

# Public Document Pack



## NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

### MEETING OF THE AUTHORITY

**Date:** Friday 26 July 2019                      **Time:** 10:30am

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

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

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

### AGENDA

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| <b>2</b> | <b>DECLARATIONS OF INTERESTS</b>  |          |
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- 7     **PAY POLICY**     153 - 170  
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- 8     **HER MAJESTY'S INSPECTORATE OF CONSTABULARY AND FIRE  
AND RESCUE SERVICES FINDINGS**     171 - 220  
Report of the Chief Fire Officer
- 9     **EXCLUSION OF THE PUBLIC**  
To consider excluding the public from the meeting during consideration  
of the remaining item in accordance with Section 100A of the Local  
Government Act 1972, under Schedule 12A, Part 1, Paragraphs 1 and  
3, on the basis that, having regard to all the circumstances, the public  
interest in maintaining an exemption outweighs the public interest in  
disclosing the information.
- 10    **REDUNDANCY PAYMENTS: PRINCE'S TRUST**     221 - 232  
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**ANY COUNCILLOR WHO IS UNABLE TO ATTEND THE MEETING AND WISHES TO  
SUBMIT APOLOGIES SHOULD DO SO VIA THE PERSONAL ASSISTANT TO THE  
CHIEF FIRE OFFICER AT FIRE SERVICES HEADQUARTERS ON 0115 8388900**

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

**Constitutional Services Officer:     Cath Ziane-Pryor  
0115 8764298  
catherine.pryor@nottinghamcity.gov.uk**

Agenda, reports and minutes for all public meetings can be viewed online at:  
<https://committee.nottinghamcity.gov.uk/ieListMeetings.aspx?CId=224&Year=0>

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fire.gov.uk](mailto:enquiries@notts-fire.gov.uk) or by text on SMS: 0115 824 0400



**NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY**  
**ANNUAL GENERAL MEETING**

**MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 7 June 2019 from 10.31 am - 10.56 am**

**Membership**

Present

Councillor Michael Payne (Chair)  
Councillor Toby Neal (Vice  
Chair)Councillor Andrew Brown  
Councillor John Clarke  
Councillor Vaughan Hopewell  
Councillor John Longdon  
Councillor Mike Quigley MBE  
Councillor Jonathan Wheeler  
Councillor Sybil Fielding  
Councillor Parry Tsimbiridis  
Councillor Sue Saddington  
Councillor Jawaid Khalil  
Councillor Gul Nawaz Khan  
Councillor Salma Mumtaz  
Councillor Shuguftah Quddoos  
Councillor Nick Raine  
Councillor Stuart Wallace

Absent

Councillor Jason Zadrozny

Also in attendance

Paddy Tipping, Nottinghamshire Police and Crime Commissioner

**Colleagues, partners and others in attendance:**

John Buckley - Chief Fire Officer, NFRS  
Craig Parkin - Deputy Chief Fire Officer, NFRS  
Ina Pritchard - Assistant Chief Officer (Temporary)  
Malcolm Townroe - Clerk and Monitoring Officer to the Fire Authority  
Charlotte Radford - Treasurer to the Authority  
Becky Smeathers - Head of Finance  
Catherine Ziane-Pryor - Governance Officer

**1 APPOINTMENT OF CHAIR**

**RESOLVED to appoint Councillor Michael Payne as Chair of the Authority for the 2019-20 municipal year.**

**2 APPOINTMENT OF VICE-CHAIR**

**RESOLVED to appoint Councillor Toby Neal as Vice-Chair for the 2019-20 municipal year.**

**3 APOLOGIES FOR ABSENCE**

Councillor Jason Zadrozny - personal

**4 DECLARATIONS OF INTERESTS**

None.

**5 CHAIRS' ANNOUNCEMENTS**

The Chair welcomed everyone, especially the new members for whom an information pack is provided.

The Chair commented that he intended to continue in the same vein as the previous Chairs of Councillor Grocock and Councillor Pulk, in continuing to work with the Authority's opposition members, for the benefit of the Service and firefighters. It is proposed that informal group leader meetings will be held to ensure that the current good relationship continues and information is shared.

For the benefit of new members, Police and Crime Commissioner Paddy Tipping was introduced as a non-voting but very supportive member of the Authority and Service who contributes to meetings. It was noted that once proposed future changes in legislation are enacted, it will mean that Paddy Tipping will become a voting member of the Authority.

Thanks were expressed to past members of the Authority. For those who had served for the past 4 years and more, a certificate of Service will be presented at the September Fire Authority meeting in recognition of their dedication and passion towards the Service. This includes former Councillor Malcolm Wood, Councillor Eunice Campbell-Clark, Councillor Mohammed Saghir, Councillor Patience Ifediora, former Councillor Jackie Morris, Councillor Kevin Rostance, Councillor Francis Purdue-Horan and of course former Councillor Brian Grocock who served as a member of the Authority from 1997 and was highly respected, especially as Chair of the Authority. Former Councillor Malcolm Wood also contributed greatly and was an exemplary Chair of the Finance and Resources Committee, proving a strong financial strategist during very difficult times.

The HMICFRS inspection has concluded and whilst the draft report has been provided to the Chief Fire Officer for comment, it is embargoed but is predicted to be published within the next few weeks.

As part of the strategic collaboration commitment, discussions are taking place with regard to the potential for the Police to share space within the West Bridgford Fire Station. More information will be provided through the normal reporting processes in due course.

Nottinghamshire & City of Nottingham Fire & Rescue Authority - 7.06.19

Councillor Andrew Brown, Lead Opposition member, congratulated Councillor Payne on his appointment and confirmed that he and his colleagues intended the good cross-party working relationship to continue, with the aims of extending collaboration with other Fire and Rescue Services and exploring further financially beneficial ventures. Councillor Brown added that the current levels of reserves need to be preserved and can no longer be used to provide a balance budget unless in exceptional circumstances. It is recognised that there are further challenges ahead for the Fire and Rescue Service.

In conclusion, the Chair reminded members that a comprehensive spending review was predicted either next year or the year after and that all political parties needed to recognise the valuable work of the Fire and Rescue Service.

## **6 MINUTES**

The minutes of the meeting held on 15 February 2019 were confirmed as a true record and signed by the Chair.

## **7 MEMBERSHIP OF THE AUTHORITY, APPOINTMENTS TO COMMITTEES AND BOARDS AND DATES OF FUTURE MEETINGS**

Malcolm Townroe, Clerk and Monitoring Officer, presented the report which lists the Councillors appointed to the Authority by their respective Councils, presents political balance for group places on Committees and asks that groups appoint members to the committees and boards listed.

### **RESOLVED**

**(1) to note the following appointments to the Authority:**

#### **Nottingham City Council:**

**Councillor Jawaid Khalil (Labour)  
Councillor Gul Nawaz Khan (Labour)  
Councillor Salma Mumtaz (Labour)  
Councillor Toby Neal (Labour)  
Councillor Shuguftah Quddoos (Labour)  
Councillor Nick Raine (Labour)**

#### **Nottinghamshire County Council:**

**Councillor Andrew Brown (Conservative)  
Councillor John Clarke (Labour)  
Councillor Sybil Fielding (Labour)  
Councillor Vaughan Hopewell (Mansfield Independent)  
Councillor John Longdon (Conservative)  
Councillor Michael Payne (Labour)  
Councillor Mike Quigley MBE (Conservative)  
Councillor Sue Saddington (Conservative)  
Councillor Parry Tsimbiridis (Labour)  
Councillor Stuart Wallace (Conservative)  
Councillor Jonathan Wheeler (Conservative)  
Councillor Jason Zadrozny (Ashfield Independent)**

- (2) to approve the Committee Structure;
- (3) to approve the following appointments, Chairs of Committees and dates of meetings:

**Nottinghamshire and City of Nottingham Fire and Rescue Authority**

**(10.30 am unless otherwise stated)**

**26 July 2019 (1.30pm)**

**27 September 2019**

**13 December 2019**

**28 February 2020**

**(05 June 2020 - AGM)**

**Policy and Strategy Committee (10.00 am )**

**12 July 2019 Councillor Michael Payne (Chair)**

**08 November 2019 Councillor Toby Neal**

**31 January 2020 Councillor John Clarke**

**01 May 2020 Councillor Sybil Fielding**

**Councillor Andrew Brown**

**Councillor Jonathan Wheeler**

**Human Resources Committee (10.00 am)**

**05 July 2019 Councillor Shuguftah Quddoos (Chair)**

**18 October 2019 Councillor Jawaid Khalil**

**20 January 2020 Councillor Salma Mumtaz**

**24 April 2020 Councillor Vaughan Hopewell**

**Councillor John Longdon**

**Community Safety Committee (10.00 am)**

**21 June 2019 Councillor Nick Raine (Chair)**

**04 October 2019 Councillor Parry Tsimbiridis**

**10 January 2020 Councillor Gul Nawaz Khan**

**27 March 2020 Councillor Sue Saddington**

**Councillor Stuart Wallace**

**Councillor Jason Zadrozny**

**Finance and Resources Committee (10.00 am)**

**28 June 2019 Councillor John Clarke (Chair)**

**11 October 2019 Councillor Toby Neal**

**17 January 2020 Councillor Nick Raine**

**03 April 2020 Councillor Andrew Brown**

**Councillor Mike Quigley MBE**

**Personnel Committee (to meet as required, Chair appointed at each meeting)**

**Councillor Toby Neal**

**Councillor Shuguftah Quddoos**

**Councillor Parry Tsimbiridis**

**Councillor Jawaid Khalil**

**Councillor Mike Quigley MBE**

**Councillor Sue Saddington**

**Councillor John Longdon**

**Appointments Committee (to meet as required)**

**Councillor Michael Payne**  
**Councillor Toby Neal**  
**Councillor John Clarke**  
**Councillor Andrew Brown**  
**Councillor Vaughan Hopewell**  
**Councillor Jason Zadrozny**

**Strategic Inclusion Board (at the rising of each full Fire Authority meeting excluding the AGM).**

**Councillor Michael Payne**  
**Councillor Toby Neal**  
**Councillor Shuguftah Quddoos**  
**Councillor Andrew Brown**  
**Councillor Stuart Wallace**  
**Councillor Jason Zadrozny**

**Pensions Board**

**Councillor Sybil Fielding**  
**(Councillor Toby Neal as substitute)**

**Trading Company**

**Councillor Michael Payne**  
**Councillor Toby Neal**  
**Councillor Andrew Brown**  
**Councillor Mike Quigley MBE**  
**Councillor Jonathan Wheeler**

**8 COMMITTEE OUTCOMES FOR NOTING**

John Buckley, Chief Fire Officer, presented the report which provides the minutes of the following sub-committees:

Community Safety Committee 22 March 2019  
Finance and Resources Committee 29 March 2019  
Human Resources Committee 05 April 2019

It is noted that the April 2019 meeting of the Policy and Strategy Committee was cancelled.

**RESOLVED to note the report.**

**9 EXCLUSION OF THE PUBLIC**

**RESOLVED to exclude the public from the meeting during consideration of the remaining items in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

**10 EXEMPT MINUTES**

The exempt minutes of the meeting held on 15 February 2019 were confirmed as a true record and were signed by the Chair.

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**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **ANNUAL GOVERNANCE STATEMENT 2018/19**

Report of the Chief Fire Officer

**Date:** 26 July 2019

**Purpose of Report:**

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

## **CONTACT OFFICER**

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Head of Finance

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## **1. BACKGROUND**

- 1.1 The Fire Authority is required to include an Annual Governance Statement within its annual Statement of Accounts. The Annual Governance Statement contains details of the most recent review of governance arrangements and sets out challenges for those arrangements going forward.
- 1.2 The Authority must approve the Annual Governance Statement each year prior to adopting the Statement of Accounts. Once approved by the Authority, the Chair of the Authority and the Chief Fire Officer can sign the Annual Governance Statement.
- 1.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.

## **2. REPORT**

- 2.1 The Annual Governance Statement 2018/19 sets out how the Service has complied with the current local code of corporate governance during the year and also meets the requirements of the Accounts and Audit Regulations 2015 with regards to the preparation and approval of an annual governance statement.
- 2.2 The Annual Governance Statement 2018/19 is attached to this report as Appendix A.
- 2.3 The governance framework has been in place at the Authority for a number of years and regular reviews have been carried out periodically. In 2016/17 a full review of the Local Code of Corporate Governance was carried out and a new Local Code was adopted in line with the CIPFA / Solace framework which was revised in 2016.
- 2.4 The Service has recently received an internal audit inspection on its corporate governance activity. This has provided a reasonable level of assurance. Section 4.4.10 of the statement provides further information.
- 2.5 The External Auditor approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. The Annual Internal Audit Report was reported to Finance and Resources Committee on 29 June 2018. It concluded that:

“From the work carried out during the 2018/19 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.
- 2.6 Ernst & Young LLP have been appointed as the auditors to the Authority with effect from 1 April 2018 following a national procurement exercise undertaken

by Public Sector Audit Appointments Ltd. The 2018/19 Statement of Accounts will be audited by Ernst & Young LLP. Transitional arrangements from the 2017/18 auditors, KPMG, have enabled a smooth transfer between auditors.

- 2.7 The Service received its first inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) early in 2019 and the report, which has now been published, identifies areas where improvements can be made. The Service will need to ensure that governance arrangements are in place to deliver any required changes.
- 2.8 The Service published its Integrated Risk Management Plan, now called the Strategic Plan 2019 - 2022 in February 2019. The plan will help align resources to the corporate priorities when the Medium Term Financial Strategy is developed in the autumn.
- 2.9 There is significant financial uncertainty over the next year and the Authority needs to ensure that the Service continues to operate within a balanced budget. The Medium Term Financial Plan will need to be a prudent but flexible document and identify different options for creating necessary savings in future years, allowing for the impact of any budget reductions to be delivered in a manageable way.
- 2.10 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

### **3. FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

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

### **5. EQUALITIES IMPLICATIONS**

The Annual Governance Statement contains the Authority's approach to inclusion and equality as part of its governance framework.

### **6. CRIME AND DISORDER IMPLICATIONS**

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

## **7. LEGAL IMPLICATIONS**

The Accounts and Audit Regulations 2015, Part 1 Section 6 set out the requirement for an Authority to conduct an annual review of governance and prepare an annual governance statement. It also provides that an Authority must consider the findings of the review and approve the annual governance statement in advance of approving the Statement of Accounts.

## **8. RISK MANAGEMENT IMPLICATIONS**

The governance framework of the Authority is the collection of systems, processes, culture and values which direct and control decision making and policy development within the organisation. The risk of not reviewing governance activity against this framework is that any weaknesses in governance may not be identified and rectified, thereby putting the organisation at risk of not achieving its objectives.

## **9. COLLABORATION IMPLICATIONS**

There are no collaboration implications arising from this report.

## **10. RECOMMENDATIONS**

That Members approve the Annual Governance Statement 2018/19.

## **11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

**NOTTINGHAMSHIRE FIRE AND RESCUE AUTHORITY**  
**ANNUAL GOVERNANCE STATEMENT**

**1.0 SCOPE OF RESPONSIBILITY**

- 1.1 Nottinghamshire Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, use of its resources and including arrangements for the management of risk and the maintenance of an effective internal control environment.
- 1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / Solace framework *Delivering Good Governance in Local Government*.
- 1.4 This statement sets out how the Authority has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement.

**2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes, cultures and values for the direction and control of the Authority and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is part of an on-going process designed to identify and prioritise the risks to the achievement of Nottinghamshire Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 A key element of the Internal Control Environment is the development and maintenance of Strategic, Corporate and Departmental risk registers which are understood and managed by senior managers.
- 2.4 The governance framework has been in place at the Authority for a number of years and regular reviews have been carried out periodically. In 2016/17 a full review of the Local Code of Corporate Governance was carried out and a new Local Code was adopted in line with the CIPFA / Solace framework which was revised in 2016.

### 3.0 THE GOVERNANCE FRAMEWORK

- 3.1 In addition to the Annual Governance Statement the Authority has a Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In this document, officers have identified against each of the Code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the Code.
- 3.2 In developing a code of corporate governance, the Authority had the aim of seeking compliance with the CIPFA / Solace guidelines and recognised that these constitute good practice for local authority organisations.
- 3.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.
- 3.4 Summarised below are some of the key elements of the systems and processes that underlie the Authority's governance arrangements:
- 3.5 **Identifying and Communicating the Authority's vision and outcomes for citizens and service users**
- 3.5.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The [IRMP covering 2014 – 2019](#) has now been replaced with a new [Strategic Plan 2019 - 2022](#) which was approved by Fire Authority in February 2019.
- 3.5.2 The Authority's vision is "Creating Safer Communities" and it strives to deliver this by developing a set of cohesive business plans and working in partnership with others to provide an excellent, affordable service to all the diverse communities of Nottinghamshire. To deliver this the Authority has established three strategic aims, which are:
- to provide high quality services;
  - to offer strong governance and financial sustainability; and
  - to ensure that our employees are engaged and motivated.

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

3.6.1 The Service operates a system of cascading business plans. The IRMP is the highest level and from this an annual corporate plan is produced followed by a series of departmental and functional business plans. Progress against these plans is regularly reported on to the Executive Delivery Team (EDT) and the Strategic Leadership Team (SLT). Officers also report on progress and outcomes to the relevant committees of the Fire Authority.

### **3.7 The Internal Control Environment**

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

#### **3.7.2 Policy and Decision Making Process**

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

#### **3.7.3 Management Structure**

The Authority has a clear management structure with defined roles and responsibilities. The Strategic Leadership Team includes all department heads as well as the Principal Officers. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process.

The Authority has an Executive Delivery Team which is comprised of all the Departmental Heads and augmented by specialists as required. As part of a more empowering style of management this group has decision making powers with only the most significant or challenging decisions reserved for

the Strategic Leadership Team. These arrangements enable good quality decision-making.

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

#### **3.7.4 Established Policies, Procedures & Regulations**

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

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

#### **3.7.5 Internal Audit Function**

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

#### **3.7.6 Risk Management Strategy**

The Authority has a well-established and embedded risk management strategy. This is managed at the corporate/strategic level by The Finance and Resources Committee which receive regular reports on risk exposures both in terms of existing and emergent risk. Members scrutinise risk registers and receive explanations for changes. The Committee is advised by the Head of Finance and the Service's Risk Manager on behalf of the Chief Fire Officer.



The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Service policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and facilitate a risk management culture to enable risks to be effectively assessed, managed, monitored and reported.

### **3.7.7 Best Value Duty**

The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. The requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value and the Authority has procurement policies in place, providing a framework within which to buy goods and services which offer good value for money.

### **3.7.8 Financial Management**

Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sales ledger and purchase ledger functions and facilitates good budgetary control. Budget Managers are supported by Finance Officers in the use of this system for monitoring financial performance.

## **4.0 REVIEW OF EFFECTIVENESS**

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

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

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

### **4.3 The Authority and its Committees**

4.3.1 The Authority has reviewed the vision and strategic service objectives as part of the development of the Strategic Plan, creation of the year 1 corporate plan and as part of the budgeting process. The budgeting process also had a measure of Member scrutiny with the Chair of the Finance and Resources Committee taking an active role.

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

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

4.3.3 In addition to the above there are also panels for appointments, Equalities, Personnel matters and the Firefighters' Pension Schemes.

4.3.4 Terms of reference and responsibilities for all these Committees form part of the Authority's Governance arrangements.

### **4.4 Management Review**

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

4.4.2 There is a system of performance management and review embedded within the Authority's management structure and processes. The 2014/19 Integrated Risk Management Plan and the 2019/22 Strategic Plan set out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by Corporate Support and managed by the individual departmental management teams.

4.4.3 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management and receive update reports every six months. Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management are considered strong. The Service has a Risk Assurance Team which is responsible for corporate risk, operational risk and health and safety risk. The purpose of this is to enhance the co-ordination of assurance activities and management of risk within the Service.

4.4.4 The Authority employs appropriate professional staff:

- A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year. All relevant laws and regulations are being complied with, although a correction of the tax treatment of car leasing arrangements and essential user lump sums was required during the year following an independent tax audit requested by the service. The monitoring officer is a qualified solicitor provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.
- A Responsible Finance Officer is appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Leadership Team ensures that the Authority approves a realistic and affordable financial plan for both revenue and capital expenditure which links to the IRMP / Strategic Plan. The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team managed by the Head of Finance maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.

4.4.5 In addition to the Treasurer the Authority also employs a Head of Finance who fulfils the role of Chief Financial Officer. This post holder is responsible for advising both senior managers and elected members on all financial matters. This is a role shared with the Treasurer who is seen to act independently of the Strategic Leadership Team's advice to the Fire Authority. In reality, these two officers work very closely together. Both officers are professionally qualified and have many years' experience within Local Government finance.

4.4.6 A full review was most recently carried out in 2015 of the role of Chief Financial Officer and, always accepting that the key statutory responsibilities under Sections 114 of the Local Government and Finance Act 1988 are held by the Treasurer, all of the principles set out in the CIPFA document *The Role of the Chief Financial Officer* are met.

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

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

4.4.9 The External Auditor approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. A presentation by the Head of Finance on the final accounts by way of a detailed year-end

report to the Authority helped to communicate the year-end position to Members in a clear and understandable format.

- 4.4.10 Towards the end of the financial year, Internal Audit reviewed the Authority's governance arrangements against the Local Code of Corporate Governance adopted by the Authority in February 2017. The audit judged the authority to have a reasonable level of assurance, with no recommendations being made requiring immediate action. Six lower priority recommendations were made, which are being addressed.
- 4.4.11 In all, 26 policies have been reviewed during the year. These were mostly operational, ICT and Human Resources related but did include the Counter Fraud and Money Laundering Policy and the Business Continuity Management Policy.
- 4.4.12 Under the Civil Contingencies Act (2004) (Part 1. Para 2(1) (C)) and The Fire and Rescue Services Act 2004 there is a duty for all Category 1 Responders to prepare plans to ensure so far as reasonably practicable, that if in an emergency the Service can perform its core functions. NFRS has been developing its Business Continuity Management System (BCMS) for many years. Business Continuity plans have been reviewed during the year and a table top exercise was undertaken in November 2018 to test BCM arrangements. These exercises will be undertaken at regular intervals to ensure that the service has the capability to meet its obligations.
- 4.4.13 Work continues on a new performance management framework. New software has been purchased and is in the process of being populated. The aim of this work is to improve the management of organisational performance and to increase accountability to the community in respect of the way that services are delivered.
- 4.4.14 In addition to the usual Internal and External Audit reviews, the Authority has had its first inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) which took place in January and February 2019. The inspection focused on Efficiency, Effectiveness and People and will provide a useful benchmarking opportunity against other Fire Authorities. The process of being inspected did highlight areas where improvements could be made. Examples include using the IRMP more effectively to drive business and as a basis for monitoring performance and also ensuring that our policies and procedures are up to date and fit for purpose. These were also areas identified through the internal audit process.
- 4.4.15 The Authority published its first Efficiency Plan (Sustainability Strategy) back in 2016/17 to cover the period up to 2019/20. The plan set out targets for achieving savings over the period and update reports are regularly received by Fire Authority. In February 2018 Fire Authority approved the implementation of a mixed crewing model at both Ashfield and Retford fire stations which saw the replacement of overnight wholetime duty system cover with an on call duty system cover at the two stations from April 2019.

## 4.5 Internal Audit

4.5.1 The Authority procures its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the UK Public Sector Internal Audit Standards. The internal audit plan for 2018/19, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Finance and Resources Committee during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee.

4.5.2 The Annual Internal Audit Report, which will be reported to the Finance and Resources Committee during 2018 concluded that:

“From the work carried out during the 2018/19 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.

## 4.6 External Review

4.6.1 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority’s financial statements with those charged with governance. This communication is in the form of a written report which was presented to Members in July 2018.

4.6.2 The principal purposes of the Auditors’ report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2018 and any material misstatements in the accounts
- To report on any key issues for governance
- To report on the Auditors’ Value for Money conclusion
- To give an “audit opinion” on the financial statements
- To report on the implementation of any recommendations in the previous year’s ISA 260 report
- To seek approval to the management representation letter, which confirms the Authority’s responsibilities and actions in relation to the financial statements

4.6.3 The ISA 260 report for the 2017/18 Statement of Accounts from KPMG LLP confirmed that the quality of the accounts was good. The audit did not identify any material or significant errors in the financial statements. There were no presentational corrections required and no adjustments required to accounting policies.

- 4.6.4 From 2018/19, the audit of the final accounts will be provided by Ernst & Young LLP. Three significant risks were identified in their External Audit Plan for 2018/19. These related to the risk of management override in order to perpetrate fraud, valuation of assets and valuation of the pension liabilities. These areas will be reviewed as part of the 2018/19 audit.

## 5 **SIGNIFICANT ISSUES FOR GOVERNANCE IN 2019/20**

- 5.1 The Fire and Rescue National Framework for England came into force on 1 June 2018. Every fire and rescue authority must have regard to the Framework in carrying out their functions. Every authority must publish an annual statement of assurance of compliance with the framework. This will be presented annually to Fire Authority in September.
- 5.2 The framework addresses the requirements of the Policing and Crime Act 2017. This Act has introduced the duty for emergency services to consider collaboration opportunities in all that they do and, although much collaborative work already takes place, this will drive further collaboration over the coming years. The Act also allows Police and Crime Commissioners to take over responsibility for fire and rescue where a local business case is made and this may lead to significant changes in governance for the fire sector in the future.
- 5.3 In September 2017 Members agreed NFRS's collaboration strategy. The strategy identified that a Strategic Collaboration Board (SCB) should be established to provide oversight of the collaboration workstreams. The SCB should report into the existing Fire Authority structures and does not have autonomy as a decision-making body.
- 5.4 In February 2019 Fire Authority approved entering into a collaborative agreement with the Office of the Police and Crime Commissioner of Nottinghamshire for a joint headquarters. In June 2019, the Joint Control room will open which will provide the control room service for both Derbyshire and Nottinghamshire Fire and Rescue services. In addition to these projects, other collaboration opportunities are being identified and developed. This increased level of collaboration will also lead to changes in governance for these service areas.
- 5.5 Another feature of the new legislation was the creation of a new statutory inspectorate for fire and rescue services. The service has had its first inspection early in 2019 with the report due to be published in the summer. The service will need to ensure that governance arrangements are in place to deliver any required changes.
- 5.6 The National Framework contains the continued requirement for the authority to have an Integrated Risk Management Plan (IRMP). The Authority's Strategic Plan sets out the strategic objectives of the organisation and how the service will aim to achieve them. The plan will help align resources to the corporate priorities when the Medium Term Financial Strategy is developed in the autumn.

- 5.7 The 2019/20 budget process identified an ongoing budget deficit in the region of £800k. The Authority has funding agreed for 2019/20, but beyond this, funding levels will be agreed as part of the spending review. In normal circumstances, this would provide the service with a 4 year funding projection. However, due to the ongoing Brexit negotiations, it is likely that there will be a delay in the spending review and a 1 year agreement will be negotiated over the summer. Work is ongoing on the revision of the Fire Funding Formula and the methodology for business rates distribution.
  
- 5.8 There is a significant amount of uncertainty regarding pensions. The change in the discount rate applied to future payments into the pension scheme has increased the service's employer liability by £2.57m. For 2019/20 the Home Office has provided additional grant of £2.34m but the future of this additional funding is uncertain. There is also an ongoing court case regarding the transition arrangements in the 2015 firefighter's pension scheme. These have been judged to be discriminatory on the grounds of age. Depending on the remedy, there may be considerable additional costs which will need to be met.
  
- 5.9 The Service may also be affected by the UK's exit from the European Union, but at this stage in the process the impacts are unclear. The risk associated with "Brexit" is on the Authority's strategic risk register and will continue to be monitored and managed as appropriate.
  
- 5.10 With so much financial uncertainty, the Authority needs to ensure that the service continues to operate within a balanced budget. The Medium Term Financial Strategy will need to be a prudent but flexible document and identify different options for creating savings in future years, allowing for the impact of any budget reductions to be delivered in a manageable way.
  
- 5.11 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

Signed.....

Councillor Michael Payne  
**CHAIR OF THE FIRE AUTHORITY**

Signed.....

John Buckley  
**CHIEF FIRE OFFICER**

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**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# FINAL ACCOUNTS 2018/19

Report of the Treasurer to the Fire Authority

**Date:** 26 July 2019

**Purpose of Report:**

To present to Members the 2018/19 final accounts of the Nottinghamshire and City of Nottingham Fire Authority to Fire Authority.

## CONTACT OFFICER

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Head of Finance

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## **1. BACKGROUND**

- 1.1 The unaudited accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The unaudited accounts were published on the Authority's website and submitted to the External Auditors, Ernst Young LLP, on 31 May 2019 in line with the statutory deadline. The accounts were considered by Finance and Resources Committee in 28 June 2019
- 1.2 Ernst Young LLP have had significant difficulties in securing sufficient resources to undertake all their 2018/19 allocated audits before the 31 July deadline for publication as set out in the Accounts and Audit Regulations 2015. The situation has been reported to the National Audit Office. Unfortunately, Nottinghamshire Fire and Rescue Service have been affected by the shortage of resources and the Statement of Accounts have not been audited to date.
- 1.3 In this situation, the Authority needs to ensure that the unaudited Statement of Accounts are published on the website alongside a notice stating the reason for not being able to publish the final Statement of Accounts including the certificate of audit opinion. Fire Authority are being asked to approve the unaudited Statement of Accounts published on the Authority's website. Once audited, the final Statement of Accounts will be brought back to Fire Authority for final approval at its meeting on 27 September 2019 prior to publication.
- 1.4 The unaudited accounts are expected to be subject to change following the recent McCloud judgement on the transition arrangements in the Firefighter's pension scheme which have been judged to be age discriminatory. The judgement affects both the national Firefighters' pension fund and the Local Government Pension Fund. Actuarial valuations used in the pension fund accounts are in the process of being re-calculated. The revised unaudited accounts will be presented to Ernst Young and published on the Authority's website. The final audited Accounts are expected to be presented to Fire Authority on 27 September 2019.
- 1.5 This report is issued as a covering paper to the unaudited final accounts which are appended in full as Appendix A.

## **2. REPORT**

### **THE CORE STATEMENTS IN THE ACCOUNTS**

- 2.1 There are four core statements in the Statement of Accounts, and these are on pages 22 to 28 of the Accounts. The core statements show references to disclosure notes within the Accounts which give further information and explanations about the figures within the core statements.

- 2.2 The **Movement in Reserves Statement** shows the movement in the year on the Authority's various reserves, analysed into "usable" and "unusable" reserves. The usable reserves total £10.337m at 31 March 2019, including the General Reserve and Earmarked Reserves and these are available to be spent by the Authority in the future. This statement also shows how the net deficit on the provision of services is adjusted in accordance with accounting regulations to give the net decrease in the General Reserves of £1.377m for the year.
- 2.3 The **Comprehensive Income and Expenditure Statement** shows all of the items of income and expenditure which constitute the accounting cost in the year of providing services. Although this Statement shows a deficit of £12.020m, this does not represent the cost to taxpayers, as the deficit is adjusted in accordance with accounting regulations to give the net deficit of £1.377m, which is the required amount from General Fund Reserve to finance expenditure for the year.
- 2.4 The **Balance Sheet** shows the value of the Authority's assets and liabilities at 31 March 2019. The Authority's net assets are matched by the Authority's reserves. Paragraph 2.8 below gives further explanation of the Pensions Reserve on the Balance Sheet.
- 2.5 The **Cash Flow Statement** shows the changes in cash (and cash equivalents) during the year and shows how the Service's activities generate and use cash.
- 2.6 On pages 105 and 106 of the Accounts are the Pension Fund Statements which show the transactions in the year on fire-fighter pensions and the assets and liabilities as at 31 March 2019.

