
50	Capital expenditure charged in-year to the General Fund Balance		70
6,932	Employers' contributions payable to the Pension Funds and retirement benefits payable direct to pensioners	26	4,968
7,256	Subtotal		**5,451**
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
429	Net transfer to or from earmarked reserves	25	194
429	Subtotal		**194**
(13,963)	**Net additional amount required to be credited to the General Fund balance for the year**		**(16,259)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006/07 Net Expenditure		Notes	2007/08 Net Expenditure
£000's			**£000's**
13,399	(Surplus) / deficit for the year on the Income and Expenditure Account		15,450
(1,256)	(Surplus) / deficit arising on revaluation of fixed assets	12	(7,723)
(21,745)	Actuarial (gains) / losses on pension fund assets and liabilities	26	24,415
(9,602)	Total recognised (gains) / losses for the year		**32,141**

BALANCE SHEET

The Balance Sheet shows the Authority's balances and reserves and its long term indebtedness, as well as the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

31 March 2007		Notes	31 March 2008
£000's			**£000's**
	Fixed Assets		
0	**Intangible Fixed Assets**	11	126
	Tangible Fixed Assets	12,16,17	
	Operational Assets		
25,393	Land and Buildings		33,683
2,183	Vehicles and Plant	8	3,290
1,669	Equipment / Furniture and Fittings		1,928
	Non Operational Assets		
563	Land and Buildings		0
1,298	Assets Under Construction		1,529
31,106	**Total Long Term Assets**		**40,556**
	Current Assets		
238	Stocks and Work in Progress		226
3,985	Debtors	19	1,062
577	Payments in Advance		539
1,685	Investments	27	5,521
4	Cash and Bank		151
6,489	**Total Current Assets**		**7,499**
	Current Liabilities		
(47)	Short Term Borrowing		(49)
(3,184)	Creditors	20	(3,768)
(476)	Deferred Income	24	(642)
(113)	Provisions	23	(48)
(3,820)	**Total Current Liabilities**		**(4,507)**
33,775	**Total Assets less Current Liabilities**		**43,548**
	Long Term Liabilities		
(5,814)	Long Term Borrowing	21,27	(9,776)
(208)	Government Grants Deferred		(203)
(212)	Deferred Income	24	(464)
(1)	Unapplied Capital Grants		(70)
(2,133)	Deferred Liabilities	8	(1,718)
(247,815)	Liability related to Defined Benefit Pension Scheme		(285,866)
(222,408)	**Total Assets less Liabilities**		**(254,549)**
	Financed By:		
0	Revaluation Reserve	25	7,723
20,495	Capital Adjustment Account	25	17,693
0	Usable Capital Receipts Reserve	25	4
65	Financial Instruments Adjustment Account	25	47
(247,815)	Pensions Reserve	25,26	(285,866)
2,640	General Fund Balance	25	3,449
2,207	Earmarked Reserves	25	2,401
(222,408)	**Total Net Worth**		**(254,549)**

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Note 29 gives further details about the cash flow statement.

2006/07		2007/08	2007/08
£000's		**£000's**	**£000's**
	Revenue Activities		
	Cash Outflows		
34,947	Cash paid to and on behalf of employees	36,685	
7,205	Other operating cash payments	8,135	**44,820**
	Cash Inflows		
(3,277)	Revenue Support Grant	(3,028)	
(19,663)	Precepts	(20,668)	
(16,902)	National non domestic rate receipts from national pool	(18,045)	
(1,958)	Other Government Grants	(5,930)	
0	Cash received for goods and services	(536)	
(474)	Other Income	(1,004)	**(49,211)**
(122)	**Net Cash (Inflow) / Outflow from Revenue Activities**		**(4,391)**
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
127	Interest paid	339	
122	Interest element of finance lease rental payments	47	
	Cash Inflows		
(276)	Interest received	(235)	
(27)	**Net Cash (Inflow) / Outflow from Servicing of Finance**		**151**
	Capital Activities		
	Cash Outflows		
4,174	Purchase of fixed assets	4,268	**4,268**
	Cash Inflows		
(19)	Sale of fixed assets	0	
(331)	Capital grants received	(241)	**(241)**
3,824	**Net Cash (Inflow) / Outflow from Capital Activities**		**4,027**
3,675	**Total Net Cash (Inflow) / Outflow before Financing**		**(213)**
	Management of Liquid Resources		
(2,015)	Net increase / decrease in short term deposits		**3,828**
	Financing		
	Cash Outflows		
1,984	Repayments of amounts borrowed	69	
423	Capital element of finance lease rental payments	169	**238**
	Cash Inflows		
(3,900)	New loans raised		**(4,000)**
(3,508)	**Net cash inflow / outflow from Management of Liquid Resources and Financing**		**66**
167	**Net (Increase) / Decrease in Cash**		**(147)**

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. Authorisation of Accounts for Issue
The financial statements have been authorised for issue on 27 June 2008 by the Treasurer to the Fire Authority. Events arising after this date will not have been recognised in the Statement of Accounts, even if they would have a material effect on these accounts.

