



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REVIEW OF TRADING PERFORMANCE 2011/12 – NOTTINGHAMSHIRE FIRE AND RESCUE SERVICE (TRADING) LIMITED

Report of the Chief Fire Officer

Agenda Item No:

Date: 13 July 2012

Purpose of Report:

To inform Members of the trading results of the arm's length company.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

Tel : 0115 967 5894

Email : neil.timms@notts-fire.gov.uk

**Media Enquiries
Contact :** Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

- 1.1 The Authority established an arm's length company, Nottinghamshire Fire and Rescue Service (Trading) Limited, which commenced trading on 1 September 2010. The company is limited by guarantee, and is wholly owned by the Authority.
- 1.2 The company provides fire extinguisher and fire alarm sales and maintenance services, as well as a limited amount of fire safety training, to local businesses and public sector organisations. It also sells services to the Authority, and the Authority sells support services to the company, such as financial and human resources services. This interaction between the two organisations is carried out on an arm's length basis.
- 1.3 Seven of the Authority's employees were transferred to the company when trading started. The Board of Directors of the company comprises two Officers and three elected Members of the Authority.
- 1.4 In 2010/11 there were seven months of trading activity and a full year of trading in 2011/12.
- 1.5 The company is in the process of appointing two directors from the Fire Authority to replace two former directors.

2. REPORT

- 2.1 The company managed to break even during its first seven months of trading, which would be a positive achievement for any new company. The profit after tax was just £569. The first full year of trading ended on 31 March 2012 and resulted in a profit after tax of £48,535. This is a pleasing result and reflects the hard work of the employees and Directors over the whole nineteen months, especially during a time of economic recession. Total retained earnings now stand at £49,104.
- 2.2 A dividend has not been declared and the retained earnings will be invested in supporting and developing the business going forward.
- 2.3 The company sells services to the Authority, including the management of Hydrant Maintenance, which is carried out by the Manager of the company. The total value of services sold to the Authority in 2011/12 was £58,014. Conversely, the Authority provides a number of support services to the company such as the provision of fleet, financial services, insurance, human resources services etc. These services are the subject of Service Level Agreements and are charged for on the basis of cost recovery. The total value of services sold by the Authority to the company in 2011/12 was £64,550.

- 2.4 The company's annual report is attached at Appendix A and gives further detail about the activities of the company and its financial performance during the year.

3. FINANCIAL IMPLICATIONS

- 3.1 The company is purchasing services from the Authority and selling services to the Authority. There is no dividend payable to the Authority for the 2011/12 financial year, as earnings have been retained by the company to be used as working capital.
- 3.2 The Authority lent the sum of £54,999 to the company on commencement of trading to support working capital. During 2011/12, £5,000 of this loan was repaid, with a further £10,000 repaid in May 2012. There is no reason to think that this loan will not be repaid in full if profits continue to accrue and if cash flow continues to be well managed.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

The company employs its staff and is an admitted body to the Local Government Pension Scheme. The main implication for the Authority is that it provides human resources services to the company as and when required.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report is for information and gives details of performance for the year.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The company is a separate legal entity from the Authority.

8. RISK MANAGEMENT IMPLICATIONS

The company is limited by guarantee, so the risk to the Authority, should the company fail, is minimal.

9. RECOMMENDATIONS

That Members note the content of this report.

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

None

Frank Swann
CHIEF FIRE OFFICER

Nottinghamshire Fire and Rescue Service (Trading) Ltd

**Company Limited by Guarantee
Financial Statements**

**For The Year Ended 31st March 2012
Company Registration Number 7210383**

**Officers and Professional Advisors
Year Ended 31 March 2012**

The Board of Directors

Name	Date of Appointment
Richard Heffer	01/09/2010
Ian Pritchard	01/09/2010
Sybil Fielding	01/09/2010
Alex Foster	01/09/2010 – 10/04/2012
Tom Pettengell	01/09/2010 – 31/12/2011
Chris Barnfather	24/02/2012

Company Secretary

Richard Heffer

Business Address
Ltd

Nottinghamshire Fire & Rescue Service (Trading)

Bestwood Lodge
Arnold
Nottingham
Nottinghamshire
NG5 8PD

Registered Office
Ltd

Nottinghamshire Fire & Rescue Service (Trading)

Bestwood Lodge
Arnold
Nottingham
NG5 8PD

Directors Report

The directors present their report and the financial statements of the company for the year ended 31 March 2012, which represents 12 months of trading; the comparatives are for the 7 months ending 31 March 2011.