## THE NARRATIVE STATEMENT

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

## PENSIONS

- 2.8 Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability (Pensions Reserve) of £544m on the Balance Sheet. This liability is subject to recalculation following the recent McCloud judgement (see section 1.4 and the contingent liability note on page 97 of the Accounts).

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

### **NOTTINGHAMSHIRE FIRE SAFETY LIMITED**

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

2.11 This is the Trading Company's seventh full year of trading and the declared profit after taxation is £3k. Contributions in the region of £63k have also been made to the benefit of the Fire Authority for the Company's use of support services and assets. This offsets some of the costs of these services falling on the Fire Authority itself. No dividend was paid to the Fire Authority as sole shareholder during the year.

2.12 The Annual Audit Fee for 2018/19 is expected to be £23,909. The Fee for 2019/20 is expected to remain at the same level.

### **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 or learning and development implications arising from this report.

### **5. EQUALITIES IMPLICATIONS**

An equality impact assessment has not been carried out because this is a report of the Authority's financial performance for the 2018/19 financial year rather than a new or amended policy.

### **6. CRIME AND DISORDER IMPLICATIONS**

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

## **7. LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

## **8. RISK MANAGEMENT IMPLICATIONS**

- 8.1 The production of Final Accounts is fundamental in demonstrating a sound financial position for any organisation. The “snapshot” provided by annual accounts which can be independently audited provides both stakeholders and elected Members with a significant level of assurance in this area.
- 8.2 The level of working balances and reserves, as shown in the accounts, will enable the position set out in the medium term financial strategy to be sustained.
- 8.3 Detailed aspects of financial risk management are set out within the body of the report.

## **9. COLLABRATION IMPLICATIONS**

There are no collaboration implications arising from this report.

## **10. RECOMMENDATIONS**

It is recommended that Members:

- 10.1 Approve the unaudited Statement of Accounts for 2018/19, as attached at Appendix A.
- 10.2 Note the financial results for the 2018/19 year for Nottinghamshire Fire Safety Limited, as attached at Appendix B.

## **11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

Charlotte Radford  
**TREASURER TO THE FIRE AUTHORITY**



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

# Statement of Accounts

**2018/19 – Unaudited accounts**

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY  
STATEMENT OF ACCOUNTS 2018/19**

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## NARRATIVE STATEMENT

### **Introduction**

This Narrative Statement introduces the Statement of Accounts 2018/19 for the Nottinghamshire and City of Nottingham Fire Authority, which was formed as an independent body on 1<sup>st</sup> April 1998 following local government reorganisation. I write it as the independent Treasurer to the Fire Authority and as the Officer designated under Section 112 of the Local Government Act 1972. My role is to act on behalf of the Authority in providing oversight and ensuring legal compliance and governance in respect of accounting and financial matters which affect the Authority.

This Statement contains a number of sections. It is intended to give the reader of these accounts a clear overview of the Authority's financial performance in the year and also to put the Authority's non-financial performance into the context of the financial results. I believe that readers of the accounts will be interested in the financial performance in the year and in how this relates to the delivery of services to our communities. I also recognise that the accounts of the Authority can be quite daunting for readers, especially those who are unfamiliar with accounts in general and local government accounts in particular, so I hope that in taking the time to read my statement you will be able to better understand how these accounts are constructed and how best to read and interpret them. I will also explain more about what the core financial statements mean and explain how the notes to the accounts provide the reader with the detailed information to support those core statements which, by their nature, are summarised.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is published by CIPFA.

### **Background**

The County of Nottinghamshire covers 838 square miles with a mixture of urban and rural areas. It has a population 1.15m, of which around half live in and around the City.

The Fire Authority has 24 Fire Stations, 8 of which are wholetime. 12 stations are crewed by on call staff and the remaining 4 have a mixture of wholetime and on call crews.

The Authority has a number of key plans and strategies which together enable the organisation to deliver its overall objective of creating safer communities:

The Integrated Risk Management Plan (IRMP) 2014-2019 set out the key priorities for the Authority up to March 2019. This has been replaced by a new Strategic Plan which covers 2019/20 to 2021/22. The Medium Term Financial Strategy includes budgets for the next three years which support the delivery of services but within the context of financial sustainability. These plans are all available on our website [www.notts-fire.gov.uk](http://www.notts-fire.gov.uk) or by clicking on the links below.

[- Integrated Risk Management Plan \(IRMP\) 2014-2019](#)

[- Strategic Plan 2019 - 2022](#)

[- Medium Term Financial Strategy](#)



## Performance Data

There has been a 6% increase in the number of incidents in 2018/19, mostly due a spike in incidents during the hot weather in 2018. The 8% increase in On-Call (previously called Retained) Mobilisations is partly due to this increase in incident numbers, but also due to a change in policy to allow the mobilisation on-call appliances with 3 firefighters (instead of a minimum of 4) to some incidents where they are the closest appliance and can be dispatched safely.

The number of incidents does not necessarily relate to the cost of delivering a front-line response because the Fire and Rescue Service is based on risk, with Wholetime Duty System employees ready to respond regardless of the actual numbers of incidents. An incident may comprise a single fire appliance attending a road traffic collision or a number of fire appliances attending a large scale incident.

	<b>Emergency Calls Received</b>	<b>Incident Numbers</b>	<b>On-Call Mobilisations in Year</b>
<b>2018/19</b>	25,094	11,236	2,621
<b>2017/18</b>	22,563	10,577	2,424
<b>2016/17</b>	23,918	11,016	2,495

The 11,236 incidents is broken down below. The service has recently introduced a new policy to challenge false automated fire calls in an attempt to reduce the number of unnecessary call outs.

<b>Fires</b>	4,196
<b>Road Traffic Collisions</b>	541
<b>False automated fire calls</b>	3,146
<b>Other</b>	3,353
<b>Total</b>	<b>11,236</b>

Both the number of wholetime and on-call firefighters has remained steady over the last year. Fluctuations can occur due to timings of recruitment campaigns. There have been 2 wholetime recruitment exercises during the year which were necessary due to an increased number of retirements in the workforce. The recruitment of on-call staff is an ongoing exercise as there remains a higher turnover rate amongst the on-call section compared to wholetime. In April 2019, both Retford and Ashfield fire stations are due to convert to daytime crewing only, with night time cover being provided by on-call firefighters. This will result in changes to both the numbers of wholetime and on-call firefighters. The figures shown include 85 non-operational fire fighters who are employed in roles such as fire prevention and protection work and training provision. There are a further 12 newly appointed firefighters who are currently being trained.

	<b>Headcount of Wholetime Firefighters</b>	<b>Pay Cost of Wholetime Duty System £'000</b>	<b>Headcount of On-Call Firefighters</b>	<b>Pay Cost of On-Call Duty System £'000</b>
<b>2018/19</b>	457	21,868	265	3,052
<b>2017/18</b>	455	21,505	258	2,805
<b>2016/17</b>	465	21,668	251	2,646

In addition to responding within the County and City, the Fire and Rescue Service has an obligation to support other Services in times of need such as flooding assistance. The service sent resources to assist both Lancashire and Greater Manchester Fire and Rescue Services during the moorland fires in the summer of 2018. The additional costs related to this work were recovered under the Central Government's Bellwin Scheme.

Similarly, should Nottingham Fire and Rescue Service require additional resources in an emergency, these can be called in from other Services.

The Service also has a responsibility to undertake Fire Protection work. Fire Protection work is aimed at protecting people who work in, use and visit non-domestic buildings and this year has seen an overall increase in the number of fire safety inspections (see table below) as a result of a renewed focus on the Service's risk based inspection programme. The number of fires in non-domestic properties has reduced slightly compared to 2017/18. The service will continue to focus on risk-based inspections and efforts to educate business owners about the importance of fire safety.

	<b>Number of Fire Safety Inspections</b>	<b>Number of Primary Fires in Non-Domestic Properties</b>
<b>2018/19</b>	1,076	254
<b>2017/18</b>	853	286
<b>2016/17</b>	588	288

The service has a comprehensive community safety programme which is focused on keeping people safe. It is carried out by both operational crews, and by specialist community safety staff. Although it is difficult to prove cause and effect, it is generally accepted that community safety work contributes to reductions in the number of fires. The table on page 5 shows that the number of Home Safety Checks (HSCs) carried out by our staff has increased by 26% this year. However, this follows a significant reduction in 2017/18 due to staff shortages which has now been rectified. Despite this increase, the number of fire injuries and deaths has also increased and the Service is focusing on making further increases to the number of HSCs. The service uses a risk based approach to delivering HSCs to ensure that the most vulnerable and at risk groups of the community are prioritised.

The number of fire prevention activities has similarly increased, mostly concentrating on hot spot areas, fire alarm fitting and national campaigns. Youth activities and school visits have dropped back to 2016/17 levels after an increase in activities in 2017/18. Many HSCs are delivered following referrals from both other agencies and our own Persons At Risk Team and this result reflects the difficulties inherent in targetting those people in the community who are most at risk. The "Safe and Well" checks are continuing in our communities who are most at risk of both fire and ill health.

	<b>Number of Home Safety Checks (HSCs) in Year</b>	<b>Proportion of HSCs in High Risk Dwellings</b>	<b>Number of Fire-related Injuries in Dwellings in Year</b>	<b>Number of Fire Prevention Activities &amp; Campaigns in Year</b>	<b>Youth Activities (Risk Watch, School Visits)</b>
<b>2018/19</b>	4,738	19%	38	5,859	623
<b>2017/18</b>	3,757	19%	32	4,281	851
<b>2016/17</b>	4,221	23%	37	4,454	591

The Authority has a complaints process and we do occasionally receive complaints from the public. The number of complaints has remained stable in 2018/19, but the number of communications indicating customer satisfaction has risen significantly over the last 2 years. There was no particular pattern to the nature of complaints received, but every one is investigated by an Officer, who then responds to the complainant.

Where customer satisfaction surveys are distributed after contacts with the public, customer satisfaction rates have been at 99% .

	<b>Number of Complaints in Year</b>	<b>Number of Customer Satisfaction Letters</b>
<b>2018/19</b>	31	57
<b>2017/18</b>	29	41
<b>2016/17</b>	15	30

The performance statistics used in this statement have been collected from our core management information systems such as the incident recording system, the mobilising system and our human resources and financial systems.

## **Risk Management**

Risk management processes are well embedded in the Authority. A comprehensive set of risk registers is monitored regularly by senior managers and elected members. By its nature, risk will change over time and in response to both external and internal pressures. It is important, therefore, that the Authority's managers remain alert to these developments and the emerging risks. In times of austerity and organisational restructuring, there is a possibility that control measures which had previously been seen as satisfactory may become eroded as resources reduce. The Authority has recognised this issue and has responded accordingly. Examples of high risk areas and areas where new risks have been identified are:

- The use of vehicles on Authority business;
- Ensuring that adequate resilience and Business Continuity Plans are in place to ensure the Service can react to major incidents or loss of resources;
- The introduction of the Emergency Services Network. This reflects the requirement to successfully introduce the government's communications solution and to work collaboratively.
- Ensuring that employees safe systems of work are in place to protect employees and / or non-employees.
- Working at Height.

The Corporate Risk Register can be found by following the link below.

[Corporate Risk Register](#)

## **Value for Money**

Reducing levels of government grant funding and restrictions on the level of council tax which can be raised, have resulted in an increased emphasis on seeking value for money in all that we do. The Service has to find a balance between economy (spending less money), efficiency (working smarter) and effectiveness (delivering relevant services).

At its meeting on 16 February 2018 the Fire Authority approved a proposal to amend the crewing arrangements at Ashfield and Retford Fire Stations with anticipated savings of £800k per year. During the year, a significant amount of work has been undertaken to deliver this project and both stations moved to the new crewing arrangements on 1 April 2019.

The Service uses a jointly procured mobilising system (Systel) alongside Leicestershire and Derbyshire Fire Services. In December 2018 Fire Authority approved for this to be taken one step further with the implementation of a Joint Fire Control with Derbyshire Fire and Rescue Service. This is due to be implemented during 2019/20 with anticipated savings in the region of £350k.

A number of other collaborative opportunities have also been taken advantage of such as the joint use of our fire stations with East Midlands Ambulance Service staff and Nottinghamshire Constabulary.

## **The Core Statements**

### **Comprehensive Income and Expenditure Statement**

This statement brings together all of the items of income and expenditure which constitute the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the net cost to be funded from council tax. The reader may wish to refer to the Movement in Reserves Statement to find out the net increase or decrease to the General Fund Balance, which is effectively the underspend or overspend against the amount of income received by the Authority. During 2017/18 £1,377k was used out of General Reserves against a budget of £1,444k. This represents a slight underspend of £67k.

### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources such as grants, non domestic rates and council tax and shows the impact of entries which convert resources consumed or earned by the service calculated in accordance with generally accepted accounting practices, as required in the Comprehensive Income and Expenditure Statement.

### **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31st March. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority and thus the Balance Sheet is "in balance". The reader will notice that the total on the Balance Sheet is a negative figure of £496.670mm, which means that the Authority's liabilities exceed its assets. This would usually be a cause for concern, however in this case the large liability in question relates to future pension liabilities (£544,318m) which at present are funded by Central Government. The underlying financial position of the Fire Authority is a strong one because when this pension liability is excluded, assets exceed liabilities by £47.648m.

### **Movement in Reserves Statement**

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

It is important to note that some of the Authority's reserves which appear on the balance sheet cannot be used to fund expenditure. An example of an unusable reserve would be the Revaluation Reserve, which contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The Authority held £5.576m in General Reserves as well as £4.763m in Earmarked Reserves as at 31st March 2019.

### **Cash Flow Statement**

This statement, as its name suggests, shows the changes in cash and cash equivalents of the Authority during the reporting period. The starting point for this statement is the net surplus or deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement, as this might suggest what the movement in cash balances has been. There are however a number of charges that are made to the revenue account that are not cash transactions and that merely result in a transfer of funds between the balance sheet and the revenue account. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

The resultant figure shows the real movement in cash during the year, which is an increase in cash of £5.0m. This is largely due to additional borrowing to fund capital expenditure in line with Treasury Management Strategy and to provide short term cashflow security.

### **Pension Fund Account**

This statement shows the income and expenditure for the year relating to the Firefighters' Pension Schemes. The net amount payable for the year i.e. the extent to which pension benefits payable exceeded contributions, is £11.227m.

### **Pension Net Assets Statement**

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

### **Annual Governance Statement**

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

### **Key Figures with the Core Statements**

Revenue Budget: £1.377m was required from General Fund to finance expenditure during 2018/19 against a planned use of £1.444m. This represents a £67k underspend against the budget. This was in line with the Medium Term Financial Strategy. The main reasons for the variance given in the section below "Significant Variances".

Cost of Services: this was £51.063m 2018/19 (£50.509m for 2017/18) and is shown in the Comprehensive Income and Expenditure Statement. This represents a 1% increase.

Total Net Assets: this was £496.670m for 2018/19 (£460.918m 2017/18) and is shown on the Balance Sheet. The main reason for the movement between the 2 years was a £35m decrease in the pension liability.

Total Usable Reserves: this was £10.686m for 2018/19 (£12.456m 2017/18) and is shown on the Balance Sheet. The reduction reflects the use of both General Fund (£1.377m) and Earmarked Reserves (£393k) to support revenue expenditure during the year.

Debtors: Debtors were £6.134m for 2018/19 (£5.538m 2017/18), a slight increase from 2017/18 as shown on the Balance Sheet.

Creditors: this was £3.212m for 2018/19 (£3.735m 2017/18) and is shown on the Balance Sheet. The decrease, corrects a spike in the 2017/18 creditor levels and is made up of several smaller variances including stock movement and miscellaneous creditors.

**Summary of the Year**

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

**Revenue Income and Expenditure**

The 2018/19 revenue budget for of £42.227m was approved by the Fire Authority in February 2018. This was on the basis that a £1.4m deficit in the budget would be supported by a transfer from general reserves to support the budget. This was in line with the Medium Term Financial Strategy which sets out as a principle that financial planning will take account of the possible use of reserves to minimise the effect of reductions in funding as a means of transition. During the year, a further £393k of planned expenditure has been incurred, funded from Earmarked Reserves. Total Expenditure for the year is £42.715m, requiring £1.377m of funding from General Reserves. This represents an underspend of £67k (0.2%) compared to the £1.444m planned use of General Fund Reserves.

A summary of expenditure is shown below.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees	33,566	34,357	791
Premises Related Expenditure	2,317	2,530	213
Transport Related Expenditure	1,752	1,965	213
Supplies and Services	3,447	3,462	15
Support Services	236	207	(29)
Capital Financing	2,432	2,291	(141)
Other Income (eg Grants)	(1,523)	(2,097)	(574)
<b>Net Expenditure</b>	<b>42,227</b>	<b>42,715</b>	<b>488</b>
Financed By:			
Contribution from Earmarked Reserves	0	(393)	(393)
Contribution from General Reserves	(1,444)	(1,377)	67
Revenue Support Grant	(5,961)	(6,123)	(162)
Non Domestic Rates	(10,586)	(10,586)	0
Precept from Constituent Authorities	(24,236)	(24,236)	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Significant Variances

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

### Explanation of variances

The amount of the revenue budget underspend in total is £67k, which is relatively small at 0.2% of the overall budget, although within this are a few significant over and underspends.

**Employee Costs** - The overspend on employee costs largely relates to the creation of a £647k provision to cover termination costs due to be incurred during 2019/20. These relate partly to the move to a Joint Control Room with Derbyshire Fire and Rescue Service which is due to open in July 2019. The merger of this service will create long term savings in the region of £350k per year.

The service's Princes Trust Programme is due to be drawn to an end in July 2019 which will similarly result in some staff redundancies. The programme has struggled to attract and maintain young people onto courses and income is insufficient to meet the costs of the programme. The provision has been created in 2018/19 in order to comply with the relevant accounting standard relating to termination benefits.

**Premises Costs** - The overspend on premises is due to increased necessary expenditure on building maintenance, gas, electric and Business Rates where the Authority has lost valuation appeals.

**Transport Related Expenditure** - A tax review has identified that some travel related expenses have been incorrectly treated for tax purposes. Whilst these expenses are now being correctly taxed, at its meeting on 28 September 2018, Fire Authority determined that the service would meet the tax liabilities incurred prior to the correct treatment being determined. Some negotiations are ongoing with Her Majesties Customs and Excise (HMRC) so to date no payments have been made. A provision has been created to cover the costs which are estimated to be in the region of £225k.

**Capital Financing Costs** - The cost of financing the capital programme has underspent by £141k due to delayed capital expenditure resulting in lower than anticipated borrowing and continued lower than forecast interest rates.

**Income** - Additional secondment income of £267k was received to offset costs of officers seconded onto national projects such as the new inspection regime and the Emergency Services Mobile Communication Project. This is used to offset additional costs of backfilling these posts.

A further £96k was recovered under Central Government's Bellwin scheme to cover the additional costs incurred when the service supported Lancashire and Manchester Fire Services during the moorland fires in 2018.

There were several areas where income was received in excess of the amount budgeted for, these include an increase in income from renting out space in fire stations to Police and ambulance services, and some apprenticeship levy that the service was able to recover.

More details regarding expenditure during the year will be available in the Capital and Revenue Budget Monitoring report which will be reported to Finance and Resources Committee on 28 June 2019.

**Capital Expenditure**

Capital expenditure describes the purchasing, upgrading and improvement of Fire Authority assets. These assets are known as "non current assets" and they provide a benefit to the Authority over a longer period of time than the current financial year. A summary of the Capital Programme and actual expenditure for the year is shown below.

<b>Expenditure</b>	<b>Capital</b>		<b>Variance</b>
	<b>Programme</b>	<b>Actual</b>	<b>from</b>
	<b>2018/19</b>	<b>2018/19</b>	<b>Budget</b>
	<b>£000</b>	<b>£000</b>	<b>2018/19</b>
			<b>£000</b>
Vehicles	372	69	(303)
Operational Equipment	690	114	(576)
Property	1,453	566	(887)
Information, Computer and Technology (ICT)	713	326	(387)
<b>Total</b>	<b>3,228</b>	<b>1,075</b>	<b>(2,153)</b>
<b>Funded by:</b>			
Borrowing	897	897	0
Grant funding	0	0	0
Capital Receipts	116	116	0
Earmarked reserve	62	62	0
<b>Total</b>	<b>1,075</b>	<b>1,075</b>	<b>0</b>

The 2018/19 capital programme has been smaller than in previous years as the service is between building projects. In April 2018 crews moved into a new Fire Station in Newark. The completion of this station and demolition of the old station accounted for almost half of capital expenditure incurred (£465k). The station has been designed to be much more energy efficient and will reduce future annual running costs.

### Significant Variances

**Hucknall Fire Station** - The on call station in Hucknall is due to be co-located with the East Midlands Ambulance Service (EMAS) station in Hucknall. The collaborative approach has taken longer to deliver than originally anticipated and the project has been delayed resulting in a £345k underspend during the year.

**Vehicles** - A review of light vehicle utilisation has taken place to enable more efficient use of vehicles. Orders have been placed for several electric vehicles but delivery is being delayed due to high demand.

**Special Appliances** - Collaboration opportunities are being explored for these vehicles. This has resulted in a delay in expenditure.

**Equipment** - the replacement of light weight fire coats and breathing apparatus communication equipment are being procured in collaboration with Derbyshire Fire and Rescue Service. This has caused some delays whilst the specification is agreed, resulting in some slippage into 2019/20. The collaboration is expected to create savings for both organisations in the region of £15k - £25k each.

**ICT** - Progress has been made on several ICT projects, including improving mobile working, sharepoint development and equipment replacement.

The delays in the national Emergency Services Mobile Communication Project (ESMCP) have had a knock on effect on anticipated expenditure on project related equipment, resulting in an underspend of £171k.

### Treasury Management Activity

The Authority borrowed £4m long term loans from the Public Work Loans Board (PWL) and repaid debt of £2.538m. The Authority's level of long term borrowing at the year end was £25.629m. This compares to long term assets on the Balance Sheet valued at £62.954m. The capital financing requirement as at 31 March 2018 is £25,738m, which demonstrates that the current level of net borrowing is prudent.

There was a further £4m of temporary borrowing outstanding at year end which was taken out to cover a cashflow shortfall. This took total borrowing to £29.629m as at 31 March 2019. This remains within the Operational Boundary set by Fire Authority of £29.723m.

During the year, capital expenditure was mainly financed by capital receipts, capital grant and borrowing.

### Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2019/20 and beyond. The effect of this will be that these earmarked reserves will support the 2019/20 budget and allow certain non-recurrent expenditure to take place. Earmarked reserves have been funded from two sources – they either arise from grants or donations received which have not been spent by the end of the year or they are created from within the revenue budget. The earmarked reserves held by the Authority are shown in note 11.

### 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 £544.318m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £522.293m.

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

An employment tribunal case was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. The Government is currently seeking permission to appeal this decision with an unknown timeframe for this permission to be granted or denied. There could be significant additional costs to the Authority if the decision is upheld. For this reason, the Accounts include an Contingent Liability which can be found in note 40.

### Other Significant, Material and Unusual Items

Funding for 2020/21 and beyond will be determined as part of the Government's spending review which will not be announced until mid 2019. The spending review will be affected by the revision of the fire funding formula which is also due to be updated for 2020/21 onwards. The uncertainty of Brexit and the possibility of a general election will also affect the spending review and may even delay its announcement. There may be significant changes to the budget following the spending review and the service will have to deal with these when more information becomes available.

For 2019/20 the Authority has been awarded a £2.3m grant to cover the expected increased costs of the firefighter pension employer contribution following the changes to the discount rates applied to the scheme. It is unsure how much of this additional cost will be covered by the spending review going forward.

Planned budgetary reductions will be ongoing during the year to bridge an £800k ongoing shortfall in the budget. Opportunities for making in year savings are currently being explored. Further plans for any necessary savings will be identified and considered once the outcome of the spending review is known.

Both Worksop and Hucknall fire stations are set to undergo transformations, with Hucknall station moving into Hucknall Ambulance Station once work is complete. Both these projects will significantly benefit the communities they serve and create better working conditions for firefighters.

The Business Case for a joint Head Quarters with Nottinghamshire Constabulary was approved by Fire Authority in February 2019, with an anticipated moving in date of 2021. The proposed Head Quarters will be based at the existing Police Head Quarters site. This will create an exciting opportunity for the two services to work more closely together going forward as well delivering savings.

Collaboration opportunities are consistently being explored and in addition to the shared accommodation referred to above and in the Value for Money Section, opportunities are being investigated around the shared use of vehicles with neighbouring Fire Authorities and Nottinghamshire Constabulary. Shared use of training facilities with neighbouring Fire Authorities has also been a successful venture, with more opportunities being explored for the future in areas such as driver training and joint leadership training with Nottinghamshire Police.

#### Nottinghamshire Fire Safety Limited

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

Further detail about the company's trading results and overall financial position is shown in notes 35 and 42. For 2018/19, Nottinghamshire Fire Safety CIC made a profit before tax of £4k (£42k in 2017/18).

### Plans for 2019/20

Elected Members of the Fire Authority approved a council tax increase of 2.95% for 2019/20 with a Band D council tax of £79.80 (£77.51 2018/19). The revenue budget for 2019/20 has been set at £42.7m (£42.2m 2018/19). The 2019/20 budget requires £1.2m to be drawn from reserves to ensure a balanced budget as a transitional temporary measure until the budget can be brought into balance. At its meeting on 14 December 2018 the Fire Authority approved a proposal to create a joint fire control centre with Derbyshire Fire and Rescue Service with anticipated savings of £350k towards the shortfall identified. There is an ongoing shortfall for 2020/21 and beyond in the region of £800k. Opportunities for making savings are currently being explored, although any major decisions are not expected to be made until the outcome of the spending review are known.

The Fire Authority is committed not only to surviving during this period of financial austerity but also to continuing to improve and develop services against this financial backdrop, as detailed in the services new Strategic Plan and accompanying year 1 action plan. The three core aims of the Authority are to deliver high quality services, with an engaged and motivated workforce, within a framework of strong governance and financial stability. Despite the reductions in funding identified, the service has invested in its on-call services and ICT services. This should place the service in a strong position to become more efficient in the long term.

During January and February 2019 the Service underwent an inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). The inspection report is due to be published in the summer of 2019. The service had already identified several areas requiring development, and some work has already commenced such as the development of the new Strategic Plan.

The Policing and Crime Act 2017 became law in April 2017. This allowed the Police and Crime Commissioner (PCC) for Nottinghamshire to make a business case to take over responsibility for the fire function if desired. At the time of writing this statement, the PCC has not stated an intention to make such a case, but regardless of whether or not a business case is made we are now legally required to consider collaboration opportunities with the other "blue light" emergency services. This was something that wasn't new to the Authority but the Act has focussed attention on future collaboration opportunities, such as the new joint head quarters project, and it is anticipated that some savings will be identified as these opportunities are explored.

The 2019/20 revenue budget and capital programme provide the financial resources required for the replacement or refurbishment of assets as well as for the day to day running of the service. We have planned to use mainly borrowing and internal financing to finance the capital programme in 2019/20.