2. Trading Operations
The Authority runs two trading operations: Fire Extinguisher Maintenance and a Commercial Training Unit. The Commercial Training Unit provides fire safety training and was previously managed under a partnership arrangement with a company called natfire. The partnership ended on 31 July 2007 when natfire went into liquidation. The trading results for the Commercial Training Unit are shown separately for the periods before and after the partnership cessation. The surplus of £1k for the period before the partnership ended is after writing off a debt of £3k which natfire owed to the Authority in respect of refurbishment works. After the partnership ended, there was a reduction in costs but also a period of disruption when the team moved premises. This resulted in a fall in income for a period of time although income levels recovered as the year progressed. It is expected that the Commercial Training Unit will make a trading surplus in 2008/09. At the end of the year, prior to support service charge allocations under the Best Value Accounting Code of Practice, the financial results for the two trading operations were as follows:

	Income 2007/08	Expenditure 2007/08	(Surplus) / Deficit 2007/08
	£000s	£000s	£000s
Fire Extinguisher Maintenance	(282)	242	(40)
Commercial Training Unit in partnership with natfire (4 months)	(62)	61	(1)
Commercial Training Unit after partnership cessation (8 months)	(68)	71	3
Subtotal Commercial Training Unit	**(130)**	**132**	**2**
Total	**(412)**	**374**	**(38)**

3. Expenditure on Publicity
In accordance with the requirements of section 5(1) of the Local Government Act 1986, the Authority's spending on publicity was:

	2007/08	2006/07
	£000s	£000s
Recruitment advertising	34	38
Public education & Publicity	66	57
Total	**100**	**95**

4. Members' Allowances
Allowances paid to Members of the Authority were as follows:

	2007/08	2006/07
	£000s	£000s
Members' allowances	105	73

5. Officers' Emoluments
The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 was:

	2007/08	2006/07
	Number	Number
£50,000 - £59,999	9	6
£60,000 - £69,999	3	5
£70,000 - £79,999	3	3
£80,000 - £89,999	2	2

£90,000 - £99,999	2	1
£100,000 - £109,999	1	1
£110,000 - £119,999	0	0
£120,000 - £129,999	1	1
£130,000 - £139,999	1	0
Total	**22**	**19**

6. Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers of these accounts 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.

All Officers and Members of the Fire Authority have submitted a return in respect of related party transactions. These returns confirmed that there were no such transactions during the financial year ended 31 March 2008 other than those detailed below.

The Fire Authority is made up of 12 Members from the Nottinghamshire County Council and 6 Members from the Nottingham City Council. Some of these Members serve on the Regional Management Board. Therefore transactions with these 3 bodies are considered to be with related parties and are summarised below.

	2007/08	2006/07
	£000s	£000s
Nottinghamshire County Council:		
Treasury, Payroll, Pensions & Internal Audit	137	125
Public Relations	0	17
Other Income and Expenditure	265	399
Nottingham City Council		
Committee Services	34	39
Other Income and Expenditure	(5)	65
Regional Management Board		
Contributions towards regional costs	201	307
Reimbursement of regional costs	(87)	(124)

The Balance Sheet contains amounts within both debtors and creditors for sums due to or from related parties. These amounts are detailed below.

	2007/08	2006/07
	£000s	£000s
Amounts Included Within Debtors		
Nottinghamshire County Council:	0	46
Nottingham City Council	0	142
Regional Management Board	4	42
Amounts Included Within Creditors		
Nottinghamshire County Council:	34	294
Nottingham City Council	80	76
Regional Management Board	36	33

7. Audit Fees

The Authority incurred fees relating to external audit and inspection in accordance with the Audit Commission Act 1998 and the Local Government Act 1999.

	2007/08 £000s	2006/07 £000s
Fees payable to the Audit Commission re external audit services	35	33
Fees payable to the Audit Commission re statutory inspection	21	13
Fees payable to the Audit Commission re certification of grant claims and returns	0	0
Total	**56**	**46**

8. Finance Leases

Vehicles: The authority uses vehicles (fire appliances) financed under the terms of finance leases. The rentals paid under these arrangements in 2007/08 were £673k (2006/07 £673k), charged to the Income and Expenditure Account as £151k finance costs (debited to interest payable) and £522k relating to the write-down of obligations to the lessor.

The following values of assets are held under finance leases by the Authority, accounted for as part of Tangible Fixed Assets:

	Vehicles £000s
Value at 1 April 2007	2,133
Additions	0
Revaluations	60
Depreciation	(475)
Disposals	0
Value at 31 March 2008	**1,718**

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2008, accounted for as Deferred Liabilities within Long Term Liabilities:

	Vehicles £000s
Obligations payable in 2008/09	442
Obligations payable between 2009/10 and 2013/14	1,130
Obligations payable after 2013/14	146
Total liabilities at 31 March 2008	**1,718**

There are no commitments existing as at 31 March 2008 in respect of finance leases which have been entered into but whose inceptions occur after the year end.

9. Operating Leases
Vehicles: The authority uses vehicles financed under the terms of operating leases. The rentals paid under these arrangements in 2007/08 were £177k (2006/07 £164k), charged to the Income and Expenditure Account.

Plant and Equipment: The authority has IT equipment and specialist operational equipment financed under the terms of operating leases. The rentals paid under these arrangements in 2007/08 were £24k (2006/07 £71k), charged to the Income and Expenditure Account.

Commitments under operating leases – the Authority was committed at 31 March 2008 to making payments of £50k under operating leases in 2008/09, comprising the following elements:

	Vehicles	Plant and Equipment
	£000s	£000s
Leases expiring in 2008/09	9	15
Leases expiring between 2009/10 and 2013/14	26	0
Leases expiring after 2013/14	0	0

10. Interest Relating to Financial Instruments
Interest receivable for financial assets (loans and receivables) has been credited to the Income and Expenditure Account (within Interest and Investment Income) and was £8k in 2007/08.