Introduction and Principal Activities

Nottinghamshire Fire and Rescue Service (Trading) Limited (the company) is limited by guarantee and wholly-owned by Nottinghamshire Fire and Rescue Service. The company was formed on 1st September 2010. The company is engaged in fire extinguisher sales and maintenance along with some fire safety training activities. The company also has a partnership agreement with a commercial electrical and fire alarm installer and is able to sell its services through this company as necessary.

Business Review and Developments

The company has continued to make a sound and now embedded transition from being a part of Nottinghamshire Fire & Rescue Service into an 'arms-length' trading company. This has been reflected by the hard work of all staff members to re-focus and increase business with a resultant significant increase in the company's profit figures for this financial year over the previous seven months. Profit after taxation for 2011/12 was £48,535 and for 2010/11 was £569. This increase in profit has allowed the company to repay a proportion of the working capital loan received from Nottinghamshire Fire and Rescue Service.

The company has had a solid period of trading over this reporting period, with and has both gained and lost contracts. Unfortunately 12 contracts have been lost, mostly small businesses together with some local primary schools. However, 60 new customers have been gained, including several private sector care homes, which is a new area for the company. Some of the new contracts have been directly through the success of our fire safety training, which has also brought in further customers for the Fire Extinguisher Maintenance business. As such, the company has expanded into the provision of fire safety training courses, including e-learning, over the financial year and this has proved to be a growing area of revenue. To maintain best value for our customers, a new supplier contract has recently been ensured so that prices have not had to be increased.

The new NFRS website has launched which has the company information available on it. Further, we are listed on the East Midlands Property Alliance for local authority work, NHS procurement site and the East Midlands schools and colleges.

Further, the services of Nottinghamshire Fire and Rescue Service (Trading) Limited have been expanded to include fire alarm installation, maintenance, repair and fire alarm testing as part of the services offered to new and existing customers in a marketing partnership with another commercial company.

The directors have assessed the key risk affecting the business to be the reduction in public sector spending. Thus the company is actively pursuing a policy of diversification of the customer base to gain and keep customers from SMEs through to larger public and private organisations. We will continue to actively increase new areas of business, balanced against ensuring the viability of the company.

Results

The profit for the year after taxation amounted to £48,535.

Financial risk management objectives and policies

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

Political donations

The company has made no political donations.

Charitable Donations

The company has made no charitable donations.

Summary of Director's Responsibilities

The company operates under a board of five directors.

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

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

Director (Risk & Governance) Sybil Fielding;- responsible for seeking assurance that the company is operating legally and in the best interests of the parent company and the community, a role similar to that of Non-Executive Director.

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

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

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

- Select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

**Statement of Comprehensive Income & Retained Earnings for the Year Ended
31st March 2012**

	Notes	7 Months 31 March 2011 £	12 Months 31 March 2012 £
Revenue	10	165,220	342,479
Operating Costs			
Staff Costs	9	(67,549)	(119,133)
Operating Costs		(53,754)	(88,803)
Administration Costs			
Staff Costs	9	(36,460)	(63,700)
Other Costs		(19,330)	(32,787)
Other Operating Income		12,797	23,916
Operating Profit		925	61,972
Interest Receivable & Similar Income		3	0
Interest Payable & Similar Charges	12	(207)	(344)
Profit Before Tax		720	61,628
Tax on Profit or (Loss) on Ordinary Activities		(151)	(13,093)
Profit or (Loss) for the Year		569	48,535
Retained Earnings at Start of Year		0	569
Dividends			0
Retained Earnings at End of Year		569	49,104

Statement of Financial Position
31st March 2012

	Notes	7 Months 31 March 2011 £	12 Months 31 March 2012 £
Current Assets			
Cash and Cash Equivalents		39,455	64,712
Trade Receivables	8	55,407	67,304
Inventories	5	11,370	11,578
Total Assets		106,232	143,594
Current Liabilities – falling due within 1 year	11	50,663	44,490
Non-Current Liabilities			
Loan		54,999	49,999
Total Liabilities		(105,662)	(94,489)
Total Assets less Current Liabilities		570	49,105
Equity			
Share Capital		1	1
Retained Earnings		569	49,104
Total Equity		570	49,105