Charlotte Radford  
Treasurer to the Nottinghamshire and City of Nottingham Fire Authority

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS  
STATEMENT OF ACCOUNTS 2018/19**

**STATEMENT OF APPROVAL OF THE STATEMENTS OF ACCOUNTS  
STATEMENT OF ACCOUNTS 2018/19**



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE  
STATEMENT OF ACCOUNTS 2018/19**





<b>INTRODUCTION TO THE CORE STATEMENTS</b>
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### Movement in Reserves Statement - Page 24

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

### Expenditure and Funding Analysis - Page 25

This statement shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### Comprehensive Income and Expenditure Statement - Page 26

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

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

### Balance Sheet - Page 27

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

Cash Flow Statement - Page 28

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

<b>CORE ACCOUNTING STATEMENTS</b>
<b>MOVEMENT IN RESERVES STATEMENT</b>

<b><u>Movement in Reserves during 2017/18</u></b>	<b>General Fund Balance £000</b>	<b>Earmarked Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Authority Reserves £000</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>7,837</b>	<b>4,894</b>	<b>477</b>	<b>347</b>	<b>13,555</b>	<b>(522,619)</b>	<b>(509,064)</b>
<b>Movement in reserves during 2017/18</b>							
Total Comprehensive Income and Expenditure	(15,340)	0	0	(25)	<b>(15,365)</b>	63,486	<b>48,121</b>
Adjustments between accounting basis and funding basis under regulations (Note 10)	14,718	0	(477)	25	<b>14,266</b>	(14,241)	<b>25</b>
<b>Increase or Decrease in 17/18 before Transfers to Earmarked Reserves</b>	<b>(622)</b>	<b>0</b>	<b>(477)</b>	<b>0</b>	<b>(1,099)</b>	<b>49,245</b>	<b>48,146</b>
Transfers to/from Earmarked Reserves (Note 11)	238	(238)	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2017/18</b>	<b>(384)</b>	<b>(238)</b>	<b>(477)</b>	<b>0</b>	<b>(1,099)</b>	<b>49,245</b>	<b>48,146</b>
<b>Re-allocation of General Fund to Earmarked Reserve</b>	<b>(500)</b>	<b>500</b>		<b>0</b>			
<b>Balance at 31 March 2018 carried forward</b>	<b>6,953</b>	<b>5,156</b>	<b>0</b>	<b>347</b>	<b>12,456</b>	<b>(473,374)</b>	<b>(460,918)</b>

<b><u>Movement in Reserves during 2018/19</u></b>	<b>General Fund Balance £000</b>	<b>Earmarked Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Authority Reserves £000</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>6,953</b>	<b>5,156</b>	<b>0</b>	<b>347</b>	<b>12,456</b>	<b>(473,374)</b>	<b>(460,918)</b>
<b>Movement in Reserves during 2018/19</b>							
Total Comprehensive Income and Expenditure	(12,020)	0	0		<b>(12,020)</b>	(23,731)	<b>(35,751)</b>
Adjustments between accounting basis and funding basis under regulations (Note 10)	10,250	0	0		<b>10,250</b>	(10,250)	<b>0</b>
<b>Increase or Decrease in 2018/19 before Transfers to Earmarked Reserves</b>	<b>(1,770)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,770)</b>	<b>(33,981)</b>	<b>(35,751)</b>
Transfers to/from Earmarked Reserves (Note 11)	393	(393)	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2018/19</b>	<b>(1,377)</b>	<b>(393)</b>	<b>0</b>	<b>0</b>	<b>(1,770)</b>	<b>(33,981)</b>	<b>(35,751)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>5,576</b>	<b>4,763</b>	<b>0</b>	<b>347</b>	<b>10,686</b>	<b>(507,355)</b>	<b>(496,669)</b>



<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>
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	2017/18				2018/19			
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	28,700	(465)	28,235	<b>Firefighting and Rescue</b>		28,028	(508)	27,520
	1,815	(119)	1,696	<b>Community Safety</b>		1,851	3	1,854
	1,769	(27)	1,742	<b>Fire Protection</b>		1,647	(5)	1,642
	617	(219)	398	<b>Resilience</b>		775	(361)	414
	0	0	0	<b>Corporate and Centralised Services:</b>				
	4,669	(157)	4,512	Estates and Procurement		4,745	(206)	4,539
	1,232	(2)	1,230	Equipment		1,345	0	1,345
	4,069	(30)	4,039	People and Organisational Development		4,326	(22)	4,304
	818	(118)	700	Finance		1,251	(112)	1,139
	3,585	(1,007)	2,578	ICT		3,017	(8)	3,009
	1,417	(90)	1,327	Transport		1,494	(57)	1,437
	4,066	(14)	4,052	Other		3,900	(40)	3,860
	<b>52,757</b>	<b>(2,248)</b>	<b>50,509</b>	<b>Cost of Services</b>		<b>52,379</b>	<b>(1,316)</b>	<b>51,063</b>
	196		196	Other Operating Expenditure	12		(193)	(193)
	14,784	(40)	14,744	Financing and Investment Income and Expenditure	13	13,944	(81)	13,863
	0	(50,109)	(50,109)	Taxation and Non-Specific Grant Income	14		(52,713)	(52,713)
	<b>67,737</b>	<b>(52,397)</b>	<b>15,340</b>	<b>Surplus (-) or Deficit on Provision of Services</b>		<b>66,323</b>	<b>(54,303)</b>	<b>12,020</b>
			(2,048)	Surplus or deficit on revaluation of property, plant and equipment assets				(2,120)
				Impairment Losses on Non-Current Assets Charged to Revaluation Reserve	25			0
			(61,463)	Remeasurements on the net defined benefit pension liability				25,851
			<b>(63,486)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>23,731</b>
			<b>(48,146)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>35,751</b>



<b>BALANCE SHEET</b>			
<b>31 March 2018</b>		<b>Notes</b>	<b>31 March 2019</b>
<b>£000</b>			<b>£000</b>
	Property, Plant & Equipment		
50,485	- Land and Buildings	15	54,285
8,430	- Vehicles, Plant and Equipment	15	7,446
2,451	- Assets Under Construction	15	93
37	Surplus Assets	15	31
1,342	Intangible Assets	16	918
50	Intangible Assets Under Construction	16	181
<b>62,795</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>62,954</b>
7,436	Short Term Investments	17	5,442
319	Inventories	18	279
5,538	Short Term Debtors	19	6,134
2,005	Cash and Cash Equivalents	20	7,020
<b>15,298</b>	<b>TOTAL CURRENT ASSETS</b>		<b>18,875</b>
(4,639)	Short Term Borrowings	17	(4,117)
(3,735)	Short Term Creditors	22	(3,212)
(575)	Short Term Provisions	23	(1,285)
0	Other Short Term Liabilities - Finance Leases	37	0
(25)	Grants Receipts in Advance - Revenue	34	(25)
<b>(8,974)</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>(8,639)</b>
(24)	Long Term Provisions	23	(30)
(20,599)	Long Term Borrowing	17	(25,512)
(509,414)	Other Long Term Liabilities		
	- Pensions Liability	39	(544,318)
<b>(530,037)</b>	<b>TOTAL LONG TERM LIABILITIES</b>		<b>(569,860)</b>
<b>(460,918)</b>	<b>TOTAL NET ASSETS</b>		<b>(496,670)</b>
	Usable Reserves		
6,953	- General Fund Balance	24	5,576
5,156	- Earmarked Reserves	24	4,763
0	- Capital Receipts Reserve	24	0
347	- Capital Grants Unapplied	24	347
	Unusable Reserves		
19,584	- Capital Adjustment Account	25	18,563
16,856	- Revaluation Reserve	25	18,576
(509,814)	- Pension Reserve	25	(544,518)
0	- Financial Instruments Adjustment Account	25	0
213	- Collection Fund Adjustment Account	25	232
(213)	- Accumulated Absences Adjustment Account	25	(209)
<b>(460,918)</b>	<b>TOTAL RESERVES</b>		<b>(496,670)</b>

<b>CASH FLOW STATEMENT</b>
----------------------------

<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
<b>15,340 Net (Surplus)/Deficit on the Provision of Services</b>	<b>12,020</b>
(17,070) Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(12,027)
178 Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	116
(1,552) Net Cash Flows from Operating Activities (Note 26)	109
6,077 Investing Activities (Note 27)	(665)
(1,921) Financing Activities (Note 28)	(4,459)
2,604 Net (Increase) or Decrease in Cash and Cash Equivalents	(5,015)
(4,609) Cash and Cash Equivalents at the Beginning of the Reporting Period	(2,005)
<b>(2,005) Cash and Cash Equivalents at the End of the Reporting Period (Note 20)</b>	<b>(7,020)</b>

**INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS  
STATEMENT OF ACCOUNTS 2018/19**

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**NOTES TO THE CORE ACCOUNTING STATEMENTS****1. ACCOUNTING POLICIES****General Principles**

The Statement of Accounts summarises the Fire Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments. All figures in the Statement have been rounded to the nearest £1k, which may result in some discrepancies due to roundings.

**Accruals of Expenditure and Income**

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

- a) Supplies are recorded as expenditure when they are consumed. Some supplies are carried as Inventories on the balance sheet, where they are held in Stores prior to being distributed and used.
- b) Where goods are supplied to or by the Fire Authority in the financial year, but payment does not occur until the following financial year, a Short Term Creditor or Short Term Debtor for the relevant amount is shown on the Balance Sheet. Exceptions are made to this policy for certain recurring items that cover a specific period, e.g. quarterly energy bills. These items are brought into the accounts in the year they are paid and are not apportioned over the years to which they relate.
- c) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. However, due to a policy change which came into effect on 1 April 2017 an exception is now made to this policy for overtime payments and payments claimed in arrears by retained duty system staff. This expenditure is recognised in the year it is paid rather than the year in which the work was carried out.
- d) Fees and charges due from customers are recognised as income at the date the Fire Authority provides the relevant services. Debts outstanding at the year end are assessed for evidence of uncollectability based on past events and a charge is made to revenue where the total value of debts for which there is evidence of impairment exceeds a £5,000 de minimis threshold. The impairment is assessed using the Expected Credit Loss Model. This model uses a provision matrix and calculates a fixed provision rate based on the number of days that a receivable is past due, assessed on the basis of historical experience from the previous five years and adjusted (if necessary) to reflect current conditions and forecasts of future conditions. Impairment loss allowances are not recognised for debts where the counterparty is central government or a local authority, as statutory provisions prevent default. This policy applies to debts from unpaid fees and charges – council tax debtors are subject to a different policy (see below).
- e) Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of cash flows determined by the contract.

### **Allocation of Support Service Costs**

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

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

### **Borrowing Costs**

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

### **Cash and Cash Equivalents**

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

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

### **Contingent Liabilities and Contingent Assets**

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

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

### **Council Tax Income and Non Domestic Rates**

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

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

- a) Council tax and non domestic rates arrears apportioned in relation to the following year's precept proportions are included as Short Term Debtors
- b) Impairment allowance for doubtful debts apportioned as for council tax and non domestic rates arrears and deducted from council tax and non domestic rates arrears debtors
- c) Council tax and non domestic rates overpayments and prepayments apportioned in relation to the following year's precept proportions are included as Short Term Creditors
- d) Collection Fund surplus / deficit – the reversing entry to the Comprehensive Income and Expenditure Account adjustment is included in the Collection Fund Adjustment Account
- e) Collection Fund cash surplus / deficit held on the authority's behalf by the billing authority is included in Short Term Debtors or Short Term Creditors

## **Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

## Post Employment Benefits

### Participation in Pension Schemes

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

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

- The Local Government Pension Scheme (LGPS) is for administrative, support and Control employees and is administered by Nottinghamshire County Council. This is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets.
- The Firefighters' Pension Scheme 1992 has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters. It is an unfunded pension scheme, meaning that there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. The cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office. Any surplus funding is paid over to the Home Office.
- The Firefighters' Pension Scheme 2006 is also an unfunded pension scheme. This scheme came into being with effect from April 2006 and its members are retained firefighters and wholetime firefighters. Like the 1992 Scheme, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office and any surplus being paid over to them. The Firefighters' Pension Scheme (England)(Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. The modified version of the scheme has different benefits to the main 2006 Scheme. The 2006 Scheme has been closed to new entrants since April 2015.
- The Firefighters' Pension Scheme 2015 came into effect on 1 April 2015. Like the 2006 and 1992 Schemes, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office and any surplus being paid over to them. Unlike the other firefighters' schemes, it is a career average rather than a final salary scheme. Its members are retained firefighters and wholetime firefighters who were first appointed by an English fire and rescue authority on or after 1 April 2015, and firefighters who were transferred from the 1992 or 2006 Schemes.
- The Firefighters' Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. The Firefighter Compensation Scheme (FFCS) is treated as an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

The arrangements for the three Firefighters' pension schemes and the Firefighters' Compensation Scheme are determined by the Home Office. In order to identify the amount of top-up grant receivable from / surplus payable to the Home Office the Authority is required to produce separate Pension Fund Statements for the firefighters' pension schemes. Additional accounting policies can be found in the notes to these statements.

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



All five pension schemes are accounted for as defined benefit schemes:

The liabilities of the LGPS and the firefighters' schemes are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and estimates of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using discount rates of 2.4% and 2.4% for the LGPS and firefighters' schemes respectively. The discount rates for all schemes are based on the yields of AA-rated corporate bonds of currency and term appropriate to the currency and term of the scheme's liabilities.
- The assets of the LGPS pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - property - market value
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost - the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
    - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability, i.e. the net interest expense for the Authority - the change during the period in the net defined benefit liability that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - Remeasurements comprising:
    - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - Contributions paid to the pension fund - cash paid as employer's contributions to the pension funds in settlement of liabilities.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further detail on post employment benefits accounting policies is given in note 39 to the core financial statements.

## **Discretionary Benefits**

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

## **Events after the Reporting Period**

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

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

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

## **Exceptional Items**

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

## **Financial Instruments**

### **Financial Liabilities**

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal or interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The recognition of an impairment in the CIES is subject to a collective de minimis threshold of £10k. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Impairment loss allowances are not recognised for expected credit losses on a financial assets where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

### **Government Grants and Contributions (Revenue)**

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

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

where there is no reasonable assurance that the conditions will be met, the grant or contribution received is recorded in Cash and held on the Balance Sheet as a Creditor.

where there is reasonable assurance that the conditions will be met but this has not yet occurred, the grant or contribution is held in the Grants Receipts in Advance account as a liability on the Balance Sheet and recorded in Cash (if received) or Debtors (if receivable). When the conditions have been satisfied, the income will be credited to the Comprehensive Income and Expenditure Statement.

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

### **Government Grants and Contributions (Capital)**

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

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

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

### **Interests in Companies**

The Authority owns a subsidiary company, Nottinghamshire Fire Safety Limited, which commenced operations on 1 September 2010. The Authority is the sole owner of this company. Single entity accounts have been prepared for both the Authority and for Nottinghamshire Fire and Rescue Service (Trading) Limited. The former are shown within this Statement of Accounts and the latter will be available from the Authority. The company changed its name on 1st April 2016 to "Nottinghamshire Fire Safety Limited".

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

### **Inventories (Stocks)**

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

### **Leases**

#### **Finance Leases (the Authority as Lessee)**

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

Lease rentals payable are apportioned between:

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

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

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

### **Operating Leases (the Authority as Lessee)**

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

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

### **Operating Leases (the Authority as Lessor)**

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

## **Non Current Assets**

### **Property, Plant and Equipment**

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

#### **Recognition**

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

#### **Measurement**

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

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

#### Land and Buildings

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

#### Furniture and Fittings

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

#### Vehicles and Plant

Vehicles and plant are classified as non current assets and are shown at a value which represents cost less depreciation charged on a straight line basis over the length of their useful lives.

#### All other Assets

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

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

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

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

#### Charges to Revenue for Non Current Assets

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

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

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

### Depreciation and Amortisation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

### Revaluation and Impairment Losses

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

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

### Disposals and Non Current Assets Held for Sale

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

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

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

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

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



## **Donated Assets**

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

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

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

## **Re-classification of Assets Under Construction to Operational Assets**

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

## **Intangible Assets**

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

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **Provisions**

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

### **Reserves**

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

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

#### **General Reserve**

This reserve is the surplus or deficit of income over expenditure in the 2018/19 financial year, and the cumulative effect of such surpluses or deficits carried forward from previous years. See note 24.

#### **Earmarked Reserve**

This reserve contains funds built up to meet expected liabilities. The movement of this reserve is shown in note 11.

## **Capital Reserves**

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

### The Revaluation Reserve

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

### The Capital Adjustment Account

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

### The Usable Capital Receipts Reserve

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

### The Capital Grants Unapplied Reserve

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

Movements on these reserves are shown in notes 24 and 25.

## **Pensions Reserve**

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

## **Accumulated Absences Adjustment Account**

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

## **Collection Fund Adjustment Account**

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

## **Value Added Tax**

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

## **2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED**

The Code of Practice requires the disclosure of the impact of an accounting change arising from a new accounting standard which has been issued but not yet adopted by the Code for the relevant financial year.

There are a number of new standards introduced in the 2019/20 Code of Practice:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property* (issued December 2016)
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle (December 2016). The amendments that may apply to local authorities include:
  - IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard*
  - IAS 28 *Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued December 2016)
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued June 2017)
- Amendments to IFRS 9 *Financial Instruments : Prepayment Features with Negative Compensation* (issued October 2017).

None of these changes would impact significantly on the Authority's accounts for 2019/20.

A new accounting standard covering leases, IFRS 16 - *Leases*, is expected to be adopted in the 2020/21 Code. This new standard will bring almost all leases onto an entity's balance sheet. As a result, some contractual payments that the Authority currently recognises as revenue expenditure could instead be recognised as an asset with a corresponding lease liability.

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

The Government has provided an indicative four year funding settlement, which gives some degree of certainty around future grant levels, however there still the possibility that funding for local government organisations will be further reduced. Despite this there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Authority faces a budget deficit in the region of £0.8m in three years to 2020/21. Plans are being developed to reduce base budgets over the next three years and eliminate the deficit.

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

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

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £90k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. A sensitivity analysis showing the impacts of changes in the discount rates used is included in note 39

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

**5. MATERIAL ITEMS OF INCOME AND EXPENSE**

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

<b>2017/18</b>	<b>Description of Item</b>	<b>Income or Expense</b>	<b>2018/19</b>
<b>£000</b>			<b>£000</b>
3,379	Depreciation and Amortisation of Non Current Assets	Expense	3,532
(153)	Capital Receipt	Income	(116)
	Reversal of unused provision for 0 firefighters' pay award	Income	(183)

**6. EVENTS AFTER THE BALANCE SHEET DATE**

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 31st May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The service has two live Employment Tribunal cases confirmed to the Authority as at the date the Statement of Accounts was authorised for issue and is therefore a non-adjusting event after the balance sheet date. This matter is also referred to in Note 40 Contingent Assets and Liabilities.

**7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS****Adjustments between Funding and Accounting Basis 2018/19**

Adjustments from the General Fund to arrive at the comprehensive Income and Expenditure Statement amount	Adjustment for Capital purposes	Net change for the Pension Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Firefighting and Rescue	(752)	(6,372)	15	(7,109)
Community Safety	(8)	(363)	4	(367)
Fire Protection	0	(290)	(2)	(292)
Resilience	0	(152)	2	(150)
<b>Corporate and Centralised Services</b>				
Estates & Procurement	(213)	(98)	2	(309)
Equipment	(18)	(125)	(1)	(144)
People and Organisation Development	(104)	(698)	(18)	(820)
Finance	(6)	(89)	(1)	(96)
Information Communication and Technology	(179)	(210)	3	(386)
Transport	(142)	0	0	(142)
Other Corporate and Centralised Services	0	(454)	0	(454)
	<b>(1,422)</b>	<b>(8,851)</b>	<b>4</b>	<b>(10,269)</b>
Other income and expenditure	0	0	19	19
	<b>(1,422)</b>	<b>(8,851)</b>	<b>23</b>	<b>(10,250)</b>

**Adjustments between Funding and Accounting Basis 2017/18**

Adjustments from the General Fund to arrive at the comprehensive Income and Expenditure Statement amount 2017/18	Adjustment for Capital purposes	Net change for the Pension Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Firefighting and Rescue	(841)	(9,619)	1	(10,459)
Community Safety	(11)	(472)	(2)	(485)
Fire Protection		(369)	(3)	(372)
Resilience		(173)	(5)	(178)
<b>Corporate and Centralised Services</b>				
Estates & Procurement	(236)	(102)	0	(338)
Equipment	(20)	(142)	(1)	(163)
People and Organisation Development	(121)	(882)	3	(1,000)
Finance	(2)	(91)	2	(91)
Information Communication and Technology	(252)	(243)	1	(494)
Transport	(195)	0	4	(191)
Other Corporate and Centralised Services	(1)	(886)	(1)	(888)
	<b>(1,679)</b>	<b>(12,979)</b>	<b>(1)</b>	<b>(14,659)</b>
Other income and expenditure	25	0	(83)	(58)
	<b>(1,654)</b>	<b>(12,979)</b>	<b>(84)</b>	<b>(14,717)</b>

**8. EXPENDITURE AND INCOME ANALYSIS BY NATURE**

<u>2017/18</u> £000	<u>2018/19</u> £000
<b>Expenditure</b>	
46,059 Employee Benefits Expenses	42,811
426 Other Employee Expenses	398
2,402 Premises Related Expenses	2,530
1,548 Transport Related Expenditure	1,965
3,711 Supplies and Services	3,462
39 Third Party Payments	35
159 Support Services	172
3,170 Depreciation, amortisation, impairment and disposal of non-current assets	2,920
807 Interest Payments	793
<u>58,321</u> <b>Total Expenditure</b>	<u>55,086</u>
<b>Income</b>	
(704) Fees, charges and other service income	(817)
(40) Interest and investment income	(81)
(33,686) Income from council tax and non-domestic rates	(35,033)
(8,551) Government grants	(7,135)
<u>(42,981)</u> <b>Total Income</b>	<u>(43,066)</u>
<u>15,340</u> <b>(Surplus)/Deficit on Provision of Services</b>	<u>12,020</u>



**9. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS**

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients

<b>2017/18</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
(£633) Revenue from contracts with service recipients	(£683)
Impairment of receivables or contract assets	
<b>(£633) Total Included in Comprehensive Income and Expenditure Statement</b>	<b>(£683)</b>

Amounts included in the Balance Sheet for contracts with Service Recipients

<b>2017/18</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
(£178) Receivables which are included in debtors	(£337)

## **10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

**Usable Reserves**

2017/18			2018/19		
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>					
<u>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</u>					
(12,979)				(8,852)	
(83)				19	
(1)				4	
(3,298)		(25)		(3,035)	
<b>(16,361)</b>	<b>0</b>	<b>(25)</b>	<b>(11,864)</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>					
153	(153)		116	(116)	
1490			1436		
0			62		
<b>1,643</b>	<b>(153)</b>	<b>0</b>	<b>1,614</b>	<b>(116)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
	630			116	
	25				0
<b>0</b>	<b>630</b>	<b>25</b>	<b>0</b>	<b>116</b>	<b>0</b>
<b>(14,718)</b>	<b>477</b>	<b>0</b>	<b>(10,250)</b>	<b>0</b>	<b>0</b>

**11 TRANSFERS TO/FROM EARMARKED RESERVES**

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

Page 84	Balance at 31 March 2017 £000	Transfers out 2017/18 £000	Movements 2017/18 £000	Transfers in 2017/18 £000		Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Movements 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
	(1,321)	909	1	(949)	<b>Information Communication and Technology</b>	-1,360	62	-54	0	-1,352
	(639)	126	0	(2)	<b>Prevention, Protection and Partnerships</b>	-514	146	0	-7	-375
	(451)	69	0	(22)	<b>Resilience</b>	-404	45	0	-177	-536
	(1,114)	0	0	0	<b>Capital</b>	-1,114	77	0	0	-1,037
	(585)	105	0	0	<b>Operational</b>	-480	65	0	0	-415
54	(95)	0	0	0	<b>Estates</b>	-95	95	0	0	0
	(349)	0	0	(500)	<b>Transition</b>	-849	130	54	-50	-715
	(308)	0	0	0	<b>Pension</b>	-308	0	0	0	-308
	(32)	1	0	0	<b>Other</b>	-31	7	0	0	-24
	<b>(4,894)</b>	<b>1,210</b>	<b>1</b>	<b>(1,473)</b>	<b>SubTotal</b>	<b>(5,155)</b>	<b>627</b>	<b>0</b>	<b>(234)</b>	<b>(4,762)</b>

**12 OTHER OPERATING EXPENDITURE**

<u>2017/18</u> £000	<u>2018/19</u> £000
196 Gains/(Losses) on the disposal of non-current assets	193
<b>196 Total</b>	<b>193</b>

**13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<u>2017/18</u> £000	<u>2018/19</u> £000
807 Interest payable and similar charges	793
0 Interest paid in relation to Finance Leases	0
13,977 Net interest on defined pension liability	13,151
(40) Interest receivable and similar income	(81)
0 Dividend from Subsidiary Company	
<b>14,744 Total</b>	<b>13,863</b>

**14 TAXATION AND NON-SPECIFIC GRANT INCOME**

<u>2017/18</u> £000	<u>2018/19</u> £000
23,365 Council tax income and surplus on collection	24,366
3,525 Non domestic rates	3,667
9,015 Pension top up grant	11,044
6,979 Non ringfenced government grants	6,125
25 Capital grants and contributions	0
6,796 Non domestic rates tax top-up grant	7,000
397 Business Rates Tax Loss Reimbursement Grant	503
8 Transparency grant	8
<b>50,110 Total</b>	<b>52,713</b>

**15 PROPERTY PLANT AND EQUIPMENT**

<b>Movements in 2018/19</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuation</b>					
<b>At April 2018</b>	52,763	22,945	1,155	2,453	<b>79,316</b>
Prior Year Adjustments					<b>0</b>
Additions	32	323	0	538	<b>893</b>
Donations	0	0	0	0	<b>0</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	2,120	0	0		<b>2,120</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	419	0	0	0	<b>419</b>
Derecognition - Disposals	(105)	(577)	0	0	<b>(682)</b>
Derecognition - Other	0	0	0	(50)	<b>(50)</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Assets Under Construction	2,500	0	0	(2,500)	<b>0</b>
Correction of classification	0	396	0	(346)	<b>50</b>
<b>At 31 March 2019</b>	<b>57,729</b>	<b>23,087</b>	<b>1,155</b>	<b>95</b>	<b>82,066</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
<b>At April 2018</b>	(2,278)	(14,516)	(1,118)	0	<b>(17,912)</b>
Prior Year Adjustments					<b>0</b>
Depreciation & Impairment Charges	(1,487)	(1,700)	(6)	0	<b>(3,193)</b>
Depreciation written out to the Revaluation Reserve	400		0		<b>400</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services			0		<b>0</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve			0		<b>0</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services			0		<b>0</b>
Derecognition- Disposals		574	0		<b>574</b>
Derecognition- Other	(86)		0		<b>(86)</b>
Other movements in Depreciation & Impairment	6		0		<b>6</b>
<b>At 31 March 2019</b>	<b>(3,445)</b>	<b>(15,642)</b>	<b>(1,124)</b>	<b>0</b>	<b>(20,211)</b>
<b>Net Book Value</b>					
<b>at 31st March 2019</b>	<b>54,284</b>	<b>7,445</b>	<b>31</b>	<b>95</b>	<b>61,855</b>
<b>at 31st March 2018</b>	<b>50,485</b>	<b>8,429</b>	<b>37</b>	<b>2,453</b>	<b>61,404</b>

<b>Comparative Movements in 2017/18:</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuation</b>					
<b>At April 2017</b>	53,646	21,709	1,155	635	77,145
Prior Year Adjustments					0
Additions	223	1,467	0	2,113	3,803
Donations					0
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(1,347)	0	0	0	(1,347)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	405	0	0	0	405
Derecognition - Disposals	0	(252)	0	(295)	(547)
Derecognition - Other	(164)	0	0	0	(164)
Assets reclassified (to)/from Held for Sale					0
Assets reclassified (to)/from Assets Under Construction	0	21	0	0	21
<b>At 31 March 2018</b>	<b>52,763</b>	<b>22,945</b>	<b>1,155</b>	<b>2,453</b>	<b>79,316</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
<b>At April 2017</b>	(4,457)	(13,027)	(1,112)	0	(18,596)
Prior Year Adjustments	0	0	0	0	0
Depreciation & Impairment Charges	(1,215)	(1,687)	(6)	0	(2,908)
Depreciation written out to the Revaluation Reserve	3,369				3,369
Depreciation written out to the Surplus/Deficit on the Provision of Services	0				0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0				0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services					0
Derecognition- Disposals	0	198			198
Derecognition- Other	25		0	0	25
Other movements in Depreciation & Impairment	0	0	0	0	0
<b>At 31 March 2018</b>	<b>(2,278)</b>	<b>(14,516)</b>	<b>(1,118)</b>	<b>0</b>	<b>(17,912)</b>
<b>Net Book Value at 31st March 2018</b>	<b>50,485</b>	<b>8,429</b>	<b>37</b>	<b>2,453</b>	<b>61,404</b>

## Capital Commitments

At 31 March 2019 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £60k. Similar commitments at 31 March 2018 were £603k. The major commitments for 2018/19 are:

- Newark Fire Station £60k

## Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by the Valuation Office, the last valuation took place on the 31 March 2019, covering 6 properties and was carried out by Richard Hemsworth MRICS. Valuations of and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

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

	Other Land & Buildings £000	Vehicles, Plant, Equipment £000	Surplus Assets £000	Total £000
Carried at Historical cost	0	7,446	0	<b>7,446</b>
Valued at Fair Value as at:				
31 March 2019	10,851	0	0	<b>10,851</b>
31 March 2018	9,664	0	0	<b>9,664</b>
31 March 2017	10,944	0	0	<b>10,944</b>
31 March 2016	20,907	0	0	<b>20,907</b>
31 March 2015	1,504	0	0	<b>1,504</b>
31 March 2014	407	0	0	<b>407</b>
31 March 2013	8	0	0	<b>8</b>
31 March 2012	0	0	31	<b>31</b>
<b>Total Cost or Valuation</b>	<b>54,285</b>	<b>7,446</b>	<b>31</b>	<b>61,762</b>



**16 INTANGIBLE ASSETS**

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

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

<b>Software 2017/18</b>	<b>Software Under Construction 2017/18</b>		<b>Software 2018/19</b>	<b>Software Under Construction 2018/19</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>Balance at start of year:</b>				
2,289	418	• Gross carrying amounts	2,894	50
(1,221)	0	• Accumulated amortisation	(1,553)	0
<u>1,068</u>	<u>418</u>	Net carrying amount at start of year	<u>1,341</u>	<u>50</u>
397	(418)	Assets Reclassified	0	(50)
208	50	Purchases	0	181
		Disposals		0
(332)	0	Amortisation for the period	(424)	0
0	0	Other Changes - Disposal Amortisation	0	0
<u><b>1,341</b></u>	<u><b>50</b></u>	<b>Net carrying amount at end of year</b>	<u><b>917</b></u>	<u><b>181</b></u>
<b>Comprising:</b>				
2,894	50	• Gross Carrying Amounts	2,894	181
(1,553)	0	• Accumulated amortisation	(1,977)	0
<u><b>1,341</b></u>	<u><b>50</b></u>		<u><b>917</b></u>	<u><b>181</b></u>

**17 FINANCIAL INSTRUMENTS**

The 2018/19 *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom* incorporates a new accounting standard, *IFRS 9 Financial Instruments*. IFRS 9 replaces an earlier accounting standard, *IAS 39 Financial Instruments: Recognition and Measurement*.

IFRS 9 introduces changes to the classification of financial assets. As a result, financial assets that were previously classed as "Loans and Receivables" are now reclassified as "Amortised Cost".

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

<b>31 March 2018</b>			<b>31 March 2019</b>	
<u>Non-current</u>	<u>Current</u>		<u>Non-current</u>	<u>Current</u>
£000	£000		£000	£000
		<b>Financial assets</b>		
0	7,436	Investments measured at amortised cost	0	5,442
		Cash & cash equivalents measured at		
		amortised cost	0	7,020
0	4,748	Debtors measured at cost	0	5,298
		Financial assets measured at fair value through		
0	0	profit or loss	0	0
		Financial assets measured at fair value through		
0	0	other comprehensive income	0	0
<b>0</b>	<b>14,189</b>	<b>Total financial assets</b>	<b>0</b>	<b>17,760</b>
		<b>Financial liabilities</b>		
(20,599)	(4,639)	Loans measured at amortised cost	(25,512)	(4,117)
0	(3,411)	Creditors measured at cost	0	(3,122)
0	0	Financial liabilities measured at fair value	0	0
<b>(20,599)</b>	<b>(8,050)</b>	<b>Total financial liabilities</b>	<b>(25,512)</b>	<b>(7,239)</b>

Note: the figures for debtors and creditors in the above table include grant receipts in advance but exclude Council Tax and Non Domestic Rates (NDR) debtors and creditors because Council Tax is a statutory debt not arising from a contract and therefore falls outside the scope of financial instruments. The table below provides a reconciliation between the figures in the above table and those on the Balance Sheet.

Short term debtors and creditors are carried at cost rather than amortised cost as this is a fair approximation of their value.

The values for financial instruments in the above table, and on the Balance Sheet, are all gross figures i.e. no netting of financial instruments has taken place.

<b>31 March 2018</b>	<b>31 March 2019</b>
<b>£000</b>	<b>£000</b>
<b>Debtors</b>	
5,538 Debtors - as shown on Balance Sheet	6,134
(790) Less: Council Tax and NDR debtors	(836)
<b>4,748 Debtors Classified as Financial Instruments</b>	<b>5,298</b>
<b>Creditors</b>	
(3,735) Creditors - as shown on Balance Sheet	(3,212)
349 Less: Council Tax NDR prepayments / overpayments	514
(25) Grant Receipts in Advance - as shown on Balance Sheet	(424)
<b>(3,411) Creditors Classified as Financial Instruments</b>	<b>(3,122)</b>



31 March 2018			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		<b>Financial Liabilities at amortised cost</b>		
(19,227)	(21,337)	- PWLB Loans	(21,618)	(24,059)
(6,011)	(8,222)	- Other Loans	(8,011)	(10,321)

The fair value of borrowings is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

31 March 2018			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
7,436	7,436	<b>Investments held at amortised cost</b>	5,442	5,442
2,005	2,005	<b>Cash and cash equivalents held at amortised cost</b>	7,020	7,020

All of the investments and cash equivalents held by the Authority have a maturity of less than 12 months. The carrying value is therefore taken to be a reasonable approximation of the fair value.

The 2018/19 CIPFA Accounting Code of Practice ("the Code") requires authorities to maximise the use of relevant observable inputs and minimise the use of unobservable inputs when measuring fair value. To achieve this objective, authorities are required to follow a fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into three levels as follows:

- **Level 1 inputs** - quoted prices (unadjusted) in active markets for identical assets or liabilities that an authority can access at the measurement date.
- **Level 2 inputs** - inputs other than quoted prices included within level 1 that are *observable* for the asset or liability, either directly or indirectly.
- **Level 3 inputs** - *unobservable* inputs for the asset or liability.

**Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value in the Balance Sheet**

**31 March 2019**

<i>Recurring fair value measurements using:</i>	Quoted prices	Other	Significant	Total
	in active	significant	unobservable	
	markets for	observable	inputs	
	identical	inputs	inputs	
	assets	(Level 2)	(Level 3)	
	(Level 1)	(Level 2)	(Level 3)	
	£'000	£'000	£'000	£'000
<b>Financial liabilities</b>				
Loans held at amortised cost	0	(34,380)	0	(34,380)
<b>Financial assets</b>				
Investments, cash & cash equivalents held at amortised cost	0	12,462	0	12,462
<b>Total</b>	<b>0</b>	<b>(21,918)</b>	<b>0</b>	<b>(21,918)</b>

**31 March 2018 Comparative Year**

<i>Recurring fair value measurements using:</i>	Quoted prices	Other	Significant	Total
	in active	significant	unobservable	
	markets for	observable	inputs	
	identical	inputs	inputs	
	assets	(Level 2)	(Level 3)	
	(Level 1)	(Level 2)	(Level 3)	
	£'000	£'000	£'000	£'000
<b>Financial liabilities</b>				
Loans held at amortised cost	0	(29,559)	0	(29,559)
<b>Financial assets</b>				
Investments, cash & cash equivalents held at amortised cost	0	9,441	0	9,441
<b>Total</b>	<b>0</b>	<b>(20,118)</b>	<b>0</b>	<b>(20,118)</b>

The fair value for financial liabilities and financial assets that are not measured at fair value included in level 2 in the previous table have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

<b>Financial assets</b>	<b>Financial liabilities</b>
<ul style="list-style-type: none"> <li>• no early repayment or impairment is recognised</li> <li>• estimated ranges of interest rates as 31 March 2019 of 0.05% to 0.95% for short term investments and cash equivalents, based on new lending rates for equivalent assets at that date</li> <li>• the fair value of trade and other receivables</li> </ul>	<ul style="list-style-type: none"> <li>• no early repayment is recognised</li> <li>• estimated ranges of interest rates at 31 March 2019 of 1.47% to 2.35% for loans payable based on new lending rates for equivalent loans at that date</li> </ul>

**18 INVENTORIES**

<b>Consumable Stores</b>		
<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
298	<b>Balance Outstanding at start of year</b>	319
403	Purchases	374
(382)	Recognised as an expense in year	(414)
0	Written off balances	0
<b><u>319</u></b>	<b>Balance outstanding at year end</b>	<b><u>279</u></b>

**19 DEBTORS**

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
2,504	NNDR and council tax	2,727
882	Trade Debtors	240
2,760	Other debtors	3,769
(1,373)	Provision for bad debts	(1,420)
765	Prepayments and Accrued Income	818
<b><u>5,538</u></b>	<b>Total Short Term Debtors</b>	<b><u>6,134</u></b>
<b>5,538</b>	<b>Total</b>	<b>6,134</b>

**20 CASH AND CASH EQUIVALENTS**

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

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
	<b>Cash held by the Authority</b>	
351	Bank Current Accounts	196
1,654	Short-term deposits with banks	6,824
<b><u>2,005</u></b>	<b>Total Cash and Cash Equivalents</b>	<b><u>7,020</u></b>



## 21 ASSETS HELD FOR SALE

There were no Non Current Assets held for sale either as at 31st March 2018 or at 31st March 2019.

## 22 CREDITORS

<u>31 March 2018</u>		<u>31 March 2019</u>
<b>£000</b>		<b>£000</b>
(2,064)	Trade Creditors	(800)
(549)	NNDr and Council Tax	(675)
<u>(1,121)</u>	Other Creditors	<u>(1,737)</u>
<b><u>(3,734)</u></b>	<b>Short Term Creditors</b>	<b><u>(3,212)</u></b>

**23 PROVISIONS****PROVISIONS**

	Long Term	Short Term					Total
		Insurances £000	On-Call Duty System £000	Fire		Exit Packages £000	
Officers Car Leasing £001	Fighters Pay Award £000						
<b>Balance at 1 April 2018</b>	<b>(24)</b>	<b>(22)</b>	<b>0</b>	<b>(183)</b>	<b>0</b>	<b>(370)</b>	<b>(599)</b>
Additional provisions made in 2018/19	(30)		(225)		(647)	(21)	(923)
Amounts used in 2018/19	15	1					16
Unused amounts reversed in 2018/19	9			183			192
<b>Balance at 31 March 2019</b>	<b>(30)</b>	<b>(21)</b>	<b>(225)</b>	<b>0</b>	<b>(647)</b>	<b>(391)</b>	<b>(1,314)</b>

**Insurances**

This provision allows for potential liabilities arising from existing claims against the authority. Uninsured losses of £15k were covered by the provision during the year. The provision required at 31 March 2019 was determined to be £30k.

**On Call Duty System**

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

**Officers Car Leasing**

A tax review has identified that some travel related expenses have been incorrectly treated for tax purposes. Whilst these expenses are now being correctly taxed, at its meeting on 28 September 2018, Fire Authority determined that the service would meet the tax liabilities incurred prior to the correct treatment being determined. Some negotiations are ongoing with Her Majesties Customs and Excise (HMRC) so to date no payments have been made. A provision has been created to cover the costs which are estimated to be in the region of £225k.

**Fire Fighters Pay Award**

A provision of £183k is in relation to ongoing Firefighter pay award negotiations, representing 1% of pay. This was not used during 2018/19 so was reversed.

**Exit Package**

During 2018/19, decisions were made by the Authority to move the service's Control Room into a joint Control with Derbyshire Fire and Rescue, and also to draw to a close the service's Princes Trust Programme following the end of the current course. A provision has been created to cover termination costs which will be incurred during 2019/20.

**Non Domestic Rates Appeals**

From 2013/14, a proportion of Non Domestic Rates collected by Nottinghamshire collecting authorities is retained locally, rather than paid directly to central government. Part of these retained rates are collected on behalf of NFRS, and so a portion of any related provisions must now be recognised by NFRS. This provision allows for possible losses arising from any successful appeals of business premises rateable values in 2018/19.

**24 USABLE RESERVES**

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

<u>31 March 2018</u>		<u>31 March 2019</u>
<u>£000</u>		<u>£000</u>
6,953	General Fund	5,576
5,156	Earmarked Reserves	4,763
0	Capital Receipts Reserve	0
347	Capital Grants Unapplied	347
<u>12,456</u>	<b>Total Usable Reserves</b>	<u>10,686</u>

**General Fund**

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

<u>2017/18</u>		<u>2018/19</u>
<u>£000</u>		<u>£000</u>
<b>7,837</b>	<b>Balance at 1 April</b>	<b>6,953</b>
(384)	Transfer (to)/from General Fund Reserve	(1,377)
(500)	Transfer from General Fund Reserve to Earmarked Reserves	0
<u>6,953</u>	<b>Balance at 31 March</b>	<u>5,576</u>

**Earmarked Reserves**

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

<u>2017/18</u>		<u>2018/19</u>
<u>£000</u>		<u>£000</u>
<b>4,894</b>	<b>Balance at 1 April</b>	<b>5,156</b>
(1,210)	Application of Earmarked Reserves to finance expenditure	(627)
1,472	Transfer from General Fund Reserve	234
0	Write back reserves no longer required	0
<u>5,156</u>	<b>Balance at 31 March</b>	<u>4,763</u>

**Capital Receipts Reserve**

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

<u>2017/18</u>		<u>2018/19</u>
£000		£000
477	<b>Balance at 1 April</b>	0
153	Capital Receipts in Year	116
<u>(630)</u>	Capital Receipts applied in year to finance capital	<u>(116)</u>
<u>0</u>	<b>Balance at 31 March</b>	<u>0</u>

**Capital Grants Unapplied**

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

<u>2017/18</u>		<u>2018/19</u>
£000		£000
347	<b>Balance at 1 April</b>	347
25	Capital Grants received in Year	0
<u>(25)</u>	Capital Grants applied in year to finance capital	<u>0</u>
<u>347</u>	<b>Balance at 31 March</b>	<u>347</u>

**25 UNUSABLE RESERVES**

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
16,856	Revaluation Reserve	18,576
19,584	Capital Adjustment Account	18,563
(509,815)	Pensions Reserve	(544,518)
213	Collection Fund Adjustment Account	232
(213)	Accumulated Absences Account	(209)
<b><u>(473,375)</u></b>	<b>Total Unusable Reserves</b>	<b><u>(507,356)</u></b>

Revaluation Reserve

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

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

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
<b>15,175</b>	<b>Balance at 1 April</b>	<b>16,856</b>
2,058	Upward revaluations of assets	2,200
(35)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(80)
<u>2,023</u>		<u>2,120</u>
<b>17,198</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>18,976</b>
(342)	Difference between fair value depreciation and historical cost depreciation	(400)
<u>0</u>	Accumulated gains on assets disposed of	<u>0</u>
<u>(342)</u>	Amount written off to the Capital Adjustment Account	<u>(400)</u>
<b><u>16,856</u></b>	<b>Balance at 31 March</b>	<b><u>18,576</u></b>

Capital Adjustment Account

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

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

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

<u>2017/18</u>	<u>2018/19</u>
£000	£000
<b>20,419</b> Balance at 1 April	<b>19,583</b>
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)</u>	
• Charges for depreciation and impairment of non-current assets	(3,112)
(3,047) 405 • Revaluation losses on Property, Plant and Equipment and reversal of previous impairments	419
(332) • Amortisation of intangible assets	(424)
0 • Revenue expenditure funded from capital under statute	
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	83
(349)	<u>(3,034)</u>
<b>(3,323)</b>	
342 Adjusting amounts written out of the Revaluation Reserve	400
Net written out amount of the cost of non-current assets consumed in the year	<b>(2,634)</b>
<u>Capital financing applied in the year:</u>	
• Use of Capital Receipts Reserve to finance new capital expenditure	116
630 • Capital grants and contributions credited to the CIES that have been applied to capital financing	0
0 • Statutory provision for the financing of capital investment charged against the General Fund balance	1,436
1,490 • Voluntary provision for the financing of capital investment charged against the General Fund balance	0
0 • Application of grants to capital financing from Capital Grants Unapplied Account	0
25 • Capital expenditure charged against the General Fund balance	62
0	<u>1,614</u>
2,145	
0 Movement in the Donated Assets Account credited to the CIES	
<b>19,583</b> Balance at 31 March	<b>18,563</b>

Pension Reserve

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

<u>2017/18</u>	<u>2018/19</u>
£000	£000
<b>(558,299) Balance at 1 April</b>	<b>(509,815)</b>
61,463 Remeasurements on the net defined benefit pension	(25,851)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of	
(26,966) Services in the CIES	(24,412)
Employers pensions contributions and direct payments to	
13,987 pensioners payable in the year	15,560
<b><u>(509,815) Balance at 31 March</u></b>	<b><u>(544,518)</u></b>

Collection Fund Adjustment Account

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

<u>2017/18</u>	<u>2018/19</u>
£000	£000
<b>296 Balance at 1 April</b>	<b>213</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income	
(83) calculated for the year in accordance with statutory requirements	19
<b><u>213 Balance at 31 March</u></b>	<b><u>232</u></b>

Accumulated Absences Adjustment Account

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

<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
<b>(212) Balance at 1 April</b>	<b>(213)</b>
Settlement or cancellation of accrual made at the end of 212 the preceding year	213
<u>(213) Amounts accrued at the end of the current year</u>	<u>(209)</u>
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory (1) requirements	4
<b>(213) Balance at 31 March</b>	<b>(209)</b>



**26 CASHFLOW STATEMENT - OPERATING ACTIVITIES**

<u>2017/18</u> £000	<u>2018/19</u> £000
<b>15,340</b> Net (Surplus) or Deficit on the Provision of Services	<b>12,020</b>
<b><u>Adjust net surplus or deficit on the provision of services for non cash movements</u></b>	
(2,909) Depreciation	(3,108)
266 Impairment and revaluations	419
(332) Amortisation	(424)
(33) (Increase)/Decrease in impairment for bad debts	(47)
209 (Increase)/Decrease in Creditors	(1,111)
(1,350) Increase/(Decrease) in Debtors	1,936
21 Increase/(Decrease) in Inventories	(40)
(12,578) Pension Liability	(9,053)
(21) Contributions (to)/from Provisions	(717)
Carrying amount of non-current assets sold (property plant and	
(349) equipment, investment property and intangible assets)	77
6 Accrued Interest	41
<b>(17,070)</b>	<b>(12,027)</b>
<b><u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u></b>	
25 Capital Grants credited to surplus or deficit on the provision of services	0
Proceeds from the sale of property plant and equipment, investment	
153 property and intangible assets	116
<b>178</b>	<b>116</b>
<b>(1,552) Net Cash Flows from Operating Activities</b>	<b>109</b>

**CASHFLOW STATEMENT - OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<u>2017/18</u> £000	<u>2018/19</u> £000
(34) Interest received	(66)
808 Interest paid	474
0 Dividends received	0

**27 CASHFLOW STATEMENT - INVESTING ACTIVITIES**

<u>2017/18</u> <u>£000</u>	<u>2018/19</u> <u>£000</u>
Purchase of property, plant and equipment, investment property and intangible assets	1,458
3,748	1,458
Purchase of short-term and long-term investments	2,000
3,500	2,000
Proceeds from the sale of property, plant and equipment, investment property and intangible asset	(123)
(146)	(123)
Proceeds from short-term and long-term investments	(4,000)
(1,000)	(4,000)
Other receipts from investing activities	0
(25)	0
<b><u>6,077</u> Net cash flows from investing activities</b>	<b><u>(665)</u></b>

**28 CASHFLOW STATEMENT - FINANCING ACTIVITIES**

<u>2017/18</u> <u>£000</u>	<u>2018/19</u> <u>£000</u>
Cash receipts of short and long-term borrowing	(14,000)
(7,950)	(14,000)
Repayments of short and long-term borrowing	9,541
6,029	9,541
<b><u>(1,921)</u> Net cash flows from financing activities</b>	<b><u>(4,459)</u></b>

**29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<b>1 April 2018</b>	<b>Financing cash flows</b>	<b>Non-cash changes</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Long-term borrowings	(20,599)	(5,000)	88	(25,511)
Short-term borrowings	(4,639)	541	(20)	(4,118)
<b>Total liabilities from financing activities</b>	<b>(25,238)</b>	<b>(4,459)</b>	<b>68</b>	<b>(29,629)</b>

	<b>1 April 2017</b>	<b>Financing cash flows</b>	<b>Non-cash changes</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Long-term borrowings	(21,183)	(2,000)	2,583	(20,600)
Short-term borrowings	(2,135)	79	(2,583)	(4,639)
<b>Total liabilities from financing activities</b>	<b>(23,318)</b>	<b>(1,921)</b>	<b>0</b>	<b>(25,239)</b>

### 30 POOLED BUDGETS

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

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

See note 30 details of balances held relating to this arrangements.

### 31 MEMBERS' ALLOWANCES

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

<u>2017/18</u>		<u>2018/19</u>
£000		£000
124	Allowances	117
<u>2</u>	Expenses	<u>2</u>
<u><b>126</b></u>	<b>Total</b>	<u><b>119</b></u>

**32 OFFICERS' REMUNERATION**

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

		<b>Salary, Fees and Allowances</b>	<b>Expense Allowances</b>	<b>Compensation for loss of employment</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contribution</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Fire Officer	2018/19	153,377	47	0	153,424	36,047	189,471
	2017/18	150,702	72	0	150,774	32,702	183,476
Deputy Chief Fire Officer (Change in Post Holder during 2018/19)	2018/19	124,556	47	0	124,603	17,875	142,478
	2017/18	124,329	63	0	124,392	17,779	142,171
Assistant Chief Fire Officer (Post Disestablished during 2018/19)	2018/19	105,680	47	0	105,727	19,639	125,366
	2017/18	113,027	440	0	113,467	24,527	137,994
Assistant Chief Officer	2018/19	72,404	47	0	72,451	12,059	84,510
	2017/18	0	0	0	0	0	0
Head of Finance (There was a change in post holder during 2017/18)	2018/19	56,662	47	0	56,709	9,709	66,418
	2017/18	40,530	52	0	40,582	5,992	46,574
Treasurer (Post outsourced 16/12/2017)	2018/19	0	0	0	0	0	0
	2017/18	8,395	37	0	8,432	1,566	9,998
<b>Total</b>	<b>2018/19</b>	<b>512,679</b>	<b>235</b>	<b>0</b>	<b>512,914</b>	<b>95,329</b>	<b>608,243</b>
<b>Total</b>	<b>2017/18</b>	<b>436,983</b>	<b>664</b>	<b>0</b>	<b>437,647</b>	<b>82,566</b>	<b>520,213</b>

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

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

2017/18		2018/19	
Number of employees	Remuneration Band	Number of employees	
11	£50,000-£54,999	14	
23	£55,000-£59,999	30	
8	£60,000-£64,999	10	
5	£65,000-£69,999	2	
2	£70,000-£74,999	5	
	£75,000-£79,999		
	£80,000-£84,999	1	
	£85,000-£89,999		
1	£90,000-£94,999		
	£95,000-£99,999		
	£100,000-£104,999	1	
	£105,000-£109,999		
1	£110,000-£114,999		
	£115,000-£119,999	1	
1	£120,000-£124,999		
	£125,000-£129,999		
	£130,000-£134,999		
	£135,000-£139,999		
	£140,000-£144,999		
	£145,000-£149,999		
1	£150,000-£154,999	1	
	£155,000-£159,999		
	£160,000-£164,999		
	£165,000-£169,999		

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0-£20,000	2	2	2	5	4	7	34,520	127,957
£20,001 - £40,000	0	2	0	8	0	10	0	312,333
£40,001 - £60,000	0	0	0	1	0	1	0	41,977
<b>Total</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>14</b>	<b>4</b>	<b>18</b>	<b>34,520</b>	<b>482,267</b>

**33 EXTERNAL AUDIT COSTS**

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	Fees payable with regard to external audit services carried out by the	
31	appointed auditor for the year	24
0	Fees payable in respect of statutory inspections	0
0	Fees payable in respect of other services provided by the appointed auditor	0
0	Audit Commission Rebate	0
<b>31</b>	<b>Total</b>	<b>24</b>

**34 GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Other grants have been credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. These grants are detailed in note 14.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Services</b>	
(375)	Firelink grant (part of the Fire Revenue grant DCLG)	(387)
(91)	New Dimension grant (part of the Fire Revenue grant DCLG)	(80)
(28)	New Risks grant	(32)
(599)	Emergency Services Mobile Communications grant	0
0	Sponsorship of events and awards	0
0	Miscellaneous Community Safety donations	0
(3)	Apprenticeship Levy	(33)
(47)	National Resilience Service and Maintenance grant	0
<b>(1,143)</b>	<b>Total</b>	<b>(532)</b>

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

**Current Liabilities**

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
	<b>Grants Receipts in Advance (Revenue Grants)</b>	
(11)	Local Resilience Forum	(11)
(14)	Multi Agency Coordination Centre	(14)
(1)	Emergency Services Carol Concert	(1)
<b>(26)</b>	<b>Total</b>	<b>(26)</b>

### 35 RELATED PARTIES

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

#### Central Government

Central government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in the analysis in Note 34 and Note 14.

#### Members

Members of the Authority have direct control over the Authority's financial and operating policies. Details of members' allowances and expenses are shown in Note 31.

#### Officers

Some senior employees have significant influence over the Authority's activities. Details of senior officers' remuneration are shown in Note 32.

#### Nottinghamshire County Council and Nottingham City Council

The Authority is made up of 12 members from Nottinghamshire County Council and 6 members from Nottingham City Council, and so a related party relationship exists between the Authority and these Councils by way of common control. Significant transactions are detailed below, and include expenditure on cleaning and maintenance services and income from partnership working. The Police and Crime Commissioner attends the Combined Fire Authority meetings in a non voting capacity.

	<b>Nottinghamshire County Council</b>		<b>Nottingham City Council</b>	
	<b><u>2017/18</u></b>	<b><u>2018/19</u></b>	<b><u>2017/18</u></b>	<b><u>2018/19</u></b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure during year</b>	414	458	653	525
<b>Income during year</b>	1	12	38	29
<b>Creditor at 31 March</b>	4	3	36	76
<b>Debtor at 31 March</b>	0	10	28	20

#### Other Public Bodies

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



	<b>Derbyshire Fire &amp; Rescue Service</b>		<b>Leicestershire Fire &amp; Rescue Service</b>	
	<b><u>2017/18</u></b>	<b><u>2018/19</u></b>	<b><u>2017/18</u></b>	<b><u>2018/19</u></b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure during year</b>	169	221	50	147
<b>Income during year</b>	6	1	1	2
<b>Creditor at 31 March</b>	0	2	15	5
<b>Debtor at 31 March</b>	3	0	0	0

### **Entities Controlled or Significantly Influenced by the Authority**

The Authority is the sole shareholder of Nottinghamshire Fire Safety Limited, with 6 members forming the Board of Directors. The Authority recovers costs incurred in the provision of certain goods and services to the Company including finance, payroll, human resources, insurance and transport. The Company is the Authority's provider of fire extinguisher maintenance services.

The Authority provided a loan of £55k to the Company on the commencement of trading on 1 September 2010. The loan is a revolving credit facility allowing the Company to draw down up to a maximum of £100k and decrease to nil at any time and interest is charged at 15 basis points above the Bank of England bank rate, a rate negotiated at arm's length. During 2015/16 the outstanding balance of the loan was repaid in full. The Authority's transactions and balances with the Company are detailed below. Note 42 provides more details regarding the company's transactions for the year 2018/19.

<b><u>Nottinghamshire Fire Safety Ltd</u></b>		
<b><u>2017/18</u></b>		<b><u>2018/19</u></b>
<b>£000</b>		<b>£000</b>
9	<b>Expenditure during year</b>	12
47	<b>Income during year</b>	49
0	<b>Creditor at 31 March</b>	0
15	<b>Debtor at 31 March</b>	14
0	<b>Outstanding loan to Trading Company</b>	0

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

**36 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
<b>23,885</b>	<b>Opening Capital Financing Requirement</b>	<b>26,278</b>
477	Capital receipt not applied in year	0
	<i>Capital Investment</i>	
283	Property, Plant and Equipment - (Operational and under Constr	570
3,519	Property, Plant and Equipment - (Non Operational)	323
258	Intangible Assets (including under construction)	181
	<i>Sources of Finance</i>	
(629)	Capital Receipts	(116)
(25)	Government grant and other contributions	0
	Sums set aside from revenue:	
0	Direct revenue contributions	(62)
(1,490)	Minimum / Voluntary Revenue Provision	(1,436)
<b>26,278</b>	<b>Closing Capital Financing requirements</b>	<b>25,738</b>
	<b>Explanation of Movements in Year</b>	
0	Decrease in underlying need to borrow (unsupported by government financial assistance)	0
<b>2,393</b>	<b>(Decrease) / Increase in Capital Financing Requirement</b>	<b>(540)</b>

**37 LEASES****Authority as Lessee**

The Authority currently has no assets which would be defined as assets subject to operating lease arrangements. This was also the case in 2017/18.

**Authority as Lessor**Operating Leases

The Authority has entered into an operating lease arrangement with Nottinghamshire Police in respect of one of its properties, which is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1). Rent received in 2018/19 was £15k and in 2017/18 was £12k.

**Future contracted receipts are:**

	<b>£000's</b>
Within 1 year	15
Within 2 to 5 years	39 *
Over 5 years	0

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

**38 TERMINATION BENEFITS**

In 2018/19 the Authority made the decision to terminate the contracts of 18 individuals. These redundancies are not due to occur until 2019/20. 14 of the redundancies are due to the implementation of a joint fire control function with Derbyshire Fire and Rescue Service, and 4 are due to the closure of the Prince's Trust Programme.

In total the Authority expects to incur redundancy and other termination costs of £648k, and this expenditure has been recognised as a provision in 2018/19 (this compares with termination benefits of £37k in 2017/18).

The Authority expects to incur pension strain costs of £36k arising from an early retirement without actuarial reduction of pension, and this is also classed as a termination benefit. This expenditure has been recognised in the Comprehensive Income and Expenditure Statement in 2018/19, and has increased the pension liability in the balance sheet. However, it is a statutory requirement that the general fund must be only charged for amounts payable in the financial year, so an adjustment has been made in the Movement in Reserves Statement to transfer the charge to the Pensions Reserve.

## 39 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

As at 31 March 2019 the Authority participates in four post-employment schemes, all of which are defined benefit schemes:

#### 1) The Local Government Pension Scheme (LGPS)

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

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

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

- a) Investment risk: The Fund holds investments in assets such as equities which have volatile market values and, while these asset are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- b) Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of assets and liabilities may not move in the same way.
- c) Inflation risk: All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- d) Longevity risk: In the event that the members live longer than assumed, a deficit will emerge in the fund. There are also other demographic risks.
- e) "Orphan" liability risk: As many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk that employers may leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers

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

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

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

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

The Firefighters' Pension Scheme 2006 is also an unfunded pension scheme. This scheme came into effect from April 2006 and its members are retained firefighters and wholetime firefighters. Like the 1992 FPS it is a defined benefit, final salary scheme and its arrangements are governed by statute (the Firefighters' Pension Scheme (England) Order 2006). The Firefighters' Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. Although this modified version does not constitute a scheme on its own, it has different benefits to the main 2006 Scheme. The 2006 Scheme has been closed to new entrants since 1 April 2015.

**4) The Firefighters' Pension Scheme 2015 (2015 FPS)**

The Firefighters' Pension Scheme 2015 came into effect on 1 April 2015. Like the 1992 FPS and the 2006 NFPS, it is an unfunded defined benefit scheme and its arrangements are governed by statute (the Firefighters' Pension Scheme (England) Regulations 2014). However, unlike the other two firefighters' schemes, it is a career average rather than a final salary scheme. This scheme will eventually replace the 1992 FPS and 2006 NFPS after a transitional phase which will last for 10 years. The Firefighters' Pension Scheme (England) (Transitional and Consequential Provisions) Regulations 2015 protects the rights that members have accrued in the 1992 and 2006 schemes, and sets out the transitional arrangements for transferring members of these schemes into the 2015 scheme. Its members are retained firefighters and wholetime firefighters who were first appointed by an English fire and rescue authority on or after 1 April 2015, and firefighters who were transferred from the 1992 FPS or 2006 NFPS.

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

The 1992 FPS and 2006 NFPS provide benefits based on final salary and length of service at retirement, and the 2015 FPS provides benefits based on revalued average salary. The governance arrangements are managed by the Authority, and this essentially involves managing the cash flows and being responsible for the administration of the schemes. The day to day administration is carried out by Leicestershire County Council on behalf of the Authority.

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

- a) There are no investment risks in relation to these schemes as they are unfunded. The greatest single risk is that the government could change the arrangements for meeting part of the benefit outgo, which could increase the Authority's contributions.
- b) There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the three firefighters' schemes. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 105 to 108) and it is therefore not the Authority's income, however in IAS 19 terms it is a current contribution towards the Authority's liabilities for retirement benefits. The grant is therefore credited to other operating income in the Comprehensive Income and Expenditure Statement. The grant is not treated as an asset of the firefighters' pension schemes, but as a source of income to the schemes it does reduce the year end pension liability.

Past service costs of £206k relating to the 2006 NFPS are recognised under Corporate and Centralised Services in the Comprehensive Income and Expenditure Statement. These past service costs relate to the purchasing of back service credits by members of the Modified Scheme.

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

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

- a) There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.
- b) There is a risk that the government could change the arrangements of the scheme in such a way that the costs incurred by the Authority are significantly increased.

- c) Historically the number of firefighters who are permanently disabled or who die as a result of injuries sustained or diseases contracted whilst in the employment of the Authority is very low, so the number of injury pension recipients is relatively small. However, the Authority is committed to pay benefits as and when they fall due, so if the number of occurrences were to increase it could have a significant impact on the amounts payable.

### **Court of Appeal ruling for Firefighters/Judges Pension Schemes (the Sergeant and McCloud cases)**

In December 2018 the Court of Appeal ruled against the Government in these two linked cases. In essence, the Court held that the transitional protections which were afforded to older members when the reformed schemes were introduced in 2015 constituted unlawful age discrimination. The Government is attempting to appeal the cases, but it is not known at this stage whether an appeal will even be possible. If the Government ultimately loses these cases then remedial action in the form of increases in benefits is likely to be required. There may well be knock-on effects for the other public service schemes which implemented transitional protections when the latest reforms were introduced, such as the LGPS. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential action might be. Therefore no provision for this ruling has been made in the accounting figures relating to post-employment benefits.

### **Transactions Relating to Post-employment Benefits**

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund to the Pension Reserve via the Movement in Reserves Statement. Ordinarily, the balance on the Pension Reserve will match the balance on the Pension Liability as the real cost of the post-employment benefits is fully reversed out of the General Fund. However, following the most recent triennial funding valuation of the LGPS the Authority opted to prepay its monetary contributions for the three years to 31 March 2020 by making a single lump sum payment of £602k in April 2017, thus achieving a saving of £33k. In order to spread the monetary cost over the 3 year period one third of the lump sum payment (£201k) has been charged to the General Fund via the Movement in Reserves Statement. As a result of this, the balance on the Pension Reserve is £201k more than the balance on the Pension Liability. This mis-match will be eliminated by the end of the three year period once the monetary cost has been fully recognised in the General Fund.