Interest payable for financial liabilities has been charged to the Income and Expenditure Account (within Interest Payable and Similar Charges) and was £11k in 2007/08.

11. Movements in Intangible Fixed Assets

	Software
	£000s
Gross Value as at 31 March 2007	0
Amortisation to 31 March 2007	0
Net Book Value as at 31 March 2007	0
Movement in 2007/08	
Acquisitions	76
Disposals	0
Revaluations	0
Impairments	0
Reclassification	75
Amortisation for the period	(25)
Net book value as at 31 March 2008	**126**

12. Movements in Tangible Fixed Assets

The movements in operational fixed assets during the year were as follows:

Operational	Land & Buildings	Vehicles	Equipment, Furniture & Fittings	Total
	£000s	£000s	£000s	£000s
Gross Value as at 31 March 2007	30,014	8,138	3,563	41,715
Depreciation to 31 March 2007	(4,621)	(5,955)	(1,894)	(12,470)
Net Book Value as at 31 March 2007	25,393	2,183	1,669	29,245
Movement in 2007/08				
Acquisitions	2,078	642	771	3,491
Disposals	0	(4)	0	(4)
Revaluations	6,596	61	0	6,657
Impairments	0	(1)	0	(1)
Reclassification	685	1,038	(75)	1,648
Depreciation for the period	(1,069)	(629)	(437)	(2,135)
Net book value as at 31 March 2008	**33,683**	**3,290**	**1,928**	**38,901**

The movements in non operational fixed assets during the year were as follows:

Non Operational	Land & Buildings	Land & Buildings Under Construction	Vehicles Under Construction	Total
	£000s	£000s	£000s	£000s
Gross Value as at 31 March 2007	569	310	988	1,867
Depreciation to 31 March 2007	(6)	0	0	(6)
Net Book Value as at 31 March 2007	563	310	988	1,861
Movement in 2007/08				
Acquisitions / Additions	0	703	689	1,392
Disposals	0	0	0	0
Revaluations	0	0	0	0
Impairments	0	0	0	0
Reversals of past impairment losses	0	0	0	0
Reclassification	(563)	(123)	(1,038)	(1,724)
Depreciation for the period	0	0	0	0
Net book value as at 31 March 2008	**0**	**890**	**639**	**1,529**

Revaluations include both upward and downward revaluations of assets.

13. Depreciation
The methods of depreciation and the depreciation rates used for each class of tangible fixed asset are given in the Accounting Policies section.

14. Capital Expenditure and Financing
The capital financing requirement is the sum of money required from external sources to fund capital expenditure. The movement in the year is shown below:

	2007/08	2006/07
	£000s	£000s
Opening Capital Financing Requirement	10,324	6,837
Capital Investment		
Operational assets	3,627	2,261
Non operational assets	1,391	1,782
Deferred charges	171	160
Sources of Finance		
Capital receipts	0	(19)
Government grants and other contributions	(171)	(165)
Revenue contribution used to finance capital costs	(70)	(50)
Government grants deferred	(1)	(208)
Minimum revenue provision	(413)	(274)
Closing Capital Financing Requirement	**14,858**	**10,324**

	2007/08	2006/07
	£000s	£000s
Explanation of Movements in the Year		
Increase in underlying need to borrow (supported by Government financial assistance)	948	948
Increase in underlying need to borrow (unsupported by Government financial assistance)	3,586	2,539
Increase in Capital Financing Requirement	**4,534**	**3,487**

15. Commitments under Capital Contracts
There were commitments for capital expenditure in 2008/09 for which the Authority had contractual obligations as at 31 March 2008. The sum is £4.4m in respect of the following significant projects and is expected to be spent in 2008/09:

	Commitments
	£000s
Highfields Fire Station - building	4,243
Highfields Fire Station - land	2,000
Warsop Fire Station	160

The Authority is in the process of acquiring a piece of land from Broxtowe Borough Council in exchange for a fire station in Beeston. The Authority is paying a licence fee to Broxtowe Borough Council for occupation of the land, where a new fire station is being built, in advance of the exchange being completed. The exchange is expected to take place in 2008/09. The licence fee has been charged to the Income and Expenditure Account.

16. Analysis of Fixed Assets
The significant fixed assets of the Authority are shown below. Less significant assets such as small vehicles and IT equipment are not shown.

	31 March 2008 Number	31 March 2007 Number
Fire Stations	25	25
Community Safety Office	1	1
Training School	1	1
Administrative Headquarters	1	1
Houses	3	3
Large & Medium Vehicles, including Fire Appliances	99	81

A new fire station was under construction as at 31 March 2008 and is due to be completed during 2008/09. It has not been included in the above table.

17. Valuation of Fixed Assets
The Nottingham Valuation Office carries out valuations of all properties over a 5 year rolling programme. The last valuation took place on 31 March 2008 and was carried out by Luisa Rossi BSc MRICS
All properties with a useful life of more than 50 years are valued annually to check for impairment. The basis of valuation for various types of property is given in the Accounting Policies section.

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

		Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Total £000s
Valued at historical cost	31 March 2008	0	5,219	5,219
Valued at current value in	2003/04	12,544	0	12,544
"	2004/05	5,803	0	5,803
"	2005/06	2,485	0	2,485
"	2006/07	8,148	0	8,148
"	2007/08	31,549	0	31,549

18. Interests in Companies
The Authority, together with Derbyshire, Leicestershire, Lincolnshire and Northamptonshire Fire and Rescue Authorities, owns East Midlands Fire and Rescue Control Centre Limited (trading as EM.FIR.CON). The principal activity of the company will be to provide a regional control centre to serve this Authority and the other four Fire and Rescue Authorities in the East Midlands region. The company is progressing towards provision of this service in line with the national timetable set by Central Government. The company was formed on 17 November 2006 and has prepared its first accounts for the period ending 31 December 2007.