Cash flow Statement 31st March 2012

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

	7 Months 31 March 2011		12 Months 31 March 2012	
	2010/11	2010/11	2011/12	2011/12
	£	£	£	£
Revenue Activities				
Cash flows from operating activities				
Profit before Taxation		721		61,628
Depreciation	0		0	
Interest Payable	(206)		(344)	
Dividends Received	0		0	
Interest Receivable	3		0	
(Increase)/Decrease in Inventories	(11,370)		(208)	
(Increase)/Decrease in Accounts Receivable	(55,407)		(11,897)	
Increase/(Decrease) in Accounts Payable	50,511		(19,115)	
Taxation Paid	0		(151)	
Cash generated from Operations		(16,469)		(31,715)
Cash flows from Investing Operations				
Acquisition of PPE	0		0	
Dividends Received	0		0	
Interest Receivable	(3)		0	
Net Cash flow from Investing Activities		(3)		0
Cash flows from Financing Operations				
Issue of Shares	1		0	
Dividends Paid	0		0	
Cash Received for Short Term Borrowing	54,999		0	
Interest on Loan	206		344	
Repayment of Long Term Borrowing	0		(5,000)	
Net Cash flow from Financing Activities		55,206		(4,656)
Net Increase in cash and cash equivalents		39,455		25,257
Cash and Cash Equivalents at 1 September 2010		0		
Cash and Cash Equivalents at 31 March 2011		39,455		
Cash and Cash Equivalents at 1 April 2011				39,455
Cash and Cash Equivalents at 31 March 2012				64,712

Notes to Financial Statement

1.0 Accounting Policies

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

2.0 Revenue

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

3.0 Non-Current Assets

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

4.0 Pension Costs & Other Post Retirement Benefits

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

5.0 Inventory

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

6.0 Audit

For the year ending 31st March 2012 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The company's accounts will be reviewed by external auditors as part of the work undertaken to audit the group accounts of Nottinghamshire Fire and Rescue.

7.0 Directors Emoluments

The company directors did not receive any emoluments from the company.

8.0 Trade Receivables

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

9.0 Employee Information

	7 Months 31 March 2011	12 Months 31 March 2012
	2011	2012
Average monthly number of employees	6.8 FTE	6.8 FTE
	2011	2012
	£	£
Wages & Salaries	84,838	148,963
National Insurance Contributions	5,519	9,614
Pension Costs	13,652	24,256

	7 Months 31 March 2011	12 Months 31 March 2012
10.0 Revenue	2011	2012
	£	£
Fire Extinguisher Income	83,652	159,989
Fire Extinguisher Maintenance/Service Income	75,451	146,997
Training Income	6,116	35,493
11.0 Current Liabilities due within 1 year	2011	2012
	£	£
Trade Payables	2,392	18,334
Sundry Creditors	32,728	3,194
Corporation Tax Payable	151	13,093
VAT	15,392	9,869
12.0 Interest Payable and Similar Charges	2011	2012
	£	£
Interest payable on loan from Parent Company	207	344
13.0 Long Term Liabilities	2011	2012
	£	£
Amounts due to Parent Undertaking	54,999	49,999

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

14.0 Related Party Transactions

Since commencement on the 1st September 2010 the company has entered into the following transactions with Nottinghamshire Fire and Rescue Service.

	2011	2012
	£	£
Sales	19,737	40,011
Purchases	46,238	64,550

Of these amounts, £322 was owed to Nottinghamshire Fire and Rescue as at 31st March 2012 and £5,130 was owed by Nottinghamshire Fire and Rescue Service. The transactions were on an arm's length basis and include services sold to Nottinghamshire Fire and Rescue relating to fire extinguisher maintenance and hydrant maintenance. The company purchased human resources, financial, insurance, health and safety and information technology from Nottinghamshire Fire and Rescue, as well as the use of premises and vehicles.

15.0 Dividends

No dividend has been declared for the year. Profits are retained in the company and used for investment in business activities.