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

LGPS	Firefighters' schemes	Firefighters'	LGPS	Firefighters'
£'000	£'000	£'000	£'000	£'000
2017/18	2017/18		2018/19	2018/19
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services</i>				
Service cost comprising:				
2,111	10,625	- current service costs	2,036	8,972
0	242	- past service costs	36	206
11	0	Administration expenses	11	0
<i>Financing and Investment Income and Expenditure</i>				
627	13,350	Net interest expense	569	12,582
2,749	24,217	<i>Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services</i>	2,652	21,760
<i>Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
36	0	Return on plan assets (excluding the amount included in the net interest expense)	(2,325)	0
0	(31,732)	Actuarial (gains) and losses arising on changes in demographic assumptions	(3,212)	0
(1,789)	(19,515)	Actuarial (gains) and losses arising on changes in financial assumptions	3,028	28,360
0	(8,463)	Experience (gains) and losses	0	0
0	0	Other actuarial gains and losses	0	0
996	(35,493)	<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	143	50,120
<b>Movement in Reserves Statement</b>				
(2,749)	(24,217)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,652)	(21,760)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
1,012	11,826	Employers' contributions payable to the scheme	1,021	13,818
	1149	Retirement benefits payable to pensioners		721



	Firefighters' Pension Scheme 1992 £'000		Firefighters' Pension Scheme 2006 £'000		Firefighters' Pension Scheme 2015 £'000		Firefighters' Compensation Scheme £'000	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
<b>Comprehensive Income and Expenditure Statement</b>								
<i>Cost of Services</i>								
Service cost comprising:								
current service cost	1,981	3,242	290	636	4,803	5,606	1,898	1,141
past service cost	0	10	206	232	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>								
Net interest expense	10,437	11,346	855	920	515	403	775	681
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	12,418	14,598	1,351	1,788	5,318	6,009	2,673	1,822
<i>Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement</i>								
91 Remeasurement of the net defined benefit liability comprising:								
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(26,143)		(1,977)		(972)		(2,640)
Actuarial (gains) and losses arising on changes in financial assumptions	20,804	(14,386)	3,097	(2,313)	2,331	(1,327)	2,128	(1,489)
Experience (gains) and losses		(11,593)		(1,298)		(1,040)		5,468
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	33,222	(37,524)	4,448	(3,800)	7,649	2,670	4,801	3,161
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(12,418)	(14,598)	(1,351)	(1,788)	(5,318)	(6,009)	(2,673)	(1,822)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>								
Employers' contributions payable to the scheme (inclusive of government top-up grant)	15,386	13,148	(20)	(38)	(1,548)	(1,254)		
Retirement benefits payable to pensioners							721	1,149

**Pension Assets and Liabilities Recognised in the Balance Sheet**

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

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

Firefighters' Schemes:

	Unfunded Liabilities: Firefighters' Pension Scheme 1992		Unfunded Liabilities: Firefighters' Pension Scheme 2006		Unfunded Liabilities: Firefighters' Pension Scheme 2015		Unfunded Liabilities: Firefighters' Compensation Scheme	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
<b>Opening balance at 1 April</b>	<b>(408,113)</b>	<b>(458,785)</b>	<b>(32,729)</b>	<b>(36,461)</b>	<b>(16,633)</b>	<b>(12,709)</b>	<b>(29,237)</b>	<b>(27,225)</b>
Current service cost	(1,981)	(3,242)	(290)	(636)	(4,803)	(5,606)	(1,898)	(1,141)
Past service cost	0	(10)	(206)	(232)	0	0	0	0
Interest cost	(10,437)	(11,346)	(855)	(920)	(515)	(403)	(775)	(681)
Contributions from scheme participants	(587)	(724)	(140)	(163)	(1,605)	(1,405)	0	0
Remeasurement gains and (losses):								
Actuarial gains/losses arising from changes in demographic assumptions	0	26,143	0	1,977	0	972	0	2,640
Actuarial gains/losses arising from changes in financial assumptions	(20,804)	14,386	(3,097)	2,313	(2,331)	1,327	(2,128)	1,489
Experience gains/losses on defined benefit obligation	0	11,593	0	1,298	0	1,040	0	(5,468)
Benefits paid net of transfers (in)/out	15,973	13,872	120	95	57	151	721	1,149
<b>Closing balance at 31 March</b>	<b>(425,949)</b>	<b>(408,113)</b>	<b>(37,197)</b>	<b>(32,729)</b>	<b>(25,830)</b>	<b>(16,633)</b>	<b>(33,317)</b>	<b>(29,237)</b>

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

Local Government Pension Scheme:

**Funded Liabilities: Local Government Pension Scheme**

<b>£'000</b>		<b>£'000</b>
<b>2017/18</b>		<b>2018/19</b>
<b>(52,653)</b>	<b>Opening balance at 1 April</b>	<b>(53,572)</b>
(2,111)	Current service cost	(2,036)
0	Past service cost	(36)
(1,462)	Interest cost	(1,362)
(355)	Contributions from scheme participants	(360)
	Remeasurement gains and (losses):	
0	Actuarial gains/losses arising from changes in demographic assumptions	3,212
1,789	Actuarial gains/losses arising from changes in financial assumptions	(3,028)
1,199	Benefits paid net of transfers (in)/out	671
21	Unfunded pension payments	22
<b>(53,572)</b>	<b>Closing balance at 31 March</b>	<b>(56,489)</b>

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

<b>£'000</b>		<b>£'000</b>
<b>2017/18</b>		<b>2018/19</b>
<b>29,534</b>	<b>Opening fair value of scheme assets</b>	<b>30,870</b>
835	Interest income	793
	Remeasurement gain/(loss):	
(36)	The return on plan assets, excluding the amount included in the net interest expense	2,325
0	Other actuarial gains/(losses)	0
1,413	Contributions from employer	820
355	Contributions from employees into the scheme	360
(1,220)	Benefits paid (including unfunded benefits)	(693)
(11)	Administration expenses	(11)
<b>30,870</b>	<b>Closing fair value of scheme assets</b>	<b>34,464</b>

**Local Government Pension Scheme assets comprised:**

Fair value of scheme assets at 31 March 2018			Fair value of scheme assets at 31 March 2019			
£'000	% Quoted	% Unquoted		£'000	% Quoted	% Unquoted
			Equities:			
7,650	25%	<1%	• UK investments	8,040	23%	<1%
12,154	39%		• Overseas investments	11,802	34%	
494		2%	• Private equity investments – unspecified origin	863		3%
20,298	64%	2%	Equities subtotal	20,705	57%	3%
			Gilts:			
707	2%		• UK fixed interest gilts	990	3%	
0			• Overseas fixed interest gilts	0		
0			• UK inflation-linked gilts	0		
707	2%		Gilts subtotal	990	3%	
			Other Bonds:			
3,452	11%		• UK corporate bonds	3,290	10%	
154	1%		• Overseas corporate bonds	139	0%	
0	0%		• Inflation-linked bonds	0	<1%	
3,606	12%		Bonds subtotal	3,429	10%	
3,878		13%	Property	5,358		16%
610		2%	Cash	1,038		3%
764		3%	Inflation-linked pooled fund	1,246		4%
1,007		3%	Infrastructure	1,698		5%
<b>30,870</b>	<b>78%</b>	<b>22%</b>	<b>Total</b>	<b>34,464</b>	<b>70%</b>	<b>30%</b>

Further information about the Fund's assets can be obtained from the Pension Fund Annual Report, which can be accessed online at [www.nottspf.org.uk](http://www.nottspf.org.uk).

**Basis for Estimating Assets and Liabilities**

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

The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' schemes were carried out at 31 March 2016 and 31 March 2018 respectively. Both firms of actuaries have adopted a roll-forward approach to updating the net liabilities as at 31 March 2019. This approach takes into account the cashflows paid into and out of each scheme before taking into consideration any changes in assumptions.

The rate of interest used to discount the post-employment benefit obligations is based on the market yields at the reporting date on high quality corporate bonds of equivalent currency and term to the scheme liabilities. In assessing the liabilities for retirement benefits at 31 March 2019 both firms of actuaries have used a rate of 2.4%, compared with respective rates of 2.55% and 2.6% for the local government and firefighters' schemes at 31 March 2018.

The principal assumptions used by the actuaries in their calculations were:

	Local Government Pension Scheme		Firefighters' Schemes 1992, 2006 and 2015		Firefighters' Compensation Scheme	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
<i>Mortality assumptions:</i>						
<i>Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):</i>						
Men	21.6	22.6	26.4	26.3	23.8	23.7
Women	24.4	25.6	28.4	28.3	25.8	25.7
<i>Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):</i>						
Men	23.3	24.8	28.3	28.2	25.7	25.6
Women	26.2	27.9	30.3	30.2	27.7	27.6
Rate of inflation (CPI)	2.4%	2.3%	2.2%	2.1%	2.2%	2.1%
Rate of increase in salaries	3.9%	3.8%	3.7%	3.6%	3.7%	3.6%
Rate of increase in pensions	2.4%	2.3%	2.3%	2.2%	2.3%	2.2%
Rate of revaluation of CARE pensions (2015 Scheme only)			3.5%	3.4%		
Rate for discounting scheme*	2.4%	2.6%	2.4%	2.6%	2.4%	2.6%

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

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

### Sensitivity analysis for the Firefighters' Schemes

	Firefighters' Pension Scheme 1992		Firefighters' Pension Scheme 2006	
	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000
Increase discount rate by 0.1% p.a.	-7,005	-47	-1,059	-6
Increase inflation by 0.1% p.a.	7,127	47	1,091	7
Increase pay growth by 0.1% p.a.	742	8	528	3
Increase life expectancy by 1 year	12,437	60	1,068	11

	Firefighters' Pension Scheme 2015		Firefighters' Compensation Scheme	
	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000
Increase discount rate by 0.1% p.a.	-801	-224	-711	-63
Increase inflation by 0.1% p.a.	828	231	729	65
Increase pay growth by 0.1% p.a.	0	0	452	48
Increase life expectancy by 1 year	650	179	1,037	66

### **Sensitivity analysis for the LGPS**

	Impact of an increase of +0.1% £'000	Impact of a decrease of -0.1% £'000
<i>Adjustment to discount rate:</i>		
Impact on the defined benefit liability	-1,193	1,220
Impact on the projected service cost	-46	47
<i>Adjustment to long term salary increase:</i>		
Impact on the defined benefit liability	158	-157
Impact on the projected service cost	0	0
<i>Adjustment to pension increases and deferred revaluation:</i>		
Impact on the defined benefit liability	1,060	-1,037
Impact on the projected service cost	47	-46
<i>Adjustment to mortality age rating assumption:</i>		
Impact on the defined benefit liability	2,029	-1,956
Impact on the projected service cost	58	-56

### **Asset and Liability Matching Strategy**

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

### **Impact on the Authority's Cash Flows**

The defined benefit liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £544m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The net liability on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The aims of the Fund are to keep employer contribution rates as constant as possible. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities.

- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid, and any shortfalls are currently met by the Home Office.
- 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 2018/19 was £720k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2020 is £714k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £14.5m inclusive of government top-up grant.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme Members is 22 years. The weighted average durations of the defined benefit obligations of the 1992 FPS, 2006 NFPS, 2015 FPS and the Firefighters' Compensation Scheme are 17 years, 29 years, 32 years and 22 years respectively.

#### **40 CONTINGENT ASSETS AND LIABILITIES**

At 31 March 2018, the Authority had no contingent assets

At 31 March 2018, the Authority is involved in two disputes with individuals formally employed by the authority. The disputes are for unfair dismissal and on the grounds of disability discrimination. The outcome of these disputes are not yet known but any potential liability is unlikely to exceed £117,000.

Claims have been made in relation in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015. In December 2018 the Court of Appeal ( McCloud / Sargeant ) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Firefighters Pension Scheme members. This would lead to an increase in Firefighters Pension Scheme liabilities and The Government Actuary Department (having been commissioned on behalf of several fire and rescue authorities) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be between approximately 4.1% and 5% of national pension scheme liabilities as at March 2019 (see sensitivity analysis below). This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Firefighters Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Firefighters Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and authorities will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

Sensitivity analysis of the potential impact of the McCloud / Sargeant ruling on the pension liability

The potential impact has been estimated under the following scenarios:

	<b>Earnings assumption</b>	<b>Assumption at 31 March 2018</b>
<b>Scenario 1</b>	CPI + 2.0% pa	4.30% pa
<b>Scenario 2</b>	CPI + 1.0% pa	3.30% pa
<b>Scenario 3</b>	CPI + 0.0% pa	2.30% pa

The potential impact on the scheme liabilities under each of the scenarios is as follows:

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
<b>Impact on scheme liabilities (expressed as a % of total liabilities)</b>	5.00%	4.60%	4.10%

All of the above results include a 25% margin for uncertainty.

These estimates have been produced on a "better of" basis when comparing a member's benefits in the 2015 Scheme and their relevant pre-2015 scheme benefits over the four years to 31 March 2019. This has been done for all members in the Firefighters' Pension Scheme data at 31 March 2016 and is based on the assumptions made by the Government Actuary's Department (GAD) for the preparation of accounting disclosures in 2018, rather than allowing for each members' actual career progression/salary increases etc. As this Authority uses a different actuarial service provider for its accounting disclosures, the methodology and assumptions used by GAD will differ from those used by its own Actuary for the 2017/18 accounting disclosures. However, it still gives a reasonable illustration of the potential impact of the ruling.

It is currently unclear if or how the McCloud / Sargeant ruling might affect Local Government Pension Scheme members' past or future service benefits.



## 41 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

### Overall procedures for managing risk

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance Team, in conjunction with treasury advisors from Link Asset Services. Risk Management policies are approved by the Authority.

The procedures for managing risk are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to the maturity structures of its debt;
  - Its management of interest rate exposure;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

The annual treasury management strategy and prudential code indicators for 2018/19 were approved by the Authority on 16 February 2018. They are available on the Nottingham City Council website. The key issues within the treasury management strategy were:

- The Authorised Limit for 2017/18 was set at £32.7m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £29.7m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.
- An upper limit of £2.0m was set for principal sums invested for longer than 364 days.

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

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The risk is minimised through the Annual Investment Strategy, which is contained within the Annual Treasury Management Strategy.

The Annual Investment Strategy required that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's, and Standard & Poor's Credit Rating Services. The Authority has a list of approved banks and financial institutions to which it will lend surplus cash. The list is based on minimum independent credit ratings from the Credit Rating Services, which are overlaid by credit outlooks, credit default swap spreads and sovereign ratings to give an overall rating for each counterparty which indicates a maximum term for investments. The annual investment strategy also considers maximum amounts to be deposited with any one institution. The Authority is advised of ratings changes by Link Asset Services and the list is updated accordingly on an ongoing basis.

The Authority's maximum exposure to credit risk in relation to its investments with banks and other local authorities cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments, and there was no evidence at 31 March 2019 that any of the Authority's deposits might not be repaid.

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

### Amounts arising from Expected Credit Losses

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses, particularly where risk has increased significantly since the investment or debtor was initially recognised. Impairment is based on the principle of credit loss, which is defined as cash shortfalls measured by the difference between the cash flows that are contractually due to the Authority, and the cash flows that the Authority expects to receive.

Changes to credit risk relating to investments are assessed based on information obtained from Credit Rating Services, the financial press, and the Authority's treasury advisors. Credit risk relating to investments will also be deemed to have increased significantly should contractual payments of principal or interest become more than 30 days overdue.

Since the Annual Investment Strategy prohibits the use of investment counterparties that do not meet minimum creditworthiness criteria, all investments are considered to have low credit risk upon initial recognition.

Credit risk relating to trade receivables is not deemed to have increased significantly until payments become more than 120 days overdue. The Authority is very successful at collecting trade debtors, which is reflected by the fact that less than 1% of debts have been written off during the past five years. Experience shows that debts are highly likely to be recovered, and of the relatively small proportion of debts that reach the stage of 120 or more days overdue around 12% will be written off.

In accordance with the Authority's accounting policies, lifetime expected credit losses have been calculated for trade receivables and 12-month expected credit losses have been calculated for investments.

The lifetime expected credit losses were assessed using a provision matrix which calculates a fixed provision rate based on the number of days that a receivable is past due, assessed on the basis of historical experience from the previous five years and adjusted (if necessary) to reflect current conditions and forecasts of future conditions.

The calculation for the 12-month expected credit losses was based on the historic default rate for A-rated investments which was produced by combining multi-year historic default rate data up to the end of December 2018 from the three main credit rating agencies. The credit losses were found to be immaterial and have therefore not been recognised.

The Authority has the following exposure to credit risk at 31 March 2019:

	<b>Credit risk rating / Provision matrix category</b>	<b>Gross Carrying amount £'000s</b>
12-month expected credit losses	AAA	0
	AA	0
	A	12,462
Simplified approach (lifetime credit losses for trade receivables)	Not due	33
	1-30 days	0
	31-60 days	4
	61-90 days	0
	91-120 days	0
	121+ days	1

## **Liquidity Risk**

### Liquidity Risk

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

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

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

### Re-financing and Maturity Risk

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

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above ensure adequate liquidity, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Finance team manages the risk within the approved parameters by:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	<b>Approved minimum limits</b>	<b>Approved maximum limits</b>	<b>Actual 31 March £000s</b>	<b>Actual 31 March £000s</b>
<b>Less than 1 year</b>	0%	20%	4,117	4,639
<b>Between 1 and 5 years</b>	0%	30%	1,612	1,699
<b>Between 5 and 10 years</b>	0%	75%	5,000	4,000
<b>Over 10 years</b>	0%	100%	0	0
<b>Over 20 years</b>	30%	100%	18,900	14,900
<b>Total</b>			<b>29,629</b>	<b>25,238</b>

## Market Risk

### Price risk

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

### Foreign exchange risk

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

### Interest rate risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. In 2018/19 this maximum was set at 30%. In addition, the annual Treasury Management Strategy includes an expectation of interest rate movements, which can be taken into account when planning borrowing and investment activities and when determining whether fixed or variable rate instruments are appropriate. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

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

	<u>£'000</u>
Decrease in fair value of fixed rate investment assets	0
Decrease in fair value of fixed rate borrowings	5,248

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

**42 INTERESTS IN COMPANIES****Nottinghamshire Fire Safety Limited.****Principal activities**

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

It has been determined that the Authority does control this subsidiary on the basis that the Authority has the power to govern its financial and operating policies so as to benefit from its activities because the board of directors of the subsidiary comprises six elected members. The accounts of this subsidiary are not consolidated with the accounts of the Authority because the turnover of the company and the value of the Authority's investment in it are not material when considered in the context of the Authority's accounts, and corporate governance objectives can be effectively achieved without consolidation. Instead, separate financial statements are prepared for the Authority and for the subsidiary. The financial statements for the company are shown for the current year in draft format as they have yet to be ratified by the Directors and are subject to change. The Authority has the ability to invest in the subsidiary (in the form of a loan) . There is currently no loan outstanding but any balance would be accounted for at cost and shown as a short term investment on the Authority's Balance Sheet and a liability on the subsidiary's Balance Sheet.

The company is considered to be a related party to the Authority, and details of transactions between the two entities have been disclosed in Note 35. The Authority's maximum exposure to loss from its interest in the subsidiary is limited to the share capital

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

<b>Final</b> <b>2017/18</b> <b>£000</b>	<b>Draft</b> <b>2018/19</b> <b>£000</b>
<b>Profit and Loss</b>	
439 Turnover	393
42 Operating Profit	4
42 Profit on Ordinary Activities before Taxation	4
33 Profit on Ordinary Activities after Taxation	3
<b>Balance Sheet</b>	
253 Net Current Assets	256

The accounts of the company can be obtained from:

Nottinghamshire Fire Safety Limited  
Bestwood Lodge  
Bestwood Lodge Drive  
Arnold  
Nottingham  
Nottinghamshire

<b>PENSION STATEMENTS</b>
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**PENSION FUND ACCOUNT**

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	<b>Contributions Receivable</b>	
	Fire Authority:	
(2,813)	Contributions in relation to pensionable pay	(2,774)
(108)	Other (Ill Health Retirements)	(115)
<u>(2,300)</u>	Firefighters' contributions	<u>(2,330)</u>
<b>(5,221)</b>	<b>Total Contributions Receivable</b>	<b>(5,219)</b>
	<b>Transfers in from other authorities</b>	
0	Transfers in from other schemes	(13)
	<b>Benefits Payable</b>	
12,353	Pensions	12,891
1,465	Commutations and lump sum retirement benefits	3,410
92	Lump sum death benefits	79
143	Other	75
<u>14,053</u>	<b>Total Benefits Payable</b>	<u>16,455</u>
	<b>Refunds of Contributions</b>	
6	Contribution holiday refund payments	4
<u>8,838</u>	<b>Net Amount payable for the year before top-up grant from Central Government</b>	<u>11,227</u>
(7,570)	Top-up grant received from Central Government	(8,689)
<u>(1,268)</u>	<b>Balance of top-up grant for the year (receivable from)/payable to Central Government</b>	<u>(2,538)</u>

**PENSION NET ASSETS STATEMENT**

The net current assets and liabilities arising from the operation of the pension fund are shown in this statement. This statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the core accounting statements and are explained in more detail in note 39.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	<b>Current Assets</b>	
1,021	Prepaid Pensions	1,041
1,269	Pension top-up grant receivable from Central Government	2,538
<b>2,290</b>	<b>Total</b>	<b>3,579</b>
	<b>Current Liabilities</b>	
0	Unpaid pension benefits	(221)
(22)	Tax payable on behalf of members	(20)
(2,268)	Amount owing (to)/from General Fund	(3,338)
<b>(2,290)</b>	<b>Total</b>	<b>(3,579)</b>
<b>0</b>	<b>Net Current Assets</b>	<b>0</b>



<b>NOTES TO THE PENSION STATEMENTS</b>
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**1. The Firefighters' Pension Fund**

The Firefighters' Pension Fund was established for Fire Authorities in England under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. Until April 2015 there were two separate pension schemes for firefighters: the 1992 Scheme and the 2006 Scheme.

The Firefighters' Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. Although this modified version does not constitute a scheme on its own, it has different benefits to the main 2006 Scheme and is therefore often referred to separately as the "Modified Scheme". The Modified Scheme came into being on 1 April 2014. Individuals who have elected to join the Modified Scheme can choose to pay their historic contributions either by a lump sum or in instalments over a 10 year period. These contributions are being accounted for in the year that the cash is received as the individuals concerned do not accrue any additional pensionable service until the contributions are paid.

The Firefighters' Pension Scheme (England) Regulations 2015 introduced a new pension scheme which came into being on 1 April 2015. This is referred to as the 2015 Scheme. This scheme will eventually replace the 1992 and 2006 Schemes after a transitional phase which will last for 10 years.

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

The fund is administered by the Authority in accordance with the regulations. The primary objective of the Pension Fund Statements is to demonstrate the balance of transactions taking place over the year in order to identify the amount of top-up grant payable from, or surplus payable to, the Home Office.

**2. Accounting Policies for the Pension Fund**General Principles

The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Accruals

Activity is generally 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. However, employee and employer contributions are not accounted for on an accruals basis as the effect of doing so is not material. Accruals are shown as debtors and creditors in the Net Assets Statement. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements. The one exception to this policy is the treatment of historic employee contributions paid into the Modified Scheme (see note 1 above for details).

### Administration Costs

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

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

### **4. Accruals Within the Pension Fund and Net Assets Statement**

#### Prepaid Pensions

Retirement benefits payable under the 1992 Scheme are paid to members monthly in advance. The payments made in March 2019 relate to April 2019 and have been treated as prepayments.

#### Pension Top-Up Grant Payable/Receivable

The amount required to be paid by the Home Office in order to balance the Pension Fund to nil has been calculated and accrued for.

#### Unpaid Pension Benefits

A number of pension lump sums relating to retirements in 2018/19 have been accrued for.

#### Tax Payable on Behalf of Members

Some pension payments are classed as unauthorised by Her Majesty's Revenue and Customs (HMRC). Members must pay tax on any unauthorised payments they receive. When the payments are made to the members, the Authority deducts the tax that is due and pays it over to HMRC on the member's behalf. Tax that has been deducted but not yet paid over to HMRC has been accrued for.

### **5. Financing of the Pension Fund**

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority's main bank account. These amounts are shown as "Amounts owing from the General Fund". Top-up grant received in advance from central government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable by the Home Office to the Authority in respect of the 2018/19 financial year is £2,538k, and this is included in the Pension Net Assets Statement. The difference between the grant payable and the cash deficit of £3,338k as at 31 March 2019 is the total of the accruals included in the Pension Fund.

### **6. Contingent liability**

The Authority is required to disclose if there are possible obligations which may require payment or a transfer of economic value.

#### Pension Transitional Protection Legal Challenge

As part of central government pension reform across the public sector, the Firefighters' Pension Scheme (2015) was created. This new scheme extended the normal pension age to 60 (compared with 55 in the 1992 Scheme) and changed from a "final salary" scheme to a "career average"

scheme as part of a suite of initiatives to make fire pensions more financial sustainable. To support those closer to retirement and therefore less able to alter their financial planning, firefighters within 10-14 years of their normal pension age were wholly or partially protected from transferring to the 2015 Scheme.

In response, a legal challenge was raised nationally which argued that such transitional protection discriminates on the grounds of age, gender and race. If this legal challenge is ultimately successful there will obviously be a financial impact on the Home Office and Fire Authorities. As this potential impact cannot be measured with sufficient reliability, such a cost would be a contingent liability on the pension fund. More detail can be found in note 41 *Contingent Assets and Liabilities*.

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

### 1.0 SCOPE OF RESPONSIBILITY

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

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

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

1.4 This statement sets out how the Authority has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement.

### 2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

2.4 The governance framework has been in place at the Authority for a number of years and regular reviews have been carried out periodically. In 2016/17 a full review of the Local Code of Corporate Governance was carried out and a new Local Code was adopted in line with the CIPFA / Solace framework which was revised in 2016.

### 3.0 THE GOVERNANCE FRAMEWORK

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

3.2 In developing a code of corporate governance, the Authority had the aim of seeking compliance with the CIPFA / Solace guidelines and recognised that these constitute good practice for local authority organisations.

3.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.

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

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

3.5.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The [IRMP covering 2014 – 2019](#) has now been replaced with a new [Strategic Plan 2019 - 2022](#) which was approved by Fire Authority in February 2019.

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

- to provide high quality services;
- to offer strong governance and financial sustainability; and
- to ensure that our employees are engaged and motivated.

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

3.6.1 The Service operates a system of cascading business plans. The IRMP is the highest level and from this an annual corporate plan is produced followed by a series of departmental and functional business plans. Progress against these plans is regularly reported on to the Executive Delivery Team (EDT) and the Strategic Leadership Team (SLT). Officers also report on progress and outcomes to the relevant committees of the Fire Authority.

### **3.7 The Internal Control Environment**

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

#### **3.7.2 Policy and Decision Making Process**

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

#### **3.7.3 Management Structure**

The Authority has a clear management structure with defined roles and responsibilities. The Strategic Leadership Team includes all department heads as well as the Principal Officers. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process.

The Authority has an Executive Delivery Team which is comprised of all the Departmental Heads and augmented by specialists as required. As part of a more empowering style of management this group has decision making powers with only the most significant or challenging decisions reserved for the Strategic Leadership Team. These arrangements enable good quality decision-making.

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

#### **3.7.4 Established Policies, Procedures & Regulations**

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

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

### 3.7.5 **Internal Audit Function**

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

### 3.7.6 **Risk Management Strategy**

The Authority has a well-established and embedded risk management strategy. This is managed at the corporate/strategic level by The Finance and Resources Committee which receive regular reports on risk exposures both in terms of existing and emergent risk. Members scrutinise risk registers and receive explanations for changes. The Committee is advised by the Head of Finance and the Service's Risk Manager on behalf of the Chief Fire Officer.

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Service policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and facilitate a risk management culture to enable risks to be effectively assessed, managed, monitored and reported.

### 3.7.7 **Best Value Duty**

The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. The requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value and the Authority has procurement policies in place, providing a framework within which to buy goods and services which offer good value for money.

### 3.7.8 **Financial Management**

Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sales ledger and purchase ledger functions and facilitates good budgetary control. Budget Managers are supported by Finance Officers in the use of this system for monitoring financial performance.

#### 4.0 **REVIEW OF EFFECTIVENESS**

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

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

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

#### 4.3 **The Authority and its Committees**

4.3.1 The Authority has reviewed the vision and strategic service objectives as part of the development of the Strategic Plan, creation of the year 1 corporate plan and as part of the budgeting process. The budgeting process also had a measure of Member scrutiny with the Chair of the Finance and Resources Committee taking an active role.

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

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

4.3.3 In addition to the above there are also panels for appointments, Equalities, Personnel matters and the Firefighters' Pension Schemes.

4.3.4 Terms of reference and responsibilities for all these Committees form part of the Authority's Governance arrangements.

#### 4.4 **Management Review**

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

4.4.2 There is a system of performance management and review embedded within the Authority's management structure and processes. The 2014/19 Integrated Risk Management Plan and the 2019/22 Strategic Plan set out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by Corporate Support and managed by the individual departmental management teams.



- 4.4.3 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management and receive update reports every six months. Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management are considered strong. The Service has a Risk Assurance Team which is responsible for corporate risk, operational risk and health and safety risk. The purpose of this is to enhance the co-ordination of assurance activities and management of risk within the Service.
- 4.4.4 The Authority employs appropriate professional staff:
- A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year. All relevant laws and regulations are being complied with, although a correction of the tax treatment of car leasing arrangements and essential user lump sums was required during the year following an independent tax audit requested by the service. The monitoring officer is a qualified solicitor provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.
  - A Responsible Finance Officer is appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Leadership Team ensures that the Authority approves a realistic and affordable financial plan for both revenue and capital expenditure which links to the IRMP / Strategic Plan. The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team managed by the Head of Finance maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.
- 4.4.5 In addition to the Treasurer the Authority also employs a Head of Finance who fulfils the role of Chief Financial Officer. This post holder is responsible for advising both senior managers and elected members on all financial matters. This is a role shared with the Treasurer who is seen to act independently of the Strategic Leadership Team's advice to the Fire Authority. In reality, these two officers work very closely together. Both officers are professionally qualified and have many years' experience within Local Government finance.
- 4.4.6 A full review was most recently carried out in 2015 of the role of Chief Financial Officer and, always accepting that the key statutory responsibilities under Sections 114 of the Local Government and Finance Act 1988 are held by the Treasurer, all of the principles set out in the CIPFA document *The Role of the Chief Financial Officer* are met.
- 4.4.7 Budget monitoring remains robust at both strategic and service level via the production of monthly financial monitoring reports for both Capital and Revenue budgets. These reports as well as being scrutinised by budget managers are also reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.

- 4.4.8 Functional Heads also exercise a detailed degree of budget monitoring against the capital programme.
- 4.4.9 The External Auditor approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. A presentation by the Head of Finance on the final accounts by way of a detailed year-end report to the Authority helped to communicate the year-end position to Members in a clear and understandable format.
- 4.4.10 Towards the end of the financial year, Internal Audit reviewed the Authority's governance arrangements against the Local Code of Corporate Governance adopted by the Authority in February 2017. The audit judged the authority to have a reasonable level of assurance, with no recommendations being made requiring immediate action. Six lower priority recommendations were made, which are being addressed.
- 4.4.11 In all, 26 policies have been reviewed during the year. These were mostly operational, ICT and Human Resources related but did include the Counter Fraud and Money Laundering Policy and the Business Continuity Management Policy.
- 4.4.12 Under the Civil Contingencies Act (2004) (Part 1. Para 2(1) (C)) and The Fire and Rescue Services Act 2004 there is a duty for all Category 1 Responders to prepare plans to ensure so far as reasonably practicable, that if in an emergency the Service can perform its core functions. NFRS has been developing its Business Continuity Management System (BCMS) for many years. Business Continuity plans have been reviewed during the year and a table top exercise was undertaken in November 2018 to test BCM arrangements. These exercises will be undertaken at regular intervals to ensure that the service has the capability to meet its obligations.
- 4.4.13 Work continues on a new performance management framework. New software has been purchased and is in the process of being populated. The aim of this work is to improve the management of organisational performance and to increase accountability to the community in respect of the way that services are delivered.
- 4.4.14 In addition to the usual Internal and External Audit reviews, the Authority has had its first inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) which took place in January and February 2019. The inspection focused on Efficiency, Effectiveness and People and will provide a useful benchmarking opportunity against other Fire Authorities. The process of being inspected did highlight areas where improvements could be made. Examples include using the IRMP more effectively to drive business and as a basis for monitoring performance and also ensuring that our policies and procedures are up to date and fit for purpose. These were also areas identified through the internal audit process.
- 4.4.15 The Authority published its first Efficiency Plan (Sustainability Strategy) back in 2016/17 to cover the period up to 2019/20. The plan set out targets for achieving savings over the period and update reports are regularly received by Fire Authority. In February 2018 Fire Authority approved the implementation of a mixed crewing model at both Ashfield and Retford fire stations which saw the replacement of overnight wholetime duty system cover with an on call duty system cover at the two stations from April 2019.

#### 4.5 **Internal Audit**

4.5.1 The Authority procures its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the UK Public Sector Internal Audit Standards. The internal audit plan for 2018/19, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Finance and Resources Committee during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee.

4.5.2 The Annual Internal Audit Report, which will be reported to the Finance and Resources Committee during 2018 concluded that:

“From the work carried out during the 2018/19 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.

#### 4.6 **External Review**

4.6.1 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. This communication is in the form of a written report which was presented to Members in July 2018.

The principal purposes of the Auditors' report are:

- 4.6.2
- To present key issues identified during the audit of the financial statements for the year ended 31 March 2018 and any material misstatements in the accounts
  - To report on any key issues for governance
  - To report on the Auditors' Value for Money conclusion
  - To give an “audit opinion” on the financial statements
  - To report on the implementation of any recommendations in the previous year's ISA 260 report
  - To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements

4.6.3 The ISA 260 report for the 2017/18 Statement of Accounts from KPMG LLP confirmed that the quality of the accounts was good. The audit did not identify any material or significant errors in the financial statements. There were no presentational corrections required and no adjustments required to accounting policies.