There are ten Directors of the company, who are all elected Members of the five Fire and Rescue Authorities in the region. This Authority holds one fifth of the voting rights (represented by two out of the ten Directors).

The company satisfied the conditions specified in Section 249a of the Companies Act 1985 and is exempt from the requirement to be audited for the financial period ended 31 December 2007.

The Authority has made no financial investment in the company and has received no dividends. There is no indebtedness between the company and the Authority as at 31 March 2008. Group accounts have not been prepared on the basis that the transactions and balances are not material.

Key Financial Information for East Midlands Fire and Rescue Control Centre Limited

For the Year Ended 31 December 2007	£000s
Turnover	189
Profit on ordinary activities before taxation	0
Profit on ordinary activities after taxation	0

As At 31 December 2007	£000s
Net Assets	0

Note: there are no comparative figures as this is the first year of trading.

The accounts of the company can be obtained from:

Leicestershire Fire and Rescue Service
Headquarters
Anstey Frith
Leicester Road
Glenfield
Leicester LE3 8HD

19. Debtors
Significant debtors (over £50k) within the total sum shown are as follows:

Debtor	Re	£000's
Nottingham City Council	LPSA Reward grant	142
Derby College	Princes Trust	131
Her Majesty's Revenue & Customs	VAT	427
Fire Service College	Reimbursements for seconded employees	55
Communities and Local Government	Reimbursements for seconded employees	64
East Midlands Regional Management Board	Contribution towards costs of employees working on regional projects	69

20. Creditors
Significant creditors (over £50k) within the total sum shown are as follows:

Creditor	Re	£000's
Her Majesty's Revenue & Customs	Tax and NI	748
Nottinghamshire County Council	Superannuation &	67
Nottinghamshire County Council	Workshops charges	70
Royscott Spa Leasing Ltd	Leasing charges	81
KBC Lease (UK) Ltd	Leasing charges	121
ARG Mansfield Ltd	Building works	140
Leicestershire Fire Service	Regional Management Board costs	108
Derwent Valley Construction	Building works	202
Nottingham City Council	Accommodation charges re the Guildhall	80
HSBC Leasing	Leasing charges	60
NFRS Employees	Overtime payments	104
NFRS Employees	Payments re Retained Duty staff	236
Nottinghamshire Fire Authority Pension Account	Cash used to fund pension transactions	427

21. Analysis of Borrowing Repayable over a Period in Excess of 12 Months
The following long term borrowings were outstanding at the financial year end.

Analysis of Loans by Maturity	2007/08	2006/07
	£000s	£000s
Between 1 and 2 years	52	49
Between 2 and 5 years	173	164
Between 5 and 10 years	357	339
Between 10 and 15 years	283	356
Over 15 years	8,911	4,906
Total	**9,776**	**5,814**

22. Deferred Charges
Smoke alarms funded by a department for Communities and Local Government capital grant have been capitalised as a deferred charge in accordance with guidance issued by the Audit Commission and the deferred charge of £171k has been fully amortised to revenue during the year.

23. Provisions
No new provisions have been created in the year. Movements on the existing insurance provision is shown below. The provision has decreased by £59k following a review of liabilities in respect of employees and public liability claims which are on file and expected to be settled in the forthcoming financial year. £6k of the provision has been applied to cover uninsured liabilities arising in 2007/08.

	Balance 31 March 2007	Increase/(Decrease) in Provision 2007/08	Provision Used 2007/08	Balance 31 March 2008
	£000s	£000s	£000s	£000s
Insurance	113	(59)	(6)	48

24. Deferred Income
Grants and contributions from external bodies, which have been received in advance of related expenditure being incurred, have been analysed between income which is expected to be applied to expenditure within 12 months (shown within Creditors) and income which is expected to be applied to expenditure in the longer term (shown within Deferred Income). A list of the significant sums included within Deferred Income is shown:

	Deferred Income 31 March 2008	Deferred Income 31 March 2007
	£000s	£000s
Arson Task Force	105	97
New Burdens Grant	201	46
New Dimensions Grant	49	21
LPSA Pump Priming Grant	0	25
Safe as Houses Grant	0	22
Fire Prevention	83	0
Fire Setters	20	0

25. Movements on Reserves
The Authority holds a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are required to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2007	Net Movement in Year	Balance 31 March 2008	Purpose of Reserve	Further Details
	£000s	£000s	£000s		Reference to further information
Revaluation Reserve	0	7,723	7,723	Gains on revaluation of fixed assets	See note below this table
Capital Adjustment Account	20,495	(2,802)	17,693	Capital resources set aside to meet past expenditure	See note below this table
Financial Instruments Adjustment Account	65	(18)	47	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See note below this table
Usable Capital Receipts	0	4	4	Proceeds of fixed asset sales to meet capital expenditure	
Pensions Reserve	(247,815)	(38,051)	(285,866)	Balancing account to allow inclusion of pensions liability in the Balance Sheet	Note 26, page 38
General Fund (Revenue Reserve)	2,640	809	3,449	Resources available to meet future running costs for the Service	Statement of Movement on the General Fund Balance page 24
Earmarked Reserves (Revenue)	2,207	194	2,401	Resources set aside to meet future project costs	Treasurer's Foreword page 7
Total	**(222,408)**	**(32,141)**	**(254,549)**		

The Revaluation Reserve and the Capital Adjustment Account are new reserves created on 1 April 2007 as a result of changes to capital accounting. Prior to this date, the Authority held a Fixed Asset Restatement Account (balance 31 March 2007 £25,648k) and a Capital Financing Account (balance 31 March 2007 -£5,153k) which are now obsolete. The balances on these two obsolete reserves have been combined and transferred to the Capital Adjustment Account on 1 April 2007 (balance 1 April 2007 £20,495k), as required by the SORP 2007.