4.6.4 From 2018/19, the audit of the final accounts will be provided by Ernst & Young LLP. Three significant risks were identified in their External Audit Plan for 2018/19. These related to the risk of management override in order to perpetrate fraud, valuation of assets and valuation of the pension liabilities. These areas will be reviewed as part of the 2018/19 audit.

## 5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2019/20

- 5.1 The Fire and Rescue National Framework for England came into force on 1 June 2018. Every fire and rescue authority must have regard to the Framework in carrying out their functions. Every authority must publish an annual statement of assurance of compliance with the framework. This will be presented annually to Fire Authority in September.
- 5.2 The framework addresses the requirements of the Policing and Crime Act 2017. This Act has introduced the duty for emergency services to consider collaboration opportunities in all that they do and, although much collaborative work already takes place, this will drive further collaboration over the coming years. The Act also allows Police and Crime Commissioners to take over responsibility for fire and rescue where a local business case is made and this may lead to significant changes in governance for the fire sector in the future.
- 5.3 In September 2017 Members agreed NFRS's collaboration strategy. The strategy identified that a Strategic Collaboration Board (SCB) should be established to provide oversight of the collaboration workstreams. The SCB should report into the existing Fire Authority structures and does not have autonomy as a decision-making body.
- 5.4 In February 2019 Fire Authority approved entering into a collaborative agreement with the Office of the Police and Crime Commissioner of Nottinghamshire for a joint headquarters. In June 2019, the Joint Control room will open which will provide the control room service for both Derbyshire and Nottinghamshire Fire and Rescue services. In addition to these projects, other collaboration opportunities are being identified and developed. This increased level of collaboration will also lead to changes in governance for these service areas.
- 5.5 Another feature of the new legislation was the creation of a new statutory inspectorate for fire and rescue services. The service has had its first inspection early in 2019 with the report due to be published in the summer. The service will need to ensure that governance arrangements are in place to deliver any required changes.
- 5.6 The National Framework contains the continued requirement for the authority to have an Integrated Risk Management Plan (IRMP). The Authority's Strategic Plan sets out the strategic objectives of the organisation and how the service will aim to achieve them. The plan will help align resources to the corporate priorities when the Medium Term Financial Strategy is developed in the autumn.
- 5.7 The 2019/20 budget process identified an ongoing budget deficit in the region of £800k. The Authority has funding agreed for 2019/20, but beyond this, funding levels will be agreed as part of the spending review. In normal circumstances, this would provide the service with a 4 year funding projection. However, due to the ongoing Brexit negotiations, it is likely that there will be a delay in the spending review and a 1 year agreement will be negotiated over the summer. Work is ongoing on the revision of the Fire Funding Formula and the methodology for business rates distribution.

- 5.8 There is a significant amount of uncertainty regarding pensions. The change in the discount rate applied to future payments into the pension scheme has increased the service's employer liability by £2.57m. For 2019/20 the Home Office has provided additional grant of £2.34m but the future of this additional funding is uncertain. There is also an ongoing court case regarding the transition arrangements in the 2015 firefighter's pension scheme. These have been judged to be discriminatory on the grounds of age. Depending on the remedy, there may be considerable additional costs which will need to be met.
- 5.9 The Service may also be affected by the UK's exit from the European Union, but at this stage in the process the impacts are unclear. The risk associated with "Brexit" is on the Authority's strategic risk register and will continue to be monitored and managed as appropriate.
- 5.10 With so much financial uncertainty, the Authority needs to ensure that the service continues to operate within a balanced budget. The Medium Term Financial Strategy will need to be a prudent but flexible document and identify different options for creating savings in future years, allowing for the impact of any budget reductions to be delivered in a manageable way.
- 5.11 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

Signed.....

Councillor Michael Payne  
**CHAIR OF THE FIRE AUTHORITY**

Signed.....

John Buckley  
**CHIEF FIRE OFFICER**

## GLOSSARY OF TERMS

### **Accruals**

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

### **Budget**

A statement of the policy of the Authority expressed in financial terms. The budget is the financial element of a range of plans adopted by the Authority which include the Medium Term Financial Strategy and the Community Safety Plan.

### **Capital Expenditure**

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

### **Capital Receipts**

Income derived from the sale of capital assets.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

### **Contingent Liability**

A possible obligation arising from past events whose existence will be confirmed by the occurrence of an uncertain future event not wholly within the Authority's control. It can also be a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or where the amount of the obligation is uncertain.

### **Creditors**

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

### **Debtors**

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

### **Depreciation**

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

### **Finance Leasing**

A method of financing the acquisition of assets. Legally the assets are owned by the lessor, although the risks and rewards of ownership of the asset pass to the lessee. The assets are shown on the Balance Sheet of the Authority.

### **Financial Instrument**

Any contract which gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments are: trade payables, borrowings, bank deposits, trade receivables and investments.

### **Non-Current Assets**

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

### **Impairment**

A reduction in the value of an asset, which is additional to the expected depreciation of that asset. Impairment may be a result of, for example, physical damage or reducing prices.

### **Operating Leasing**

A method of financing the acquisition of assets, notably vehicles, plant and equipment which involves the payment of an annual rental for a period which is usually less than the useful life of the asset.

### **Provision**

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

### **Reserve**

An amount set aside for purposes outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for general contingencies.

### **Revenue Contribution to Capital Outlay**

A fixed asset purchased directly from revenue contributions.

### **Revenue Expenditure and Income**

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

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**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# PAY POLICY

Report of the Chief Fire Officer

**Date:** 26 July 2019

**Purpose of Report:**

To present a Pay Policy statement for approval by the Fire Authority, in line with the requirements of the Localism Act 2011.

## CONTACT OFFICER

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Chief Fire Officer

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## **1. BACKGROUND**

- 1.1 The Localism Act 2011, Section 38(1), places a requirement on 'relevant authorities' to prepare pay statements for each financial year.
- 1.2 The Fire Authority is a "relevant authority" as defined by Section 43(1) of the Act.
- 1.3 Pay statements must articulate an authority's own policies towards a range of issues relating to the pay of its workforce, particularly those of its senior officers and its lowest paid employees.
- 1.4 The pay statement must be agreed by the Fire Authority annually, and be published and accessible.

## **2. REPORT**

### **REQUIREMENTS OF THE LOCALISM ACT**

- 2.1 The basis for Section 38(1) of the Act reflects the recommendations of the Hutton Report on Fair Pay in the Public Sector, published in March 2011. The Act drew on these recommendations to emphasise the need for accountability, transparency and fairness in the setting of local pay and placed a requirement on elected Members to take a greater role in determining pay, and that such decisions should be set clearly within the context of the pay of the wider workforce.
- 2.2 To this end, pay policy statements must be considered by the full Fire Authority and may not be delegated to a sub-committee. Any meetings at which pay policy is established must be open to the public.
- 2.3 Additionally, the full Fire Authority should be offered the opportunity to vote before large salary packages are offered in respect of new appointments. The threshold to be set at packages valued at £100k and to include bonuses, fees and allowances and any benefits in kind.
- 2.4 The published policy statement must specifically include the approach to the publication of and access to information relating to the remuneration of Chief Officers and Deputy Chief Officers.
- 2.5 The statement must also set out the policy on remuneration for highest and lowest paid employees and establish the relationship between the remuneration of its Chief Officers and other employees. The Authority does not currently use a pay multiple to establish a differential between the highest and lowest paid employees, and it is not intended that such a pay multiple be established within the current pay policy as pay is determined through robust evaluation processes and in-line with National Joint Council agreements applicable to all members of staff.

- 2.6 The policy must also set out the approach to other elements of remuneration, including bonuses, performance related pay and severance payments.
- 2.7 The policy also needs to set out the position taken on re-engagement of Chief Officers in receipt of a pension (including under a contract for services), and any abatement measures in place across the workforce.
- 2.8 Details of severance payments, including redundancy, must also be explicit within the policy.
- 2.9 The Statement of Pay Policy is attached as Appendix A to the report.

### **PAY POLICY 2019-20**

- 2.10 If agreed the proposed Statement of Pay Policy 2019-20 will be published and made available to the public. The full Statement of Pay Policy is attached as Appendix A.
- 2.11 The policy provides a summary of pay policy and practices across the Service, and in particular details the pay policy for the Chief Fire Officer and other Principal Officers.
- 2.12 The main changes to the previous Statement of Pay Policy are as follows:
- Reference to the gender pay reporting outcomes which have been introduced from April 2017 under the Gender Pay Gap Reporting Regulations 2017 (Paragraph 1.5) which shows a gender pay difference in median pay of 6.3%;
  - Updates to pay information relating to mean average pay and pay multiples (Paragraphs 1.8 and 1.9). Mean average pay is now £33,493 per annum;
  - Confirmation of national annual pay awards applied in 2018 and 2019 (Paragraphs 2.4, 3.2, 4.2);
  - Increase in national annual rates of pay for Chief Fire Officers based on population band (Paragraph 2.2.1, 2.2.2);
  - Update of the cost of corporate health care scheme membership (Paragraph 2.10.5, 3.7, 4.2);
  - Confirmation that no compensation payments have been agreed in 2018-19 (Paragraph 6.3);
  - Confirmation that there were no settlement payments agreed in 2018-19 (Paragraph 6.4);
  - Confirmation that there were no instances involving the early payment of pension payments to LGPS members during 2018-19 (Paragraph 6.8).

### **3. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

4.1 The Service already has in place a number of policies and agreements in relation to pay and remuneration, appointments and severance payments. However, the provisions of the Localism Act 2011 place a requirement on all public bodies to publish such information as a single Pay Policy and make it accessible to external scrutiny.

4.2 There are no learning and development implications arising from the report.

### **5. EQUALITIES IMPLICATIONS**

5.1 There are no direct equalities implications arising from the report, as this is a statement of current pay policy and practice. An equality impact assessment forms part of the policy development process.

5.2 The outcomes from the gender pay gap audit and equal pay review have been reported through the Human Resources Committee and an action plan put in place.

### **6. CRIME AND DISORDER IMPLICATIONS**

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

### **7. LEGAL IMPLICATIONS**

The Localism Act places a statutory duty on Authorities to publish an annual Statement on Pay Policy. The publication of the Pay Policy meets this obligation.

### **8. RISK MANAGEMENT IMPLICATIONS**

As the Localism Act places a statutory duty on the Fire Authority, the Authority must be in a position to publish its agreed position on pay and remuneration each year. Failure to do so may lead to legal challenge.

**9. COLLABORATION IMPLICATIONS**

There are no collaboration implications arising from this report.

**10. RECOMMENDATIONS**

That Members approve the Statement of Pay Policy at Appendix A.

**11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

Nottinghamshire and  
City of Nottingham Fire Authority

# Statement of Pay Policy 2019/20



## **CONTENTS**

### **INTRODUCTION**

**Section One          General Pay Policy**

**Section Two          Pay Policy for Principal Officers**

**Section Three        Pay Policy for Fire-fighters**

**Section Four         Pay Policy for Support Roles**

**Section Five         Policy on Re-engagement and Pension Abatement**

**Section Six          Severance Payments**

## **INTRODUCTION**

This statement of Pay Policy is provided in line with Section 38(i) of the Localism Act 2011 and is authorised by the Nottinghamshire and City of Nottingham Fire Authority.

### **Purpose**

The purpose of this statement is to provide transparency to the pay policy adopted by the Nottinghamshire Fire and Rescue Service. The period covered by the review is the financial year April 2018 to 31<sup>st</sup> March 2019.

### **Accountability**

The Combined Fire Authority is responsible for establishing the pay policy for the employees of the Nottinghamshire Fire and Rescue Service.

The Combined Fire Authority is directly responsible for reviewing the pay structure for Principal Officers including the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer roles.

The Chief Fire Officer has delegated responsibility to establish appropriate gradings and salaries for all other employees of the Nottinghamshire Fire and Rescue Service.

### **Pay Negotiating Bodies**

The Authority applies the annual pay settlements negotiated by:

- The National Joint Council for Local Government Services
- The National Joint Council for Local Authority Fire and Rescue Services
- The National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services

The Authority undertakes negotiations with its recognised representative bodies on local agreements which affects the terms and conditions of its employees and which may include agreement of local allowances.

The Representative Bodies recognised for negotiating purposes are:

- The Fire Brigade's Union
- The Fire Officers Association
- UNISON
- Fire Leaders Association
- Fire and Rescue Services Association (formerly the On-call Firefighters Union)



## SECTION ONE - GENERAL PAY POLICY

- 1.1 The Authority applies the pay scales adopted by the respective national Joint Councils for all its employees up to the level of Principal Officer.
- 1.2 The Authority has adopted the principle of applying the Living Wage rate as the minimum starting point for all substantive appointments (with the exception of apprenticeship roles who are paid at the minimum pay rate based upon their age). This is subject to annual review by the Centre for Research in Social Policy. From April 2016, the Service will also adhere to the National Living Wage rate (for employees over 25) where this is higher than the Living Wage. Other than apprenticeship roles, the Service currently has no employees earning less than the Living Wage.
- 1.3 Local pay arrangements for Principal Officers are established through the provisions of the NJC for Brigade Managers of Local Authority Fire and Rescue Services and are reviewed biennially by the Fire Authority. Further details are set out in Section 2
- 1.4 The number and level of roles within the Service are determined by the Fire Authority on advisement from the Chief Fire Officer.
- 1.5 Pay policy reflects the different roles, duties and responsibilities undertaken by Service employees. This is reflected in pay differentials between different groups of workers and between workers in the same pay group. The pay bands established are based on nationally applied role maps (operational employees) or grading bands established through a job evaluation process (support employees).
- 1.6 Pay policy reflects adherence to the principle of “equal pay for work of equal value”. The Service has committed to undertake an independent equal pay audit on a 3-yearly basis as a means of identifying any gender pay issues. In line with its duty under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the Service has undertaken its second gender pay gap audit. This showed that the mean average difference in pay between female and male employees was -7.7% and the mean median difference in pay was -6.3%. This represents a reduction from the previous year. Further information on the gender pay gap audit can be found here (<https://www.notts-fire.gov.uk/about/our-staff>).
- 1.7 In applying its policy, the Authority will work to eliminate any elements which may, directly or indirectly, discriminate unfairly on the grounds of sex, race, colour, nationality, ethnic or national origin, age, marital status, having dependants, sexual orientation, gender reassignment, religion or belief, trade union activity, disability or any other factors. Part-time workers receive the same pay and remuneration as full-time workers undertaking the same job role on a pro-rata basis.

## **Generic pay information**

### **1.8 Mean Average Pay**

The mean average pay is calculated based on salary for Fire-fighters, Control and support employees. It does not include On-call Duty System Fire-fighters who are paid according to turn-outs (please refer to section 3.6).

The mean average pay for 2018-19 is £33,493 (as at 01/04/19). This compares to a mean average of £32,220 in 2017-18.

### **1.9 Pay multiples**

The idea of publishing the ratio of the pay of an organisation's top earner to that of its median earner has been recommended in order to support the principles of Fair Pay (Will Hutton 2011) and transparency.

The current ratio is 5.02:1. This will be monitored each year within the Statement of Pay Policy.

## **SECTION TWO - PAY POLICY FOR PRINCIPAL OFFICERS**

### **2.1 General Principles**

2.1.1 National pay awards negotiated by the National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services are applied by the Authority on an annual basis. This represents a cost-of-living increase.

2.1.2 In addition, a review of Principal Officer pay is undertaken on a two-yearly basis by the Combined Fire Authority. This is managed through the Policy and Strategy Committee and is approved by the full Combined Fire Authority.

2.1.3 This review is undertaken by the Clerk to the Fire Authority and Treasurer to the Fire Authority, who are appointed by the CFA to report to the Authority on the methodology applied and to make recommendations on Principal Officer pay. The last pay review was undertaken in 2017 and recommended no increase in pay for Principle Officers. The next review is due in 2019.

2.1.4 Principal Officer roles covered by the review include the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer.

### **2.2 Establishing the Pay of the Chief Fire Officer**

2.2.1 The National Joint Council for Brigade Managers of Fire Authorities establishes a minimum salary for Chief Fire Officers based upon population size as follows:

- Population band 1: up to 500,000
- Population band 2: 500,001 – 1,000,000
- Population band 3: 1,000,001 – 1,500,000
- Population band 4: 1,500,000 and above (except London)
- Population band 5: London

- 2.2.2 The population size for the Nottinghamshire Fire and Rescue Service is 1.1m. The minimum payment for the Chief Fire Officer is therefore based upon Population Band 3 which establishes a minimum rate of pay for 2018 at £111,070.
- 2.2.3 The base salary for the Chief Fire Officer role at Nottinghamshire Fire and Rescue Service is currently £153,337 within the range £138,003 to £153,337 per annum. Please refer to paragraph 2.3.1 for further details of pay policy on appointment.
- 2.2.4 Additionally, a car is provided for business use up to the on the road list price value of 33.3% of the Chief Fire Officer salary. All mileage undertaken on tertiary duty is reimbursed to the Authority at HMRC approved rates.
- 2.2.5 Pension: The Service makes an employer contribution of 37.3% (1992 scheme), 27.4% (2006 scheme) or 28.8% (2015 scheme) depending on individual membership. The employee contribution for 2018 is 14.2-17% (1992 scheme), 9.4-12.5% (2006 scheme) or 11- 14.5% (2015 scheme) of pensionable pay.

### 2.3 Local Pay Review

- 2.3.1 In 2013 the CFA revised the payment for Principal Officers from a single pay point to a 3-point model based upon length of service, as follows:
- Year One of appointment: 90% of full pay
  - Year Two of appointment; 95% of full pay
  - Year Three of appointment: 100% of full pay

Progression through the pay band is subject to a review of performance.

- 2.3.2 The CFA has also revised the methodology for the review of Principal Officer pay based upon a comparator for the role of Chief Fire Officer. The review compares the pay levels of comparable Fire and Rescue Authorities in the same Family Group of 18 Fire and Rescue Services, and establishes an average median pay point as a benchmark salary which is considered by the Combined Fire Authority when reviewing Principal Officer pay on a 2-yearly basis.
- 2.3.3 A pay review was undertaken in 2017, which resulted in no increase in local pay arrangements. The next pay review is scheduled for 2019 for application from January 2020.

### 2.4 National Pay Review

The national pay review undertaken by the NJC for Brigade Managers of Fire and Rescue Services applied an increase of 2%, with effect from 1<sup>st</sup> January 2018. Pay negotiations for 2019-20 are ongoing.

### 2.5 Other Principal Officer Pay

The Authority has established a policy that Principal Officer roles below that of Chief Fire Officer would be paid as a proportion of the locally agreed Chief Fire Officer base pay rate as follows:

- Deputy Chief Fire Officer - 82.5%
- Assistant Chief Fire Officer - 75%

## 2.6 Publication of Principal Officer Pay

Details of Principal Officer Pay are published on the Nottinghamshire Fire & Rescue Service internet site. This can be found by opening the following hyperlink:

<https://www.notts-fire.gov.uk/about/our-staff>

## 2.7 Principal Officer – internal pay comparators

- 2.7.1 In 2018-19, the lowest paid role within the Service was £17,364(fte), which reflects the recent application of the National Living Wage, the highest paid role within the Service is £153,337. The Service does not have a policy of direct correlation between the highest and lowest paid roles i.e. it does not apply a pay multiple in establishing Principal Officer pay.
- 2.7.2 The ratio of pay between the highest paid employee of the fire service and a median salary is set out in paragraph 1.8.
- 2.7.3 The pay (including rota allowances) of the most senior officer below Principal Officer (Area Manager) is 74.3% of Assistant Chief Officer pay and 50.15% of Chief Fire Officer pay.
- 2.7.4 The pay of the most senior support role (at salary maximum) below Principal Officer (Area Manager – Support) is 59.24% of Assistant Chief Officer pay and 40% of Chief Fire Officer pay.

It should be taken into account that the salaries of Principal Officers and other flexi-duty officers reflects a requirement to provide duty cover on a 24/7 rota basis.

## 2.8 Re-engagement

Principal Officers are subject to the same Re-engagement provisions as other Service employees. These are set out in more detail in Section 5.

## 2.9 Severance Payments

Principal Officers are subject to the same severance arrangements as other Service employees. These are set out in more detail in Section 6.

## 2.10 Other allowances

- 2.10.1 A car is provided for business use to the Deputy and Assistant Chief Fire Officers up to the on the road list price value of 70% of the Chief Fire Officer allowance referenced in Section 2.2.4. All mileage undertaken on tertiary duty is reimbursed to the Authority at HMRC approved rates.
- 2.10.2 Pension: The Service makes an employer contribution of 37.3% (92 scheme), 27.4% (2006 scheme) or 28.8% (2015 scheme) depending on scheme membership. The employee contribution for 2019 is between 14.2% and 17% (92 scheme), between 9.4% and 12.5% (2006 scheme) and 11% to 14.5% (2015 scheme) of pensionable pay.

- 2.10.3 Business mileage is reimbursed using fuel cards.
- 2.10.4 Subsistence allowances: reimbursement of expenses when working away from the home work base.
- 2.10.5 All employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees, and access to MRI, PET scans and counselling support. This is at a cost of £45.80 per employee per annum. Principal Officers are also members of this scheme.

### **SECTION THREE - PAY POLICY FOR FIRE-FIGHTERS**

- 3.1 This policy applies to Whole-time, On-call Firefighters and Control staff.
- 3.2 National pay awards negotiated by the National Joint Council for Firefighters of Local Authorities Fire and Rescue Services are applied by the Authority on an annual basis. This represents a cost-of-living increase. A 2% pay award was applied by the NJC for Local Authority Fire and Rescue Services from 1<sup>st</sup> July 2018. Pay negotiations for 2019 are ongoing.
- 3.3 Pay is based upon the role undertaken and the stage of competence of each individual i.e. trainee, in development and competent.
- 3.4 A formal assessment of individuals is undertaken at each stage of development before moving to the next salary level. Maintenance of competence is a requirement at all levels of the Service and is reviewed annually.
- 3.5 Progression between roles is subject to a competitive selection process.

#### **On-call Duty System**

- 3.6 Employees employed on the On-call Duty System are paid an annual Retaining Fee and receive subsequent payments based on attendance at incidents and other activity – these include attendance at drill nights, disturbance fees, turnout fees, attendance fees, training fees, other authorised NFRS duties and compensation for loss of earnings. All payments are made in line with nationally agreed pay scales and rates.

#### **3.7 Other allowances and payments**

Pension contributions: Employer contributions are 37.3% (1992 scheme), 27.4% (2006 scheme) or 28.8% of salary (2015 scheme) for members of the Fire-fighter's Pension Scheme. The employee makes a contribution of 14.2%-17%, 9.4 -12.5% (2006 scheme) or 11% -14.5% (2015 scheme) of pensionable pay.

Flexible duty payment: under national conditions of service, a flexible duty payment is made to Station Managers, Group Managers and Area Managers who provide flexible duty cover on a 24/7 rota basis and who are available to attend emergency incidents when required, and provide Duty Officer cover. This is paid at an allowance of 20% of base salary.

Area Manager rota payment: under local arrangements, Area Managers are paid a rota payment equating to 11.67% of base salary.

Acting up: An allowance is paid on a daily basis where employees temporarily undertake the duties of a higher graded role. This is paid at the rate applicable to the role being undertaken. Employees must be qualified to undertake the higher-level role.

Overtime rates: paid for roles below Station Manager. This is paid a time and a half or double time on public holiday or time may be granted in lieu at the appropriate enhanced rate.

Detachments: paid when operational employees are required to provide cover at other stations. Paid at 2 hours overtime rate.

Recall to duty: paid at a minimum of three hours at double time rates.

Continuous Professional Development Payment (CPD): Under national conditions of service, a CPD payment is approved annually on an individual basis for employees with more than 5 years of service (since attaining competence in role).

This is paid as an annual payment of £930 (whole-time employees), and £232.56 (On-call). The payment made to On-call duty system employees is paid on pro-rata basis (25% of full value).

The payment is made by initial application after 5 years' service in post, and authorised at a senior management level. A CPD payment may be withdrawn if there are issues related to performance, conduct and/or attendance which lead to a formal process.

Additional Responsibility Allowance (ARAs): may be paid where employees perform duties outside of the national role map. At NFRS, two levels of payment are applied. The lower level is paid at £250 per annum and the higher level at £500 per annum. There are 58 higher level ARAs and 4 lower level in payment at the current time. Payments are conditional upon individual's performing additional duties / responsibilities and maintaining competence in these areas, this may include taking professional or vocational qualifications.

National Resilience Payment: a local payment is made for employees volunteering for crewing of the High-Volume Pump, Enhanced Command Support Vehicle and Incident Response Unit which form part of the national resilience network. Volunteers are available on an on-call basis and could be required to operate outside of the county to respond to national emergencies. Current payments are £500 per annum and there are 26 employees receiving this payment, and 5 receiving a higher-level co-ordinators allowance of £1000. The payment is funded by national grant.

Special Response Team: a local payment is made for employees volunteering for this tactical response team. Volunteers are available on an on-call basis. Current payments are £500 per annum and there are 33 employees receiving payments and 2 receiving £1000 for co-ordinating activity.

Incident Liaison Officers: a local payment is made for employees volunteering to be Incident Liaison Officers at Special Response incidents. Volunteers are available on an on-call basis. Current payments are £500 per annum and there are 6 employees receiving payments.

Messing allowance: Paid to station personnel who are responsible for catering arrangements on fire stations.

Spoilt meals: Paid when prepared meals are uneaten as a result of attending an emergency call-out.

Kit Carrying allowance: business mileage rate as per national conditions paid to compensate operational employees who are required to transfer fire kit in their own vehicles.

Travel allowance: a local allowance to cover additional travel costs when an operational employee is compulsorily transferred to another work base. A payment is made of the difference in mileage undertaken and is paid for 3 years (compulsory transfer) or 18 months (promotion).

Essential Car User: A lump sum is paid to employees who are required to use their own vehicles to undertake their job role. This is based on nationally determined allowances. The allowance may be off-set against leasing arrangements for a vehicle, the balance of which is paid by the employee.

Business mileage is reimbursed in line with nationally agreed rates.

Subsistence allowances: reimbursement of expenses when working away from the home work base.

Clothing allowance: Paid to Control employees for provision of uniform (where this is not provided by the Service), and to female operational employees for the provision of maternity wear.

Reimbursement of medical fees: this only applies to employees whose service commenced before November 1994. The reimbursement of fees cover dental, optical and prescription fees and are paid at NHS rates.

Health scheme membership: all employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees and access to MRI, PET scans and counselling support. This is at a cost of £46.80 per employee per annum.

## **SECTION FOUR - PAY POLICY FOR SUPPORT ROLES**

- 4.1 This policy applies to employees covered by the NJC for Local Government Services and includes all non-operational support staff.
- 4.2 National pay awards negotiated by the National Joint Council for Local Government Services are applied by the Authority on an annual basis if applicable. This represents a cost-of-living increase. A 2-year pay deal was agreed in 2018, representing an award of 2% from 1<sup>st</sup> April 2018, and a 2% pay increase from 1<sup>st</sup> April 2019.

- 4.3 Additionally, the National Employers reviewed pay scales in light of the National Living Wage and amended the national scale points to take account of the changes effective from 1 April 2019. The Service has undertaken a review of its scale points and grading structure and changes to the grading structure were agreed by the Fire Authority at its meeting on 15<sup>th</sup> February 2019 and have been implemented from 1 April 2019.
- 4.4 The Authority has a locally agreed grading structure, which uses nationally recognised salary points (spinal column points) across 9 grading levels. Each level is comprised of 5 salary points. Movement between grades is through a competitive selection process.
- 4.5 A job evaluation process, based on the national model, assesses all roles and allocates an appropriate grade according to the duties and responsibilities undertaken. Employees may apply for a review of their grade where permanent, substantial and material changes have increased the level of duties and responsibilities attached to their role. Any substantive changes to grade must be authorised by the Chief Fire Officer and reported to the Authority.
- 4.6 On an annual basis, employees progress incrementally through their respective grade until they reached the maximum point of their grade. Progression is subject to satisfactory performance.
- 4.7 **Other allowances and payments**

Pension contributions: the Service makes an employer contribution which equates to 14.8% for all members of the Local Government Pension Scheme. The employee makes a contribution of between 5% and 12.5% of pensionable pay depending on their salary band.

Overtime: Paid up to Grade 5, at the rate of time and a half and double time for weekend and public holidays. Time in lieu may be taken as an alternative to payment.

Acting up: An allowance is paid if an employee is required to a higher-level role for a period of more than one month.

Honorarium: A discretionary payment may be made, with the approval the Strategic Director – Corporate Support, for duties undertaken outside of the normal job requirements for an extended period of time. The maximum payable is £1000. Any payments above £1000 must be approved by the Fire Authority.

Stand by: Employees required to attend work outside of normal office hours or to be on-call are paid an allowance depending on the nature of the arrangements.

Essential Car User A lump sum is paid to employees who are required to use their own vehicles to undertake their job role. This is based on nationally determined allowances.

Business mileage is reimbursed in line with nationally agreed rates.



Disturbance: Paid when an employee is required to move work location. Actual additional mileage is paid for a period of 4 years.

Subsistence allowances: reimbursement of expenses when working away from the home work base.

Health scheme: All employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees, and access to MRI, PET scans and counselling support. This is at a cost of £46.80 per employee per annum.

## **SECTION FIVE - POLICY ON RE-ENGAGEMENT AND PENSION ABATEMENT**

- 5.1 The Service does not operate a Re-engagement Policy.
- 5.2 Abatement of pension is applied when employees who retire from Service with pension benefits from the Firefighter's Pension Scheme, are successful in attaining another job with the Service through a competitive process. This means that they may not earn more in the new role than in their previous role when pension and salary are combined. This complies with the provisions of the Firefighter's Pension Scheme.
- 5.3 The Service operates a Flexible Retirement Policy for employees in the Local Government Pension Scheme which allows employees to take their pension benefits and be re-employed on reduced hours or at a lower grade without abatement of pension. This complies with the provisions of the Local Government Pension Scheme. There were no flexible retirement arrangements made during 2018-19.
- 5.4 In circumstances in which employees who have taken retirement benefits from the LGPS (either as former NFRS employees or employees of another public-sector organisation) apply for a support role with the Nottinghamshire Fire and Rescue Service as part of a competitive selection process and are successful, no abatement of pension is applied.

## **SECTION SIX - EXIT PAYMENTS**

- 6.1 In the event of redundancy, the Service applies statutory redundancy payments under the provisions of its Redundancy Procedure. This applies to both compulsory and voluntary redundancy situations.
- 6.2 In addition, members who are members, or who are eligible to be members, of the Local Government Pension Scheme may be awarded an additional compensation payment under the provisions of the Discretionary Compensation Payments Scheme. This payment is based upon age and length of service. A Discretionary Compensation Payments Board assesses each application to determine whether there are any exceptional personal circumstances to enhance the compensation element of the award. This applies to both compulsory and voluntary redundancy situations. A cap of 66 weeks' pay is applied in normal circumstances. This can be increased to up to 104 weeks in exceptional circumstances.

- 6.3 All recommendations for enhanced payments are subject to agreement by the Human Resources Committee. There were no compensation awards agreed as part of redundancy arrangements in 2018-19.
- 6.4 In exceptional cases, the Chief Fire Officer is authorised to agree a compensation payment as part of a compromise agreement when the employment of an employee is terminated by the Service, or in settlement of a claim. Such agreements are subject to confidentiality clauses. There were no such settlements in 2018-19.
- 6.5 No exit payments were required to be reimbursed in line with the Repayment of Public Sector Exit Payments Regulations 2016 during 2018-19.

#### **Early Payment of Pension Benefits**

- 6.6 Under the provisions of the Local Government Pension Scheme, employees aged over 55 who are made redundant or who are retired from Service on the grounds of efficiency are awarded early payment of pension benefits.
- 6.7 In this case, a charge is made against the Fire Authority by the pensions fund, this is referred to as actuarial strain.
- 6.8 No such early payments were made in 2018-19.



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **HER MAJESTY'S INSPECTORATE OF CONSTABULARY AND FIRE AND RESCUE SERVICES FINDINGS**

Report of the Chief Fire Officer

**Date:** 26 July 2019

**Purpose of Report:**

To present Members with the outcomes from the report regarding the recent inspection of Nottinghamshire Fire and Rescue Service by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services.

## **CONTACT OFFICER**

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## 1. BACKGROUND

- 1.1 As part of the national reform agenda for the fire and rescue service, the new combined inspectorate, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) was created by the Government to undertake independent inspections of all 45 English fire and rescue services (FRSs) during 2018 and 2019. These were the first independent inspections of the sector in 12 years. HMICFRS elected to inspect and report on Services in three tranches and Nottinghamshire Fire and Rescue Service (NFRS) was inspected in tranche two.
- 1.2 The inspection process consisted of a wide variety of pre-inspection evidence gathering in the form of data and documents, a qualitative self-assessment prepared by NFRS and a strategic briefing delivered by the Strategic Leadership Team. Teams of inspectors also visited NFRS several times culminating in the week-long inspection commencing 11 February 2019. Inspectors gathered in excess of 1,000 pieces of evidence, directly engaging with 122 members of staff, as well as visiting nine stations during the inspection.
- 1.3 The inspection process asked three main questions; these were:
- How effective is the FRS at keeping people safe and secure from fire and other risks?;
  - How efficient is the FRS at keeping people safe and secure from fire and other risks?; and
  - How well does the FRS look after its people?
- 1.4 The categories of graded judgements, are:
- Outstanding – if policy, practice or performance exceeds what is expected of good, then consideration will be given to a graded judgement of outstanding.
  - Good – is the 'expected' graded judgment, based on policy, practice or performance that meets pre-defined grading criteria that are informed by any relevant national operational guidance or standards.
  - Requires improvement – if there are shortcomings in the policy, practice or performance, then consideration will be given to a graded judgment of requires improvement.
  - Inadequate – if there are serious critical failings of policy, practice or performance, then consideration will be given to a graded judgment of inadequate.

## 2. REPORT

- 2.1 The final inspection report was published 20 June 2019 (Appendix A). The report has highlighted that NFRS has a good understanding of the risks in the

Nottinghamshire area and that it works well with partner organisations. It has been rated 'Good' at protecting the public through fire regulation, taking legal action where necessary, and at responding to national risks. The inspection also found that NFRS effectively promotes its values and culture and that staff are positive about the way the Service looks after their safety and well-being.

- 2.2 Although HMICFRS found no causes for concern during the inspection, some areas for improvement have been identified. These are areas the Service was already aware of before the inspection process began and presented as part of the self-assessment process and strategic briefing.
- 2.3 Other areas highlighted in the report included health and well-being and whilst HMICFRS recognised the work in this area as being best practice, NFRS does not have an overarching policy. They recognised the success of the positive action in respect of the recent whole-time recruitment process, whilst also commenting on the low diversity of the workforce.
- 2.4 The new Strategic Plan launched in April 2019, together with individual departmental business plans from across the Service, will drive the continuous improvement agenda forward. The Service will continue to monitor progress of the Strategic Plan through established governance and will produce an outturn report to the Fire Authority through the Annual Statement of Assurance.
- 2.5 To provide additional assurance to Members, the Chief Fire Officer will provide a report at the September Fire Authority to demonstrate progress against each of the specific areas for improvement identified in the report.
- 2.6 The inspection process has been useful in that it has confirmed the Service has a high level of self-awareness and is focused on improvement. The Service will continue to maintain an effective relationship with the HMICFRS Service Liaison Lead and will continue to demonstrate its commitment toward improvement in relation to the highlighted areas within the report and to other areas of Service performance where this adds value.

### **3. FINANCIAL IMPLICATIONS**

There are no additional financial implications arising from this report.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

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

## **5. EQUALITIES IMPLICATIONS**

There are no equalities implications arising from this report as no changes to existing, or introduction of new arrangements of the delivery of services are proposed.

## **6. CRIME AND DISORDER IMPLICATIONS**

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

## **7. LEGAL IMPLICATIONS**

The Police and Crime Act (2017) Chapter 4 Section 11 outlines that the English inspectors must inspect, and report on the efficiency and effectiveness of, fire and rescue authorities in England.

## **8. RISK MANAGEMENT IMPLICATIONS**

There are no risk management implications arising from this report.

## **9. COLLABORATION IMPLICATIONS**

There are no collaboration implications arising from this report, however, discussions with Nottinghamshire Police continue in relation to their experience of HMIC inspections and how the Service can learn from that in preparation for future inspections of NFRS.

## **10. RECOMMENDATIONS**

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Agree to receive a report at the September Fire Authority meeting demonstrating the progress against the identified areas for improvement.

## **11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

# Fire & Rescue Service

## Effectiveness, efficiency and people 2018/19

An inspection of Nottinghamshire Fire and Rescue Service



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# About this inspection

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This is the first time that HMICFRS has inspected fire and rescue services across England. Our focus is on the service they provide to the public, and the way they use the resources available. The inspection assesses how effectively and efficiently Nottinghamshire Fire and Rescue Service prevents, protects the public against and responds to fires and other emergencies. We also assess how well it looks after the people who work for the service.

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In carrying out our inspections of all 45 fire and rescue services in England, we answer three main questions:

1. How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
2. How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
3. How well does the fire and rescue service look after its people?

This report sets out our inspection findings. After taking all the evidence into account, we apply a graded judgment for each of the three questions.

## What inspection judgments mean

Our categories of graded judgment are:

- outstanding;
- good;
- requires improvement; and
- inadequate.

**Good** is our 'expected' graded judgment for all fire and rescue services. It is based on policy, practice or performance that meet pre-defined grading criteria, which are informed by any relevant national operational guidance or standards.

If the service exceeds what we expect for good, we will judge it as **outstanding**.

If we find shortcomings in the service, we will judge it as **requires improvement**.

If we find serious critical failings of policy, practice or performance of the fire and rescue service, we will judge it as **inadequate**.

# Service in numbers



## Public perceptions

Nottinghamshire      England

**Perceived effectiveness of service**  
Public perceptions survey (June/July 2018)      **87%**      **86%**



## Response

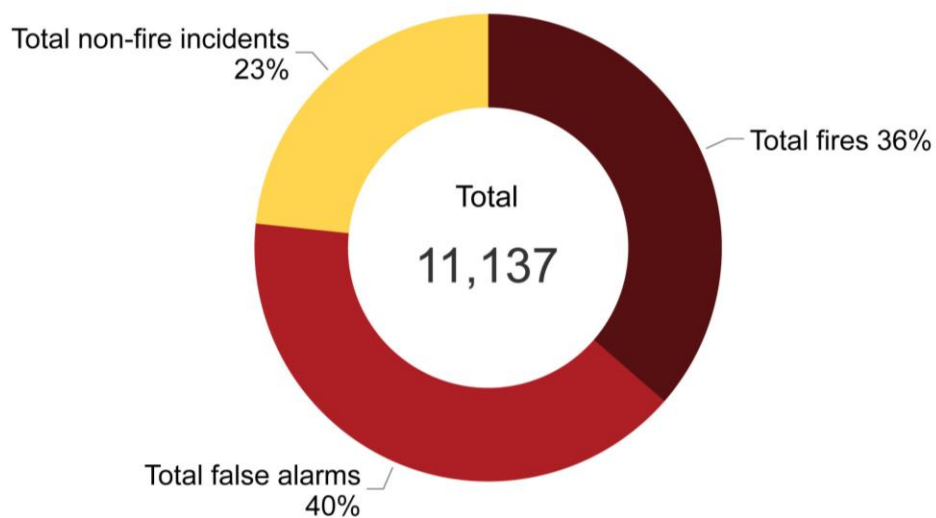
Nottinghamshire      England

**Incidents attended per 1,000 population**  
12 months to 30 September 2018      **9.7**      **10.5**

**Home fire risk checks carried out by FRS per 1,000 population**  
12 months to 31 March 2018      **3.3**      **10.4**

**Fire safety audits per 100 known premises**  
12 months to 31 March 2018      **3.3**      **3.0**

### Incidents attended in the 12 months to 30 September 2018





## Cost

Nottinghamshire

England

**Firefighter cost per person per year**  
12 months to 31 March 2018

£21.19

£22.38



## Workforce

Nottinghamshire

England

**Number of firefighters per 1,000 population**  
As at 31 March 2018

0.5

0.6

**Five-year change in workforce**  
As at 31 March 2013 compared with 31 March 2018

-11%

-14%

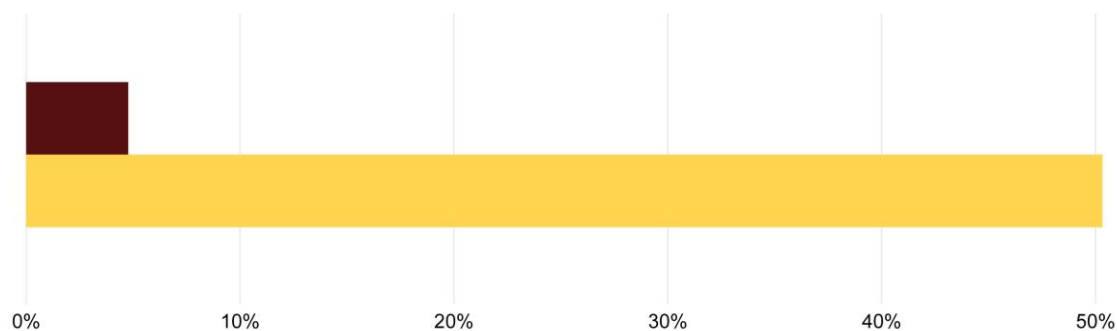
**Percentage of wholetime firefighters**  
As at 31 March 2018

77%

70%

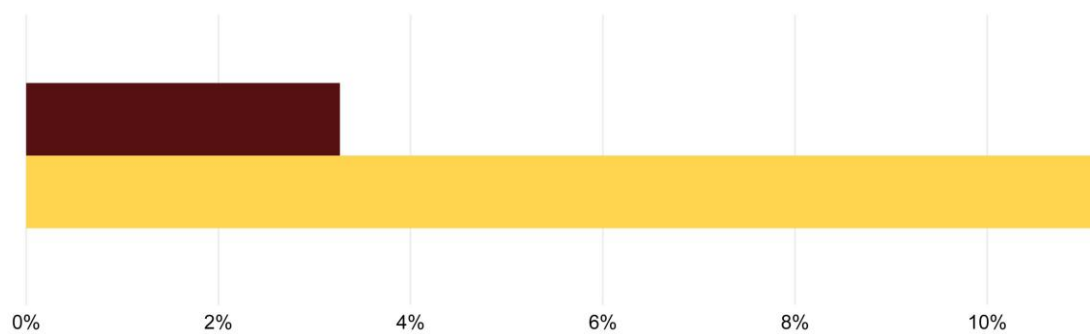
### Percentage of female firefighters as at 31 March 2018

● Female firefighters ● Female residential population














### Percentage of black, Asian and minority ethnic firefighters as at 31 March 2018

● BAME firefighters ● BAME residential population



Please refer to annex A for full details on data used.

# Overview

 <b>Effectiveness</b>	 <b>Requires improvement</b>
Understanding the risk of fire and other emergencies	 Requires improvement
Preventing fires and other risks	 Requires improvement
Protecting the public through fire regulation	 Good
Responding to fires and other emergencies	 Requires improvement
Responding to national risks	 Good
 <b>Efficiency</b>	 <b>Requires improvement</b>
Making best use of resources	 Requires improvement
Making the fire and rescue service affordable now and in the future	 Requires improvement



## People



**Requires improvement**

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Promoting the right values and culture



Requires improvement

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Getting the right people with the right skills



Requires improvement

---

Ensuring fairness and promoting diversity



Requires improvement

---

Managing performance and developing leaders



Requires improvement

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## Overall summary of inspection findings

We are satisfied with some aspects of the performance of Nottinghamshire Fire and Rescue Service (FRS). But there are several areas where the service needs to make improvements.

The service requires improvement to its effectiveness. It requires improvement to the way it:

- understands the risk of fire and other emergencies;
- prevents fires and other risks; and
- responds to fires and other emergencies.

But the service is good at protecting the public through fire regulation and at responding to national risk.

The service requires improvement to its efficiency, to how it uses resources and at providing an affordable service.

It requires improvement to how it looks after its people. And we judge it to require improvement at:

- promoting the right values and culture;
- getting the right people with the right skills;
- ensuring fairness and promoting diversity; and
- managing performance and developing leaders.

Overall, we would like to see improvements in the year ahead.

# Effectiveness



# How effective is the service at keeping people safe and secure?



## Requires improvement

### Summary

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An effective fire and rescue service will identify and assess the full range of foreseeable fire and rescue risks its community faces. It will target its fire prevention and protection activities to those who are at greatest risk from fire. It will make sure businesses comply with fire safety legislation. When the public calls for help, the fire and rescue service should respond promptly with the right skills and equipment to deal with the incident effectively. Nottinghamshire Fire and Rescue Service's overall effectiveness requires improvement.

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Nottinghamshire FRS should improve its understanding of the risk of fire and other emergencies. The service maintains a good understanding of local risks by analysing data and information. But the service doesn't use its [integrated risk management plan](#) (IRMP) to direct its activities enough, and the actions in this plan aren't easy for the public to understand.

The service should improve its prevention of fires and other risks. It has no clear fire prevention strategy but does carry out prevention work such as advising households how to prevent fires. The service doesn't monitor its performance at preventing fires, so doesn't know what impact it has on community safety. Nor does it promote road safety effectively. More positively, we were impressed by its work with people who show fire-setting behaviour.

Nottinghamshire FRS is good at protecting the public through fire regulation. The service directs its fire safety enforcement work using a nationally recognised strategy. It prioritises this work based on its understanding of risk. The service works with businesses to make sure they comply with fire safety regulations and takes further action if needed. It also works with other organisations to enforce these rules.

The service should improve its response to fires and other emergencies. It knows it doesn't have enough on-call fire engines available and is addressing this. It shares information with the public in various ways. Control room operators confidently give



lifesaving information to callers. Staff can identify [vulnerable people](#) and refer them for [safeguarding](#).

The service responds well to national risks. It holds several [national resilience assets](#) and can maintain Nottinghamshire's fire cover if other services are using these assets. The service's arrangements for working with other services are effective, as its response to a recent railway station fire showed. However, the service knows it needs to carry out more cross-border exercises.

## Understanding the risk of fire and other emergencies



### Requires improvement

#### Areas for improvement

- The service should use its integrated risk management plan to ensure it keeps the public safe and secure from the risks identified.
- The service should ensure its firefighters have access to relevant and up-to-date risk information.

All fire and rescue services should identify and assess all foreseeable fire and rescue-related risks. They should also prevent and mitigate these risks.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Understanding local and community risk

Nottinghamshire FRS has a good understanding of the risks in the Nottinghamshire area. It achieves this through the use of a wide range of information. This includes social, health, demographic and previous incident data.

The service uses computer software to create a visual map of the low, medium and high-risk areas of the county. Nottinghamshire FRS uses this map to make sure it places fire stations correctly to respond proportionately to incidents. It repeats the analysis process every six months, so the information is current.

A fire cover review in 2010 highlighted that risks in Nottinghamshire FRS's service area had changed. The service came up with proposals to meet the new risk pattern. These included changing working arrangements at some fire stations – for example, upgrading Edwinstowe from on-call to [wholetime](#). Nottingham Trent University's Emergency Services Research Unit confirmed that the service had based its changes on correct planning assumptions.

Nottinghamshire FRS drew up its proposed 2014–2019 IRMP following the fire cover review and presented it to the public for consultation. The consultation exercise

included face-to-face meetings, focus groups and questionnaires. The service used an external company to make sure the process was open and honest. Following the results of the consultation, the [fire authority](#) approved the proposals.

The service is highly regarded within the Nottinghamshire [local resilience forum](#) (LRF). This is the Nottingham and Nottinghamshire management group for the co-ordination of emergency planning and response organisations. Nottinghamshire FRS is responsible for the forum's training plan and is a member of the risk advisory group.

The service takes account of future challenges such as financial pressures, wide-scale flooding, cyber-attack and trade disputes.

### **Having an effective risk management plan**

Nottinghamshire FRS has informed members of the public of the main risks they face through its 2014–2019 IRMP. This document contains six strategic priorities:

- service delivery;
- employees and workforce;
- improvement and governance;
- engagement and partnerships;
- environment; and
- inclusion and equality.

Each strategic priority has its own action plan, but Nottinghamshire FRS hasn't been acting on these plans. Staff, from strategic managers to firefighters, told us the service hasn't been using the IRMP to direct its activities. Also, as the action plans aren't easy to read, it is difficult for the public to understand how the service will reduce risk. However, in line with the [national framework](#) document, the service publishes an Annual Statement of Assurance.

At the time of our inspection, the fire authority approved Nottinghamshire FRS's new IRMP, Strategic Plan 2019–2022, which comes into force from April 2019.

### **Maintaining risk information**

Nottinghamshire FRS routinely gathers information on the risk to its firefighters. Not only is this essential for their safety, but it is a legal requirement under [section 7\(2\)d](#) of the Fire and Rescue Services Act 2004. However, this risk information wasn't integrated into the 2014–2019 IRMP.

The service's firefighters access the risk information using the [mobile data terminal](#) (MDT) in the front of every fire engine. This information includes specific risks relating to, for example, hospitals and shopping centres. Staff can also access effective plans for and information about temporary events in their station area, such as Winter Wonderland and the Goose Fair. However, it is of concern that some of Nottinghamshire FRS's information isn't accurate and some is out of date. There are long delays – in some cases of several months – between a risk inspection and the updating of the file about it, and information isn't routinely checked for accuracy. At 31 December 2018, the service held risk information on 433 sites. Between 1 April 2018

and 31 December 2018, the service had inspected 164 of these sites. The service completed a range of between 40 and 60 percent of follow-up visits within the target time. The service knows about these problems and has trained a member of staff at every fire station to improve the co-ordination of this work.

Nottinghamshire FRS has numerous systems in place to share other safety-critical information. Teams share information using briefings and handover sheets. A central team also issues important and critical information, such as the correct use of defibrillators, using short documents known as safety critical information. Staff value these for the accessible way in which they are written.

## Preventing fires and other risks



### Requires improvement

#### Areas for improvement

- The service should review and update its prevention strategy to take account of risks.
- The service should ensure it targets its prevention work at people most at risk.
- The service should evaluate its prevention work, so it understands the benefits better.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Prevention strategy

Although Nottinghamshire FRS's prevention activities, carried out by a central prevention team and staff at fire stations, meet legal requirements, its prevention strategy isn't clear. Although it contains action plans, it doesn't show how these will be carried out. It also doesn't show how they are aligned with local community risks and will be evaluated. Staff told us the service doesn't use the strategy.

Nottinghamshire FRS works well with partner organisations, including local authorities and the health service. This has had a positive effect – for example, through close working with health professionals, the service has increased the scope of [home fire safety visits](#). These now follow a [safe and well checks](#) model, which includes:

- identifying potential fire risks;
- taking action to reduce fire risks;
- ensuring working smoke alarms are fitted;
- advising on social welfare;

- advising on avoiding slips, trips and falls; and
- advising on other measures such as fire-retardant bedding.

However, Nottinghamshire FRS has no performance management in place to ensure staff are making these checks effectively. The service uses the mnemonic CHARLIE (care and support; hoarding; alcohol; reduced mobility; lives alone; inappropriate smoking; and elderly, namely over 65) as an easy-to-remember reminder for partner organisations of the characteristics of those people it considers at greater risk of fire. However, some referrals from those organisations don't meet the service's own targeting profile.

Nottinghamshire FRS has no targets for the completion of safe and well checks, and the number carried out by each station varies considerably. In the year ending 31 March 2018, the service carried out 3 checks per 1,000 of the population. This is lower than the England rate of 10 per 1,000 of the population.

As Nottinghamshire FRS doesn't monitor, manage or evaluate its prevention activities, it can't determine the effect of its work on reducing risks in the community.

There is an effective process in place to aid the police 24 hours a day in cases where domestic violence raises fire risk. We saw examples where Nottinghamshire FRS firefighters had visited the victim's property, conducted a home safety check and supplied free safety equipment.

### **Promoting community safety**

Nottinghamshire FRS partners with a range of organisations to promote community safety. Examples of the good work it does as part of the Nottinghamshire Safety Education Partnership include the Safety Zone days it has developed to provide information to large numbers of schoolchildren.

The service also works with occupational therapists and other health professionals to improve the mutual understanding of vulnerability. Its CHARLIE mnemonic (see above) helps occupational therapists to know who to refer for safe and well checks.

Nottinghamshire FRS's approach to working with young people who display fire-setting behaviour is encouraging. The service uses a team of 11 trained volunteers to deliver its Fire Safe scheme. The scheme educates youngsters – 107 in 2018 – about the dangers of fire and the damage it can cause.

Staff across the service have a good understanding of safeguarding and are appropriately trained. There is an effective process in place so staff can take immediate action to safeguard both adults and children.

Nottinghamshire FRS plans community safety campaigns in line with the [National Fire Chiefs Council](#) calendar. This includes road, water and fire safety. However, we found an inconsistent approach. While some fire station activity is co-ordinated by local prevention officers, at others fire station staff decide which campaigns they carry out, meaning there is no process in place to make sure it targets its campaigns effectively. The service carries out some themed prevention work after incidents – for example, several stations promoted water safety following a fatality.

There are some areas of good work and a variety of approaches to promoting community safety, but Nottinghamshire FRS isn't evaluating the effect of its prevention activities. If it did, this would help it understand how those activities could be more focused.

## Road safety

Nottinghamshire FRS isn't promoting road safety effectively enough to reduce the numbers killed and seriously injured on the region's roads. It contributes financially to the Nottinghamshire Road Safety Partnership but isn't an active member and has very few examples of campaigns and initiatives. The service should consider a more co-ordinated approach. It acknowledges this is an area in which it needs to improve.

## Protecting the public through fire regulation



### Good

Nottinghamshire Fire and Rescue Service is good at protecting the public through fire regulation. But we found the following area in which it needs to improve:

#### Areas for improvement

- The service should ensure it makes better use of its specialist resources in implementing its risk-based inspection programme. It should also ensure it allocates and quality-assures these inspections appropriately.

All fire and rescue services should assess fire risks in buildings and, when necessary, require building owners to comply with fire safety legislation. Each service decides how many assessments it does each year. But it must have a locally determined, risk-based inspection programme for enforcing the legislation.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Risk-based approach

Nottinghamshire FRS has a fire safety enforcement strategy that is in line with national guidance. It uses its risk-based inspection programme to plan audits and inspections. In the year ending 31 March 2018, 3.3 fire safety audits were carried out per 100 known premises. This is slightly above the England rate of 3.0 fire safety audits per 100 known premises over the same timeframe. Of the 853 audits carried out in the year ending 31 March 2018, 68 percent resulted in a satisfactory rating.

Staff record the outcomes of audits on a template and store them in a computer database. However, there is no quality assurance process. Such a process would make sure the service completes audits in a consistent way.

Nottinghamshire FRS defines high-risk premises as those that have sleeping accommodation, such as hospitals, care homes and hotels. It uses previous incident and property risk information to identify such premises. The service recently changed how it defines high-risk premises. However, it doesn't have data on the resulting new number of such premises or how many it audited after this change. Nottinghamshire FRS should make sure it has clear systems in place to performance-manage such audits. Staff told us the service prioritises other reactive work over high-risk premises. The service is aware of this problem and aims to address it by training its firefighters to assist with fire safety work.

The service carries out building regulation consultation work and deals with complaints when these have not been followed. Between 1 April 2018 and 31 December 2018, it received 503 consultation requests. It responded to 460 (91 percent) of those within the required timeframe.

Nottinghamshire FRS staff are available 24 hours a day to deal with complaints, concerns and enforcement, if necessary. Specialist staff are well trained and have either completed or are working towards a [level 4 diploma](#) or higher in fire safety. There is no clear plan in place for managing the workload of protection officers, however.

### **Enforcement**

The service works with businesses to help them comply with fire regulation. If this approach isn't effective, it takes further steps, including enforcement, prohibition and prosecution action. In the year to 31 March 2018, the service issued 19 enforcement notices and 9 prohibition notices. It didn't issue any alterations or prosecutions. Businesses requiring further action included hotels, housing and restaurants.

Nottinghamshire FRS's approach to taking legal action, where necessary, is good. All protection officers are trained in legal procedures, and the service has its own enforcement team to gather and record evidence. In November 2018, the successful prosecution of a hotel owner resulted in a six-month prison sentence.

The service's work with Nottinghamshire County Council's environmental health and housing departments to organise community impact days is good. These days encourage a joint approach to enforcement and give the organisations the opportunity to share information.

### **Working with others**

Nottinghamshire FRS took immediate action following the Grenfell Tower fire. The service worked closely with the council to identify all high-rise buildings in the county. Its protection officers then conducted a programme of risk-based audits to identify buildings with cladding. The prevention team supported this by offering every resident in the buildings identified a home safety check.

The service manages two [primary authority schemes](#) (PAS) for retail companies. The PAS allow businesses and organisations with premises in more than one fire authority area to receive fire safety advice from a single service. Nottinghamshire FRS's protection team has developed a series of workshops with the companies to promote fire safety compliance – for example, through risk assessment training.



The service uses social media to promote fire safety to local businesses. It is a member of Nottinghamshire's business development hub, where it gives information to those setting up a new company. It also runs workshops at community events.

Nottinghamshire FRS has a joint agreement with Derbyshire and Leicestershire FRSs to reduce the number of false emergency calls. All three services have adopted a process to challenge such calls: if a call operator identifies it as a false alarm, a fire engine may not make an attendance. It is service policy that protection officers visit properties that generate six or more false alarms to investigate the cause.

## Responding to fires and other emergencies



### Requires improvement

#### Areas for improvement

- The service should ensure staff know how to command fire service assets assertively, effectively and safely at incidents.
- The service should ensure it implements the process to monitor incident commanders and provide feedback following operational incidents.
- The service should ensure that, when responding to a 999 call, mobile data terminals are reliable to allow staff to access risk information.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Managing assets and resources

Nottinghamshire FRS carried out a thorough risk assessment to decide on its current response strategy. As of 31 March 2018, the service had 8 wholtime fire stations, 12 on-call stations and 4 mixed stations, with 30 operational fire engines. It decides where to place its stations by mapping low, medium and high-risk areas. All fire engines are fitted with an automatic vehicle location device. This allows an emergency control room operator to send the nearest available fire engine to an incident.

The service uses a mixture of staffing arrangements, including [wholtime](#) and [on-call](#) staff. They are supported by specialist teams for incidents in confined spaces and for water rescues and rescues from height.

Nottinghamshire FRS has too few on-call fire engines available, particularly during the day. Between April 2018 and December 2018, the overall average monthly fire engine availability ranged from 77 percent to 86 percent. However, some on-call stations have far lower availability. For example, in December 2018, one on-call fire engine was available only 51 percent of the time. The service is aware of this problem. It has recently introduced an on-call sustainability group that can be sent anywhere in

the service to increase the availability of fire engines. As well as providing extra crewing capacity, the group is working on other solutions to improve on-call availability, which is a positive step.

The service is also trialling, for six months, an alternative crewing system at its on-call stations. It allows a reduced crew of three firefighters to keep a fire engine available and respond to low-risk incidents. These don't include building fires where people are reported to be trapped.

Nottinghamshire FRS has a policy that allows its wholetime firefighters to work at on-call stations to increase the availability of fire engines. However, it isn't managing this effectively – for example, some staff are working excessive hours without enough rest periods.

The service has the right range of people with the right skills to meet its operational demands. Its on-call and wholetime staff are trained to the same standard, using a mixture of face-to-face and e-learning packages. A specific team teaches critical competencies such as breathing apparatus and incident command.

## Response

Nottinghamshire FRS is working with five fire and rescue services in the East Midlands to make sure its operational policies meet national guidelines and has made good progress. Staff have a good understanding of how they can sometimes step outside of policy when responding to emergencies, and incident commanders know how to implement [operational discretion](#). This allows them to exercise flexibility in rare or exceptional circumstances where strictly following procedure would be a barrier to resolving an incident.

Nottinghamshire FRS has a [mobilising](#) agreement with Derbyshire and Leicestershire FRSs. This allows staff in the control room to send the nearest fire engine to an incident in any service area. Each service can receive and manage emergency calls in any of their three areas. They support each other when there is a large volume of calls as well as during major incidents such as wide-scale flooding.

In the year ending 31 March 2018, its average response time to a [primary fire](#) was 10 minutes 22 seconds. Over the same period, it also had one of the highest average call-handling times for primary fires in England (1 minute 57 seconds).

As of 1 April 2018, the service's response standard was to attend 90 percent of incidents within 10 minutes. Between 1 April and 31 December 2018, it achieved this for 61 percent of incidents. This means it isn't currently meeting its response standard.

The service has agreed a new response standard of 8 minutes from the time of mobilisation to all incidents as part of its 2019–2022 IRMP.

Nottinghamshire FRS staff use their MDTs effectively. As well as displaying site-specific risk information, the MDTs show where the nearest water supply is and the locations of airbags in vehicles. However, some staff told us they aren't reliable and don't always work. The service needs to make sure staff have consistent access to risk information when responding to incidents.



Staff at all levels in the service are competent at providing information on incidents using standard messages.

## **Command**

In general, staff at all command levels of Nottinghamshire FRS have the skills to manage fire engines, people and equipment safely. Those in the [fire control](#) room are skilled at adjusting up or down the number of fire engines they send depending on the information from the caller.

The service has a structured process to ensure staff at crew and [watch](#) manager levels take part in command training, they are assessed every two years. However, this wasn't in place for staff at station manager level and above. The service is aware of this and is now implementing the same process for all levels.

## **Keeping the public informed**

Nottinghamshire FRS shares information with the public in a variety of ways. It does this via its website and social media platforms, including Twitter and Facebook. It uses these tools to promote safety messages – for example, about the dangers of drink driving. The service also provides 24-hour information during major incidents and emergencies via an on-call team.

Staff in the fire control room are effective at giving lifesaving advice to the public during emergency calls. For example, operators are confident using scripts to give vital information to callers involved in incidents in high-rise buildings.

Staff show a good understanding of how to identify vulnerable people at incidents and make safeguarding referrals where necessary.

## **Evaluating operational performance**

Nottinghamshire FRS has good systems to evaluate operational incidents and make improvements in its performance. Incidents that have provided useful information include fires involving vehicles, large buildings and a train. The service has developed a computer programme to capture and share what it learns across all departments and any member of staff can start the debrief process after an incident.

The service also has an operational assurance process, but it isn't consistently applied. Staff at all levels are not undergoing regular assurance audits nor always receiving or being asked to give feedback following operational incidents.

As part of our inspection, we carried out a survey of Nottinghamshire FRS staff to get their views of their service (please see Annex A for more details). Some 216 staff members responded to this survey, equating to 24 percent of the workforce. Of the 144 respondents who are firefighters or specialist support staff, 63.2 percent agreed the service listened to their feedback about operational incidents, 26.4 percent disagreed and 10.4 percent didn't know.