The Financial Instruments Adjustment Account is a new reserve created on 1 April 2007 as a result of changes to accounting for financial instruments. The opening balance has been restated to include the remaining discount on debt restructuring which arose in 2006/07.

26. Retirement Benefits

Participation in Pension Schemes

The Authority participates in three pension schemes, all of which are defined benefit schemes.

1. The Local Government Pension Scheme 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.
2. The Firefighters Pension Scheme 1992 (1992 FPS) is an unfunded pension scheme, meaning that there are no investment assets and cash has to be generated to meet pension payments as they fall due. Its members are wholetime firefighters employed before 6 April 2006

~~3.~~ 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 employed on or after 6 April 2006.

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. This is an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised when those benefits are earned by employees within the Net Cost of Services in the Income and Expenditure account. This is known as the current service cost. However, the charge against council tax is based on the cash payable in the year, so the Statement of Movement in the General Fund shows a reversal of the current service cost and the inclusion of payments by the employer instead. The Net Operating Expenditure section of the Income and Expenditure account contains the Pensions Interest Cost, which is the expected increase during the year in the present value of the scheme liabilities arising because the benefits are one year closer to settlement. Again, this is reversed in the Statement of Movement in the General Fund, as it is not chargeable against council tax.

The accounting requirements for the pension top-up grant have changed for 2007/08. In 2006/07, the gain relating to the grant was not shown in the income and expenditure account.

This is the first year that separate actuarial valuations have been prepared for both the 1992 and 2006 Firefighters' Pension Schemes and the Firefighters' Compensation Scheme. Consequently there are no separate comparative figures for 2006/07

	Local Government Pension Scheme £000s		Firefighters' Pension Scheme 1992 £000s	Firefighters' Pension Scheme 2006 £000s	Firefighters' Compensation Scheme £000s	Firefighters' Pension Schemes £000s
	2007/08	2006/07	2007/08	2007/08	2007/08	2006/07
Income & Expenditure Account						
Net Cost of Services						
Current Service Cost	679	774	5,301	697	602	6,681
Past Service Cost	221	0	0	0	0	0
Net Operating Expenditure						
Interest on Pension Liabilities	865	747	12,181	52	873	12,282
Expected Return on Assets	(720)	(562)	N/A	N/A	N/A	N/A
Net Charge to Income & Expenditure Account	1,045	959	17,482	749	1,475	18,963
Statement of Movement on the General Fund Balance						
Reversal of net charges for retirements benefits in	(1,045)	(959)	(17,482)	(749)	(1,475)	(18,963)

accordance with FRS17						
Actual amount charged against the General Fund balance for pensions in the year (employers contributions re LGPS/retirement benefits payable re FPS)	620	539	6,163	336	668	6,393

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

	Local Government Pension Scheme £000s		1992 FPS £000s	2006 NFPS £000s	Firefighters' Compensation Scheme £000s	Firefighters' Pension Schemes £000s	Total £000s	
	31 March 2008	31 March 2007	31 March 2008	31 March 2008	31 March 2008	31 March 2007	31 March 2008	31 March 2007
Estimated liabilities in schemes	(18,744)	(15,524)	(258,596)	(1,464)	(18,231)	(242,579)	(297,035)	(258,103)
Estimated assets in schemes	11,169	10,288	0	0	0	0	11,169	10,288
Net asset / (liability)	(7,575)	(5,236)	(258,596)	(1,464)	(18,231)	(242,579)	(285,866)	(247,815)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £285.866m 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, as assessed by the scheme actuary. The figures in the above table represent the Fire Authority's share of the liabilities in the County Council Fund.
- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid and any shortfalls are currently met by the department for Communities and Local Government.
- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2007/08 was £558k.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 Firefighters' Schemes and the Local Government Pension Scheme have been assessed by Mercers Human Resource Consulting, an independent firm of actuaries. The most recent full actuarial valuation for the Firefighters' Schemes was on 31 March 2007 and for the Local Government Pension Scheme was on 31 March 2007.

The main assumptions used in their calculations for FRS 17 purposes were:

	Local Government Pension Scheme		Firefighters' Pension Schemes and Compensation Scheme	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	%	%	%	%
Rate of inflation	3.6	3.1	3.6	3.1
Rate of increase in salaries	5.10	4.85	5.1	4.6
Rate of increase in pensions	3.6	3.1	3.6	3.1
Rate for discounting scheme liabilities	6.1	5.4	6.1	5.4
Take up of option to convert annual pension into retirement grant	50.0	50.0	N/A	N/A
Rate of return from equities	7.5	7.5	N/A	N/A
Rate of return from other bonds	6.1	5.4	N/A	N/A
Rate of return from Government bonds	4.6	4.7		N/A
Rate of return from property	6.5	6.5	N/A	N/A
Rate of return from cash / liquidity	5.25	5.25	N/A	N/A
Rate of return from other investments	N/A	N/A	N/A	N/A

Neither the Firefighters' Pension Schemes nor the Firefighters' Compensation Scheme have assets to cover their liabilities. Assets in the Local Government Pension Scheme are valued at fair value, principally market value for investments, totalling £11.169m for the Fund as a whole as at 31 March 2008 (£10.288m as at 31 March 2007). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund.

	31 March 2008	31 March 2007	Long Term Return
	%	%	%
Equity investments	65.3	68.6	7.5
Government Bonds	10.0	7.7	4.6
Other Bonds	2.9	4.2	6.1
Property	16.8	16.9	6.5
Cash / liquidity	4.0	2.6	5.25
Other Assets	1	0	Dependent on type of asset
Total	**100**	**100**	

Actuarial Gains and Losses

The actuarial gains or losses identified as movements on the Pensions Reserve in 2007/08 can be analysed as follows, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March. Losses are shown as negative figures.

Local Government Pension Scheme	2007/08		2006/07		2005/06		2004/05		2003/04	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	-1,366	12.2	207	2.0	1,094	12.7	239	3.6	467	9.7
Differences between actuarial assumptions about liabilities and actual	-490	2.6	0	0.0	-1,464	10.0	-331	3.0	0	0

experience										
Changes in the demographic and financial assumptions used to estimate liabilities	-58	0.3	1,036	6.7	-1,384	9.4	-2,371	21.5	0	0
Total	**-1,914**	**10.2**	**1,243**	**8.0**	**-1,754**	**11.9**	**-2,463**	**22.4**	**467**	**7.2**

Firefighters' Pension Schemes and Compensation Scheme	Firefighters' Pension Scheme 1992		Firefighters' Pension Scheme 2006		Firefighters' Compensation Scheme	
	2007/08		2007/08		2007/08	
	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	0	0	0	0	0	0
Differences between actuarial assumptions about liabilities and actual experience	-7,128	2.8	83	5.7	-121	0.7
Changes in the demographic and financial assumptions used to estimate liabilities	-14,140	5.5	-25	1.7	-1,170	6.4
Total	-21,268	8.2	58	4.0	-1,291	7.1

Directly comparative figures for previous years are unavailable, as prior to 2007/08 combined actuarial valuations were carried out for the Firefighters' Pension Schemes and the Compensation Scheme. Previous years' combined figures are as follows:

Firefighters' Pension Schemes	2006/07		2005/06		2004/05		2003/04	
	£000s	%	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets	0	0	0	0	0	0	0	0
Differences between actuarial assumptions about liabilities and actual experience	7,509	3.1	1,910	1.0	12,604	5.7	-5,822	3.1
Changes in the demographic and financial assumptions used to estimate liabilities	12,993	5.4	-20,885	8.4	-37,229	16.8	0	0
Total	**20,502**	**8.5**	**-18,975**	**7.3**	**-24,625**	**11.1**	**-5,822**	**3.1**

27. Financial Instruments: Measurement and Valuation

Comparative figures for 31 March 2007 are not disclosed here as SORP 2007 has incorporated the accounting requirements of Financial Reporting Standards 25, 26 and 29 for the first time. The year 2007/08 is a transitional year, with no requirement to restate comparative figures in accordance with the revised regulations.

The investments and borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term 31 March 2008 £000s	Current 31 March 2008 £000s
Loans and Receivables	0	5,521
Financial Liabilities at Amortised Cost	9,825	0

The following table gives a comparison of the carrying amounts and fair values of financial instruments held:

	31 March 2008	
	Carrying Amount £000s	Fair Value £000s
Loans and Receivables	5,521	5,520
Financial Liabilities at Amortised Cost	9,825	9,633

The fair value of financial instruments shown above 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. Accrued interest as at the Balance Sheet date is included in the fair value calculation.

For loans and receivables, the fair value is not significantly different from the carrying amount because most of the investments commenced in March 2008 and interest rates at the Balance Sheet date for these types of investments were not materially different.

For financial liabilities, the fair value is less than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate is lower than the rates available for similar loans at the Balance Sheet date. This guarantee to pay interest below current market rates reduces the amount that the Authority would have to pay if the lender agreed to early repayment of those loans.

The fair value of trade debtors and other receivables is taken to be the invoiced amount.

28. Financial Instruments: Exposure to Risk

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
- Market risk – the possibility that financial loss might arise as a result of changes in, for example, interest rates.

The Authority has a small team of employees engaged in treasury management activities and is advised by Sector Treasury Services. The CIPFA Code of Practice on Treasury Management has been adopted by the Authority and a Treasury Management Strategy is approved by the Finance and Resources Committee each year. In this way, the risks are actively managed.

Credit Risk
Credit risk arises from deposits with financial institutions and from providing chargeable services to customers. The Authority has a list of approved banks and financial institutions to which it will lend surplus cash. The list is based on independent Fitch ratings and only includes organisations with a minimum rating of A+ (long term), F1 (short term), B (overall soundness) and 2 (financial support). The Authority is advised of ratings changes by Sector and the list is updated accordingly on an ongoing basis. 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 3 years in terms of debtors. All deposits shown on the Balance Sheet as at 31 March 2008 were repaid to the Authority before the date this Statement of Accounts was authorised for issue (27 June 2008):

	Amount at 31 March 2008	Estimated Maximum Exposure to Credit Risk	Historical Experience of Default
	£000s	£000s	
Deposits with Banks and Financial Institutions	5,521	0	0%
Customers	572	2	0.37%
Total		2	

Of the £572k shown in the above table as due from customers, £362kwas not yet due for payment as at 31 March 2008 and £210k was past its due date for payment. The past due amount is analysed by age as follows:

	£000s
Less than 1 month overdue	111
1 to 2 months overdue	84
2 to 5 months overdue	3
More than 5 months overdue	12
Total	**210**

Liquidity Risk

The Authority is able to access borrowings from the Public Works Loan Board so there is no significant risk that it will be unable to raise funds in order to meet its commitments relating to financial liabilities. The risk the Authority is exposed to 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 20%; maturing 5 years to 10 years – less than 75%. Up to 100% of borrowings may fall due for repayment after 10 years and this strategy allows the Authority time to restructure debt when interest rates are favourable. The maturity analysis of borrowings is shown in note 21.

The Authority's strategy is to maintain sufficient cash balances to meet daily revenue requirements without recourse to borrowing other than short term borrowing in exceptional circumstances.
All trade and other payables are due to be repaid within one year.

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. 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. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

Investments and borrowings are not carried at fair value in the Balance Sheet, so nominal gains or losses arising from interest rate movements are not reflected in the Income and Expenditure Account or in the Balance Sheet. Fair values are disclosed in note x. If, as at 31 March 2008, interest rates had been 1% higher with all other variables held constant, the effect on fair values would have been:

	£000s
Decrease in fair value of fixed rate investments	505
Decrease in fair value of fixed rate borrowings	1,603

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

29. Notes to the Cashflow Statement

Reconciliation of net deficit on the Income & Expenditure Account to the net cash inflow from revenue activities on the Cashflow Statement

2006/07		2007/08
£000s		£000s
13,399	Deficit on Income and Expenditure Account	15,450
	Non cash items included in the Income & Expenditure Account	
(1,730)	Depreciation and Impairments	(3,287)
165	Government grant deferred amortisation	177
(160)	Write down of deferred charges	(171)
(12,990)	FRS 17 adjustments	(13,636)
(21)	Disposal of fixed assets	(4)
	Movement in Assets & Liabilities	
2,903	Increase/(decrease) in debtors	(2,868)
(3,430)	(Increase)/decrease in creditors	977
(10)	Increase/(decrease) in stock	(12)
47	(Increase)/decrease in provision	(65)
	Items included in the Income & Expenditure Account, shown elsewhere on the Cashflow Statement	
211	Interest earned	244
(363)	Interest paid	(389)
19	Proceeds from the sale of fixed assets	4
1,838	**Net revenue activities included in the Pension Account Statements**	(811)
(122)	**Net Cash Inflow from Revenue Activities**	**(4,391)**

Movement in Cash

	Balance 1 April 2007 £000s	Balance 31 March 2008 £000s	Movement In Year £000s
Bank Balance	1	149	148
Cash in Hand	3	2	(1)
	4	**151**	**147**

Reconciliation between Movement in Cash and Movement in Net Debt

2006/07 £000s		2007/08 £000s
(167)	Increase / (Decrease) in cash	147
(2,015)	Short term investments	3,828
2,007	Cash Outflow from loan repayments	47
(3,900)	Cash inflow from increase in debt	(4,011)
(4,075)	Change in Net Debt resulting from Cash Flows	**11**
(96)	Net debt as at 1 April 2007	(4,172)
(4,172)	Net debt as at 31 March 2008	(4,161)
(4,075)		**11**

Reconciliation of items included in Financing & Management of Liquid Resources to the Balance Sheet

	Balance 1 April 2007 £000s	Balance 31 March 2008 £000s	Movement 2007/08 £000s
Financing			
Borrowing repayable within 12 months	(47)	(49)	(2)
Long term borrowing	(5,814)	(9,776)	(3,962)
	(5,861)	(9,825)	(3,964)
Management of Liquid Resources			
Temporary Investments	1,685	5,513	3,828
Cash / Bank	4	151	147
Net cash (inflow) / outflow	**(4,172)**	**(4,161)**	**11**

Liquid Resources

Liquid resources are current asset investments that are readily convertible into cash without curtailing or disrupting the Authority's activities. Temporary investments are comprised of short term cash surpluses which are invested in accordance with the Authority's Treasury Management Strategy.

Analysis of Government Grants

Grant	Source of Funding	2007/08 £000s	2006/07 £000s
New Dimensions	CLG	0	47
Arson Task Force	CLG	0	30
Fire Prevention	CLG	98	98
New Burdens	CLG	526	159
Local Public Service Agreement Reward	CLG	421	461
Chemical, Biological, Radiological or Nuclear	CLG	0	371
Home Fire Risk Check (Capital)	CLG	241	120
Enhanced Command Support	CLG	54	0
Incident Response Unit	CLG	35	0
Pension Top-up Grant	CLG	4,797	0
Integrated Common Services Review Grant	Regional Centre of Excellence	0	90
Total		**6,172**	**1,376**

30. Contingent Asset and Contingent Liabilities
During the year, the Authority paid legal costs in respect of the co-responding appeal hearing totalling £61k. This was in addition to costs totalling £199k in 2006/07.The Local Government Association has indicated that it intends to reimburse the Authority for part of these costs but the sum is not known as it is dependent upon contributions from other Fire and Rescue Authorities.

Four employees have made legal claims against the Authority, concerning matters of employment, which may result in payments of compensation to those employees. Negotiations between the Authority's solicitor and the employees' solicitors are ongoing. An estimate of the possible financial effects of these contingent liabilities is not disclosed as this might prejudice the Authority's position regarding the claims.

PENSION STATEMENTS

PENSION FUND ACCOUNT

2006/07		Notes	2007/08
£000's			**£000's**
	Contributions Receivable		
	Fire Authority:		
(3,488)	Contributions in relation to pensionable pay		(3,687)
0	Early retirements		0
(653)	Other (Ill Health Retirements)		(411)
(1,863)	Firefighters' contributions		(1,981)
(6,004)	Total		**(6,079)**
	Transfers in from other authorities		
(165)	Individual transfers in from other schemes		(78)
(165)	Total		**(78)**
	Benefits Payable		
6,682	Pensions		7,019
1,892	Commutations and lump sum retirement benefits		900
0	Lump sum death benefits		153
0	Other		0
8,574	Total		**8,072**
	Payments to and on account of Leavers		
0	Refunds of contributions		4
15	Transfers out to other authorities		228
0	Other		0
15	Total		**232**
2,420	**Net Amount payable for the year before top-up grant from Communities & Local Government**		**2,147**
(582)	**Top-up grant received from Communities & Local Government**		**(2,958)**
(1,838)	**Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government**	2	**811**
0			**0**

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 the notes to the core accounting statements.

2006/07		**Notes**	**2007/08**
£000's			**£000's**
	Current Assets	4	
91	Contributions due from employer		10
66	Contributions due from members		8
586	Prepaid Pensions		615
84	Transfers In Receivable		0
1,838	Pension top-up grant receivable from CLG		0
2,665	Total		**633**
	Current Liabilities	4	
(240)	Unpaid pension benefits due		(249)
0	Surplus to-up grant payable to Government		(811)
(240)	Total		**(1,060)**
(2,425)	Amount owing (to)/from General Fund	4,5	**427**
0	**Net current assets**		**0**

NOTES TO THE PENSIONS STATEMENTS

1. The Firefighters' Pension Fund

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

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

2. Accounting Policies for the Pension Fund

<u>General Principles</u>

The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2007/08 financial year and its position at the year end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2007.

<u>Accruals</u>

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

<u>Administration Costs</u>

The cost of managing pension activities, which includes part of the costs of Personnel, Payroll and Finance staff as well as part of the cost of Pension Services provided by the County Council and the cost of actuarial services, are not accounted for within the Pension Fund but are included in the Authority's Income and Expenditure Account under Net Cost of Services.

3. The Liability to Pay Pensions

The Authority has a liability to pay future retirement benefits to current members of the Firefighters' Pension Schemes. The value of this liability has been assessed by an independent firm of actuaries and is shown in the Authority's Balance Sheet and explained further in note 26 to the core financial statements. The Pension Fund Account and Net Assets Statement do not take account of this liability.

4. Accruals Within the Pension Fund and Net Assets Statement

<u>Prepaid Pensions</u>

Retirement benefits are paid to members monthly in advance. The payments made in March 2008 relate to April 2008 and have been treated as prepayments.

<u>Transfers Between Pension Schemes</u>

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 2008, transfers into the Fire Authority Scheme which had been requested but not actioned have been calculated. Values can take a considerable amount of time to determine and amounts can vary depending upon the date of settlement. Material transfers that are under negotiation or have been agreed but not settled are disclosed in Note 6. No material transfers relating to requests made on or before March 31st 2008 have been settled, therefore none have been accrued for within the Pension Fund Statements.

Pension Commutations
Retiring members can opt to exchange part of their ongoing entitlement to pension payments for a one-off payment of benefit on retirement. This is known as a pension commutation. As at 31 March 2008, 2 members had requested commutations which had not been actioned. The values of these commutations have been calculated and accrued for.

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

Contributions Payable
Retained firefighters are paid one month in arrears, therefore employee and employer contributions relating to March 2008 were still outstanding at 31 March 2008. These outstanding contributions have been calculated and accrued for.

Death Benefits Payable
A lump sum death benefit which was outstanding at 31 March has been accrued for.

5. Financing of the Pension Fund

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority's main bank account. These amounts are shown as "Amounts owing from the General Fund". Top-up grant received from the department for Communities and Local Government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable to Communities and Local Government is £811,350. The difference between the grant payable and the cash surplus as at 31 March 2008 is the total of the accruals included in the Pension Fund.

6. Transfers not settled

One transfer into the firefighters' pension scheme which was pending at 31 March 2008 has yet to be agreed by the recipient. The transfer value quoted by the current pension provider is £50,814.

GLOSSARY OF TERMS

1. Accruals

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

2. 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.

3. Capital Expenditure

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

4. Capital Receipts

Income derived from the sale of capital assets.

5. Chartered Institute of Public Finance and Accountancy (CIPFA)

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

6. 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.

7. Creditors

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

8. Debtors

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

9. Deferred Charges

Deferred charges relate to expenditure which would normally have been charged to a particular year of account but for which approval has been given to charge over a number of years.

10. Depreciation

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

11. 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.

12. 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.

13. Fixed Assets

Tangible or intangible assets which yield benefits to the Authority for a period of more than one year. Tangible assets would include land and buildings and certain specialist vehicles and equipment. Intangible assets include software.

14. 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.

15. Non-Distributed Costs

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

16. 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.

17. Provision

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

18. 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.

19. Revenue Contribution to Capital Outlay

A fixed asset purchased directly from revenue contributions.

20. Revenue Expenditure and Income

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