The recent introduction of the new operational bulletins is good practice. Their aim is to make sure learning is shared in a more digestible, user-friendly way. The service also shares national and joint operational learning with all staff on an internal system.

## Responding to national risks



### Good

Nottinghamshire Fire and Rescue Service is good at responding to national risks. But we found the following area in which it needs to improve:

#### Areas for improvement

- The service should ensure operational staff have good access to cross-border risk information.
- The service should arrange a programme of over-the-border exercises, sharing the learning from these exercises.

All fire and rescue services must be able to respond effectively to multi-agency and cross-border incidents. This means working with other fire and rescue services (known as intraoperability) and emergency services (known as interoperability).

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Preparedness

Nottinghamshire FRS has a range of dedicated national resilience assets, that is, equipment that can be used to provide back-up nationwide, when required. For example, the service sent crews and equipment to wildfires in Lancashire in June and July 2018. The assets include a high-volume pump, enhanced logistical support, water rescue and terrorist incident trained staff. The service makes sure these fire engines are available through its recall-to-duty policy. This means that when it supports national incidents, it can also maintain fire cover for Nottinghamshire.

Staff at all levels are clear about how they can mobilise and request national resilience assets when needed.

The service also has well-established response plans for incidents at high-risk premises, including sites requiring [control of major accident hazards](#).

### Working with other services

Nottinghamshire FRS has effective arrangements in place to provide mutual aid for large incidents and uses its resources to support cross-border working.

However, there is limited evidence of cross-border training and exercising. Of the 144 respondents to our survey who are firefighters or specialist support staff, 47 percent disagreed when asked if the service regularly trains or exercises with neighbouring fire and rescue services. Nottinghamshire FRS recognises this is an area in which it needs to improve.

Nottinghamshire FRS staff can access risk information via their MDTs when working in Derbyshire and Leicestershire. However, staff were unable to access it for South Yorkshire and Lincolnshire.

### **Working with other agencies**

Overall staff had an understanding of the [Joint Emergency Services Interoperability Principles](#). These principles help incident commanders from all the emergency services work together. Staff at crew and watch manager level haven't received training in this area for some time. However, those at station manager level and above were better informed.

The service takes account of the Nottinghamshire LRF community risk register and is a named participant in its plans, including the East Coast Tidal Plan and the Nottingham Infrastructure Delivery Plan.

In April 2018, the service conducted a major multi-agency exercise, Exercise Silver Siren, to simulate a military aircraft crash on the A46 in Nottinghamshire. Afterwards, the organisations involved held a multi-agency debrief to share learning.

The service saw its multi-agency response plans tested for real during an incident in January 2018: a large fire at Nottingham railway station caused major disruption to the city. Senior officers told us how they worked with the police and other agencies to resolve what was a challenging incident.

Nottinghamshire FRS has a dedicated team that responds to incidents related to terrorism. It is made up of operational staff who are called on if an incident occurs. They have taken part in a range of exercises to assess their skills and capabilities.

# Efficiency



# How efficient is the service at keeping people safe and secure?



## Requires improvement

### Summary

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An efficient fire and rescue service will manage its budget and spend money properly and appropriately. It will align its resources to its risk. It should try to keep costs down without compromising public safety. Future budgets should be based on robust and realistic assumptions. Nottinghamshire Fire and Rescue Service's overall efficiency requires improvement.

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Nottinghamshire FRS requires improvement at using its resources. It lacks targets and performance reporting, so doesn't know if it is meeting its objectives. It also doesn't know how productive it is, or how good or bad its service is.

The service knows it doesn't always align resources to the risks identified in its IRMP. It doesn't manage performance against this plan, so can't assure itself it is meeting its priorities.

The service has saved £2m since 2016. But it doesn't invest these savings in improvements. Instead, it mainly uses them to meet budget shortfalls.

The service works with other organisations to reduce costs. It has some continuity plans, so it can still provide fire cover if something goes wrong. But it doesn't test these plans.

Nottinghamshire FRS should improve its affordability, now and in the future. The service doesn't use its financial [reserves](#) sustainably or save for future investment. So, it may find it difficult to invest to improve efficiency. The service's trading arm supplies fire safety equipment, maintenance and training. It expects an income of £15,000 a year from this.

The service understands the financial risks it faces. It set out potential savings in its sustainability strategy and is making some of these savings.

The service has strategies for its capital spending but should monitor these, so it knows if it is benefiting from them. It has tried new methods to meet its financial targets but should check these to make sure they are effective.

The service has an information communication technology (ICT) strategy and invests in this area, but staff told us ICT systems were inefficient. The service should find out how it can invest in ICT to improve efficiency.

## Making best use of resources



### Requires improvement

#### Areas for improvement

- The service should implement a clear performance management framework that directly supports the objectives identified in the IRMP.
- The service should make sure it has a testing programme for all business continuity plans.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

#### How plans support objectives

Nottinghamshire FRS acknowledges that risks identified in its IRMP aren't always aligned with its resources. There is no performance management against the 2014–2019 IRMP. Departmental and business plans such as workforce planning don't link to it. And staff told us prevention and protection business plans needed updating to provide clearer direction. All of this means it can't evaluate capacity across the service.

We were told that, because of resourcing difficulties, staff were struggling to maintain the risk-based inspection programme and safe and well referrals. The service is aware of this problem and proposes to address it by training its firefighters to assist with fire safety work.

Nottinghamshire FRS has made savings of £2m since 2016. This has been through management restructuring and new crewing models. It mainly uses the money it saves to balance budget shortfalls, rather than investing them for the future.

The service is looking to collaborate to reduce costs. Nottinghamshire and Derbyshire FRSs' control rooms are to merge from June 2019. There are also plans to have a joint police and fire headquarters from 2021.

## **Productivity and ways of working**

In the year to 31 March 2018, Nottinghamshire FRS's firefighter cost per head of population was £21.20. This compares to the England rate of £22.38 over the same time period. However, many factors influence this cost – for example, the ratio of wholetime to on-call staff, which is influenced in part by the rurality of the service. As of 31 March 2018, 77 percent of FTE firefighters were wholetime.

The service acknowledges it needs to improve its on-call availability across the county, particularly for daytime cover. It has assembled an on-call sustainability group to meet this need. But it needs to be clear how it will measure the success of the new project.

During 2019, the service will be implementing different shift patterns at two fire stations. It has also introduced a six-month trial for alternatively crewed vehicles, using crews of three, in some low-risk circumstances. The intention of this new approach is to increase fire engine availability.

The consistent lack of targets and performance reporting throughout Nottinghamshire FRS is of concern. It means it doesn't know enough about how productive it is or how good or otherwise its services are. As a result, it can't always be sure it uses its staff in the best way to meet its aims and priorities. It has acknowledged it needs to improve its approach to performance management.

The service has a process by which it records station-based activity such as training and community safety. But it isn't clear how it uses this information to meet its overall objectives. It hasn't yet made the best use of ICT to make sure this process is productive. Staff told us that having to record their training on three separate IT systems was time-consuming.

## **Collaboration**

Nottinghamshire FRS shares the fire control function between Nottinghamshire, Derbyshire and Leicestershire. This means each service can mobilise each other's fire engines. Nottinghamshire FRS is to merge control rooms with Derbyshire FRS from July 2019. The service is already sharing some sites with police, ambulance services and Nottingham City Council, and a joint police and fire headquarters is planned from 2021.

Nottinghamshire FRS funds a seconded occupational therapist from Nottinghamshire Healthcare NHS Foundation Trust. This will increase staff skills and help the service assess whether it is meeting its community safety targets.

There is some evidence that Nottinghamshire FRS evaluates the benefits of collaborating with partner organisations. Its business plan shows that, as well as having practical advantages, the control room merger planned for July 2019 will save £365,000. We encourage the service to monitor and evaluate the success of these collaboration activities at the earliest opportunity.

## Continuity arrangements

Nottinghamshire FRS has some continuity plans in place. We saw records of continuity testing for call handling and resilience co-ordination between Nottinghamshire, Derbyshire and Leicestershire control rooms. The service also has a dedicated person in the IT department with overall responsibility for testing ICT business continuity plans. But there is no programme to test the plans of every department or station. It should make sure it carries out testing across all areas.

## Making the fire and rescue service affordable now and in the future



### Requires improvement

#### Areas for improvement

- The service needs to accelerate its plans to improve ICT so that it makes best use of available technology to support operational effectiveness and efficiency.
- The service should ensure it has sufficiently robust plans in place which fully consider the medium-term financial challenges beyond 2020 so it can prepare to secure the right level of savings.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Improving value for money

Nottinghamshire FRS states its budget to be £42m, rising to £45m by 2020. It forecasts an ongoing budget deficit in the region of £800,000 based on an assumption of a future council tax increase of 1.95 percent. This is also dependent on other planned savings being realised.

The service has a sustainability strategy for 2016 to 2020 in which it identifies the main areas in which it can make savings. These include:

- the use of on-call firefighters at periods of lowest demand; and
- crewing fire engines differently through a new collective agreement.

It has made savings through management restructuring, alternative crewing and reducing fire engines on stations. It uses frameworks to purchase goods, services and equipment. A framework is a joint purchasing agreement with another organisation that allows the negotiation of a better price – it saved £25,000, for example, by using a framework to buy anti-virus software.

The service shows a good awareness of its main financial risks. These include pensions, Brexit, the comprehensive spending review and business rates. The service



carries out projections to calculate the positive or negative impact on its financial status of pensions and any grants that might be available. Its corporate and financial risk register records high and very high risks.

The service told us it is waiting for the outcome of the comprehensive spending review before it makes any major cuts. It should make sure that, by not making savings early, it doesn't unintentionally delay opportunity to invest in innovation.

The service has a capital spending programme. It has strategies for fleet, property and ICT. It should make sure these are closely monitored and regularly updated so the benefits can be appreciated.

## **Innovation**

Nottinghamshire FRS has devised alternative ways to meet the financial targets set out in its efficiency plan. This includes different methods by which to maintain fire cover and crew fire engines, including an on-call sustainability group to support availability. However, the service should evaluate the effectiveness of these changes and their effect on services to the public.

The service has an ICT strategy and has invested in maintaining its existing ICT infrastructure. But staff told us of ICT systems that aren't supporting more efficient ways of working. For example, tablets supplied to carry out safe and well visits are unreliable, so they use handwritten forms instead. The service also collects fire protection and risk information on paper forms, which is inefficient as they then have to be typed up.

Some staff we spoke to said they spend a large amount of time managing and updating three separate training systems. The service should assess how it can invest in ICT systems to create greater efficiency.

## **Future investment and working with others**

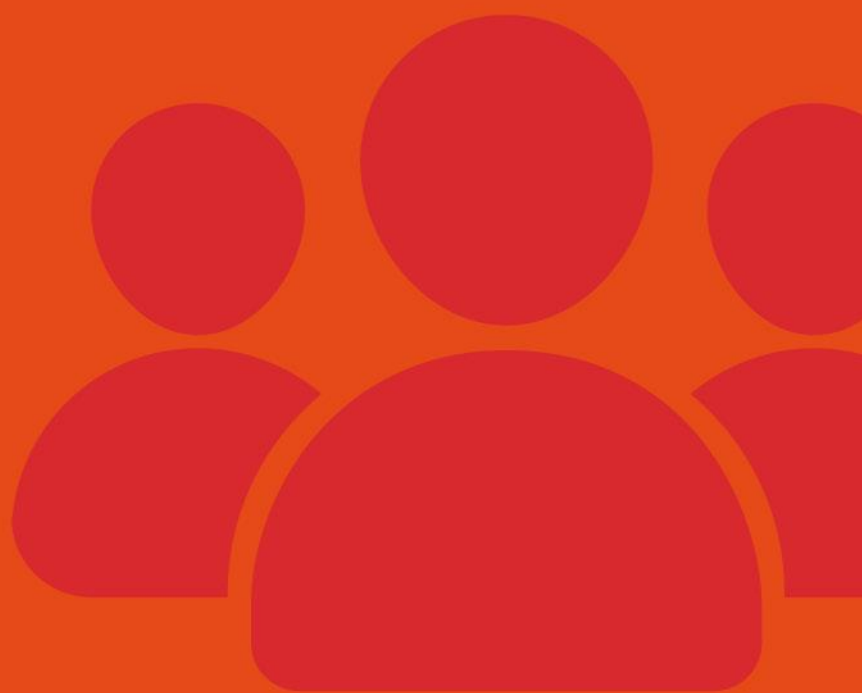
Nottinghamshire FRS presented the report *Budget Proposals for 2019/20 to 2021/22 and Options for Council Tax 2019/20* to the fire authority in February 2019. It predicts general reserves of £5.5m as of March 2019. The service uses these reserves to cover legal risks and budget shortfalls. The fire authority sets minimum acceptable reserves at £3.9m, leaving £1.6m to address budget shortfalls. The service expects a shortfall in 2019/20 of £1.2m. This effectively uses up all its available resources. This is unsustainable.

The service told us it is using the majority of its savings to meet the future predicted funding shortfall rather than for future investment. This is of concern because it limits its scope to create more efficient ways of providing services to the public.

As of 1 April 2017, Nottinghamshire FRS had around £4.9m in earmarked reserves. According to the service, £1m is for the capital programme and £1m for the new multi-agency Emergency Services Network for critical communications. The service also has £250,000 allocated to support ICT infrastructure. Some staff we spoke to find the current ICT system inefficient and equipment unreliable.

The combined fire authority established a trading company in 2010 to provide fire safety equipment, maintenance and training. It became an 'arm's length company' (that is, one in which buyer and seller act independently of each other) in 2016 and the fire authority is currently considering changing its constitution again, to that of a community interest company. It generates an annual income of around £400,000 and pays around £60,000 to Nottinghamshire FRS for support services such as human resources (HR), payroll and finance. There is no target set or agreed for dividends receivable, although the service budgets on receiving an income of £15,000 a year. The company has cash reserves of £200,000 at present.

# People



# How well does the service look after its people?



## Requires improvement

### Summary

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A fire and rescue service that looks after its people should be able to provide an effective service to its community. It should offer a range of services to make its communities safer. This will include developing and maintaining a workforce that is professional, resilient, skilled, flexible and diverse. The service's leaders should be positive role models, and this should be reflected in the behaviour of the workforce. Overall, Nottinghamshire Fire and Rescue Service requires improvement at looking after its people.

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Nottinghamshire FRS effectively promotes its values and culture. Staff are positive about the way the service looks after their safety and wellbeing. But the service doesn't monitor the hours worked by staff on dual contracts. It should also check that staff have enough rest, so they are safe to work. The service promotes its values to improve behaviour. But some staff reported behaviour not in line with service values.

The service knows what problems it faces to keep its workforce up to capacity. But its workforce plan doesn't align with the objectives of its IRMP. And while the service learns from incidents, this information doesn't always inform training. It could also do more to use learning from complaints to improve its service.

The service requires improvement at ensuring fairness and promoting diversity. It gets feedback from staff, and acts on it. Representative bodies are satisfied with their relationships with service leaders. Staff are confident about raising grievances, and the service monitors formal and informal grievances so it can spot trends. It has a programme of positive action to promote diversity. But the service should improve how it educates staff about positive action, as some staff who we spoke to failed to understand the benefits of positive action.

The service should improve how it manages performance and develops leaders. Some staff are on long-term temporary promotions, which has caused uncertainty. The service doesn't do enough to manage individuals' performance. It gives staff performance and development targets but doesn't link them to

service-wide objectives. Staff feel they don't have clear enough performance targets. The service has limited processes to develop high-potential staff towards senior leadership roles. For instance, its aspiring leaders programme is aimed only at non-managers who want to become managers.

## Promoting the right values and culture



### Requires improvement

#### Areas for improvement

- The service should put appropriate mechanisms in place to enable closer monitoring of hours worked by staff.
- The service should develop a wellbeing strategy and a system to improve understanding of health, safety and wellbeing trends.
- The service should ensure its values and behaviours are understood and demonstrated at all levels of the organisation.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Workforce wellbeing

Nottinghamshire FRS staff spoke positively about the wellbeing interventions available to them. This included psychological help through the service's peer support team and access to physiotherapy through the occupational health department. Staff also spoke positively about the welfare support offered following traumatic incidents.

The service offers an employee assistance programme, access to counselling and fitness equipment to all staff. It proactively monitors and manages long-term sickness absence and provides a range of support mechanisms and information through the occupational health and fitness team. Our survey found that, of the 216 respondents, 93 percent agreed that they are satisfied their personal safety and welfare is treated seriously at work.

However, the service doesn't have a health and wellbeing strategy. It also doesn't consistently evaluate the effectiveness of its wellbeing measures. It told us it is currently devising a new strategy.

### Health and safety

Nottinghamshire FRS has a health and safety manager and a dedicated committee. It has an overarching health and safety statement of intent and 37 separate procedure documents. Some of these are either out of date or don't have a review date.

Health and safety messages are sent out to staff through safety-critical alerts. They show a good awareness about how to report health and safety issues. In answering our survey, of the 216 respondents, 94 percent agreed that they are encouraged to report all accidents, [near misses](#) or dangerous occurrences.

Health and safety training is available for staff, but the level and frequency is inconsistent. Refresher training for some operational managers is significantly overdue.

The service offers dual contracts to wholetime employees so they can also provide on-call cover. Nottinghamshire FRS does have a policy advising on rest periods. However, there is limited monitoring of the hours staff work. The service should make sure staff have enough rest periods and are safe to work.

### **Culture and values**

Nottinghamshire FRS has a people strategy that sets out four behavioural values:

- value and respect others;
- professional in all that we do;
- one team working together; and
- openness to change.

The service carried out a staff survey in 2018, to which 55 percent of staff responded. Of those who did, 90 percent understood the service's values.

The chief fire officer is clear that the values of the organisation are dependent on the people within it. Senior leaders demonstrate the values of the organisation and are approachable. Staff said senior leaders are more visible now.

Nottinghamshire FRS proactively works to improve behaviours. It promotes its values on the staff intranet and via posters displayed at fire stations. At least one station holds meetings with staff to ensure their behaviour reflects the service's values. The values were reflected by most staff we spoke to. However, some referred to behaviours that aren't in line with these values. The 2018 staff survey showed that 15 percent of staff had witnessed workplace conversations in the previous 12 months that had included inappropriate or discriminatory language. This was supported by our own survey: of the 216 respondents, 15 percent reported feeling bullied or harassed and 14 percent reported feeling discriminated against at work in the previous 12 months. There are limitations to the staff survey which should be considered alongside the findings. We explain these in Annex A.

The service communicates with staff through a variety of methods. It uses the intranet and newsletters to distribute information across its workforce. It holds conferences and management briefings to communicate with staff and managers face-to-face. However, staff told us that some middle managers don't always pass information on to their staff. The service has recently addressed this by providing written updates following middle managers briefings and spot checks to confirm this information has been cascaded.

## Getting the right people with the right skills



### Requires improvement

#### Areas for improvement

- The service should develop a training plan that clearly aligns and supports its workforce plan.
- The service should ensure staff are appropriately trained in safety-critical skills, such as incident command.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

#### Workforce planning

Nottinghamshire FRS clearly identifies workforce challenges in its 2018–20 workforce plan. But this isn't fully aligned with the objectives in its IRMP. According to data provided by the service's HR department, retirement and natural turnover could see up to 78 wholetime uniformed and 74 on-call firefighters leaving by March 2020. This informs its recruitment plans.

The service is responding to future workforce challenges. It will recruit 24 trainee firefighters in 2018/19. There are plans for wholetime crews at some stations to provide cover only during the day, instead of for 24 hours. As there are fewer incidents during the night, the service will cover this period with on-call staff. Its aim is to create capacity and make savings linked to its medium-term financial plan. The service's on-call sustainability group is tackling the problem of recruitment and retention of on-call staff firefighters. Members of this group also provide cover to improve on-call fire engine availability.

Nottinghamshire FRS has systems to record firefighter skills and competencies, but these are not joined up. There is also no clear training schedule in place. The service needs to be clear on how it is planning for future training needs in line with its workforce plan. In the training records sampled, staff's critical competencies were up to date. But there is a lack of central oversight and robust management procedures for the revalidation and completion of these competencies.

The service records water rescue specialist skills, but not other specialist skills such as heavy vehicle rescue. It plans to address this through its operational assurance group.

There is limited recording of competency and training for level two commanders and above. And this is not monitored effectively. The service should put mechanisms in place to make sure these officers have the competencies and training needed to command incidents.

## Learning and improvement

Training for Nottinghamshire FRS staff is available through a mixture of face-to-face and e-learning packages. A specific training team also carries out critical competency training, such as in breathing apparatus use and incident command. Those staff we tested on breathing apparatus showed a good understanding of its use. Incident commanders tested incorporated elements of [national operational guidance](#) into their decision-making processes.

Staff spoke positively about the quality of training. Of the 216 respondents to our staff survey, 84 percent agreed that they had received enough training to enable them to do what is asked of them. And 84 percent of the 216 respondents were satisfied with their current level of learning and development.

The service's delivery assurance group monitors each commander during incidents, so it can give them feedback. But we were told that operational monitoring lacked structure, and training was out of date for several level two and level three incident commanders.

The service looks to learn from operational incidents and uses a digital debrief system to record learning points afterwards. When it issues safety-critical information, staff must confirm they have read it. Service-wide debriefs are held for large or significant incidents.

We were told that operational learning wasn't filtering through into changes in training. The service is addressing this through more closely aligning operational assurance and training teams.

Staff are unsure if training in areas such as fire safety and manual handling is compulsory. Training in areas such as site-specific risk identification is inconsistent.

The service has no clear professional development plan for non-operational staff. It should devise a training plan for all staff members and establish clear compulsory training requirements.

Nottinghamshire FRS lacks overall oversight and performance management when it comes to learning and improvement. We saw an example of this from 2018. The service identified shortfalls in its watch manager selection process. However, at the time of inspection, the service could not confirm if the necessary improvements were made due to this lack of oversight.

The service also isn't consistently using the learning from the complaints it receives to improve its practice. It doesn't closely monitor or review outcomes from complaints.



## Ensuring fairness and promoting diversity



### Requires improvement

#### Areas for improvement

- The service should improve communication around positive action through all levels of the organisation.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

#### Seeking and acting on staff feedback

Nottinghamshire FRS has various methods by which it gains feedback from its staff. This includes conferences and face-to-face engagement with senior leaders. The conferences are an opportunity to both receive information and give feedback. Staff said leaders are more visible now, and are approachable.

Staff submit suggestions through a scheme called Little Acorns. Ideas acted on include providing medical bags for flexi-duty officers and reducing the use of plastic cups and stirrers at the service's headquarters. In our survey of staff, of the 216 who responded, 81 percent agreed that there were opportunities for them to feed their views upwards in the service.

Nottinghamshire FRS's middle managers regularly attend briefings. The service recently introduced a process to make sure information from these briefings was passed to all staff. Previously some managers did this, and some didn't.

Representative bodies are positive about their relationship with senior leaders.

The service surveyed its staff in 2018 and worked with them to draw up a 25-point action plan afterwards. At the time of the inspection, it was not clear how much progress had been made against this action plan. The service should implement changes in a timely manner. This is especially important given that the survey indicated there may be instances of harassment and bullying.

The service monitors formal grievances and has oversight of informal grievances to spot trends and issues. Most staff we spoke to were confident about raising a grievance, but grievance policies were overdue for review.

## Diversity

Nottinghamshire FRS doesn't yet reflect the community it serves. As of 31 March 2018, 3.3 percent of its firefighters were from a black, Asian and minority ethnic (BAME) background. This compares with a BAME residential population in the service area of 11.2 percent. Also, only 4.8 percent of its firefighters were female. However, the service has an established programme of positive action. It holds positive action days and is drawing up an equality plan. The service had a degree of success in attracting candidates from under-represented groups in its most recent wholetime firefighter recruitment process.

Nonetheless, there is a lack of overall co-ordination between groups set up to focus on equality and diversity. There is an equalities steering group and an employee engagement group which are independent to the service. Some staff within these groups felt they weren't being effective.

It is of concern that some male staff perceive that the selection tests for female firefighters applying to join the service are made easier. This isn't the case. If the service is to meet the equality and diversity commitments in its IRMP, its culture needs to change and its communication about positive action needs to improve.

## Managing performance and developing leaders



### Requires improvement

#### Areas for improvement

- The service should ensure individual performance targets clearly support objectives within the IRMP.
- The service should improve staff awareness and understanding of promotion and selection processes.
- The service should put in place an open and fair process to identify, develop and support high-potential staff and aspiring leaders.

We set out our detailed findings below. These are the basis for our judgment of the service's performance in this area.

### Managing performance

There isn't sufficient management of individual performance at Nottinghamshire FRS. Senior management and staff told us there is no culture of performance management. The service has a personal development review (PDR) process and sets performance and development targets, but these don't link to the organisational objectives in its IRMP. Staff we spoke to commented on the lack of clear targets.

As of 31 March 2018, 71 percent of the service's control room staff, 69 percent of wholetime firefighters, 69 percent of support staff and just 27 percent of on-call firefighters had a completed PDR. The PDR process is expected to be completed by all staff every 12 months.

Staff told us the service's PDRs lacked corporate oversight and quality assurance, and one-to-one meetings with managers are inconsistent. Some staff who have a PDR found the process useful, but others see it as no more than a tick-box exercise. The service offers training in how to use the PDR system, but it is only for managers and isn't compulsory.

The service needs to make sure that individuals are set clear performance targets. This will drive continuous improvement.

### **Developing leaders**

Nottinghamshire FRS has a promotion process and leadership framework that identifies development pathways for operational staff. The sample of promotion files we reviewed showed the process was applied fairly and in line with policy. The person specification and selection processes are linked to the leadership framework.

However, some staff we spoke to said the process for temporary promotions isn't seen as open and transparent because it isn't formally documented. The service should ensure all promotion opportunities and outcomes are consistently communicated. As of 31 December 2018, 68 staff had been temporarily promoted and the average length of temporary promotion was 267 days. Staff told us the large number of temporary promotions and frequent changes in management caused instability.

Nottinghamshire FRS has no process to identify, develop or support staff with high potential to be senior leaders of the future. The service has a springboard course aimed at women that is designed to increase confidence and self-awareness. There is also an aspiring leaders programme. However, this is aimed only at those who are currently non-managers and does not continue to support those who are already managers.

## Annex A – About the data

Data in this report is from a range of sources, including:

- Home Office;
- Office for National Statistics (ONS);
- Chartered Institute of Public Finance and Accountancy (CIPFA);
- public perception survey;
- our inspection fieldwork; and
- data we collected directly from all 45 fire and rescue services in England.

Where we collected data directly from fire and rescue services (FRS), we took reasonable steps to agree the design of the data collection with services and with other interested parties such as the Home Office. This was primarily through the FRS Technical Advisory Group, which brings together representatives from FRSs and the Home Office to support the inspection's design and development, including data collection. We gave services several opportunities to validate the data they gave us and to ensure the accuracy of the evidence presented. For instance:

- We asked all services to check the data they submitted to us via an online application.
- We asked all services to check the final data used in the report and correct any errors identified.

We set out the source of Service in numbers data below.

### Methodology

#### Population

For all uses of population as a denominator in our calculations, unless otherwise noted, we use [ONS mid-2017 population estimates](#). This is the most recent data available at the time of inspection.

#### **BMG survey of public perception of the fire and rescue service**

We commissioned BMG to survey attitudes towards fire and rescue services in June and July 2018. This consisted of 17,976 surveys across 44 local fire and rescue service areas. This survey didn't include the Isles of Scilly, due to its small population. Most interviews were conducted online, with online research panels.

However, a minority of the interviews (757) were conducted via face-to-face interviews with trained interviewers in respondents' homes. A small number of respondents were also interviewed online via postal invitations to the survey.

These face-to-face interviews were specifically targeted at groups traditionally under-represented on online panels, and so ensure that survey respondents are as representative as possible of the total adult population of England. The sampling method used isn't a statistical random sample. The sample size was small, varying between 400 and 446 individuals in each service area. So any results provided are only an indication of satisfaction rather than an absolute.

[Survey findings are available on BMG's website.](#)

### **Staff survey**

We conducted a staff survey open to all members of FRS workforces across England. We received 2,905 responses between 1 October 2018 and 15 February 2019 from across 16 FRSs during this period in Tranche 2.

The staff survey is an important tool in understanding the views of staff who we may not have spoken to, for a variety of reasons, during fieldwork.

However, you should consider several points when interpreting the findings from the staff survey.

The results are not representative of the opinions and attitudes of a service's whole workforce. The survey was self-selecting, and the response rate ranged from 8 percent to 31 percent of a service's workforce. So any findings should be considered alongside the service's overall response rate, which is cited in the report.

To protect respondents' anonymity and allow completion on shared devices, it was not possible to limit responses to one per person. So it is possible that a single person could have completed the survey multiple times. It is also possible that the survey could have been shared and completed by people other than its intended respondents.

We have provided percentages when presenting the staff survey findings throughout the report. When a service has a low number of responses (less than 100), these figures should be treated with additional caution.

Due to the limitations set out above, the results from the staff survey should only be used to provide an indicative measure of service performance.

## Service in numbers

A dash in this graphic indicates that a service couldn't give data to us or the Home Office.

### Perceived effectiveness of service

We took this data from the following question of the public perceptions survey:

How confident are you, if at all, that the fire and rescue service in your local area provides an effective service overall?

The figure provided is a sum of respondents who stated they were either 'very confident' or 'fairly confident'. Respondents could have also stated 'not very confident', 'not at all confident' or 'don't know'. The percentage of 'don't know' responses varied between services (ranging from 5 percent to 14 percent).

Due to its small residential population, we didn't include the Isles of Scilly in the survey.

### Incidents attended per 1,000 population

We took this data from the Home Office fire statistics, ['Incidents attended by fire and rescue services in England, by incident type and fire and rescue authority'](#) for the period from 1 October 2017 to 31 September 2018.

Please consider the following points when interpreting outcomes from this data.

- There are seven worksheets in this file. The 'FIRE0102' worksheet shows the number of incidents attended by type of incident and fire and rescue authority (FRA) for each financial year. The 'FIRE0102 Quarterly' worksheet shows the number of incidents attended by type of incident and FRA for each quarter. The worksheet 'Data' provides the raw data for the two main data tables (from 2009/10). The 'Incidents chart - front page', 'Chart 1' and 'Chart 2' worksheets provide the data for the corresponding charts in the statistical commentary. The 'FRS geographical categories' worksheet shows how FRAs are categorised.
- Fire data, covering all incidents that FRSs attend, is collected by the Incident Recording System (IRS). For several reasons some records take longer than others for FRSs to upload to the IRS. Totals are constantly being amended (by relatively small numbers).
- We took data for Service in numbers from the February 2019 incident publication. So figures may not directly match more recent publications due to data updates.
- Before 2017/18, Hampshire FRS did not record medical co-responding incidents in the IRS. It is currently undertaking a project to upload this data for 2017/18 and 2018/19. This was not completed in time for publication on 14 February 2019.

## Home fire safety checks per 1,000 population

We took this data from the Home Office fire statistics, '[Home Fire Safety Checks carried out by fire and rescue services and partners, by fire and rescue authority](#)' for the period from 1 April 2017 to 31 March 2018.

Each FRS's figure is based on the number of checks it carried out and doesn't include checks carried out by partners.

Please consider the following points when interpreting outcomes from this data.

- Dorset FRS and Wiltshire FRS merged to form Dorset & Wiltshire FRS on 1 April 2016. All data for Dorset and Wiltshire before 1 April 2016 is excluded from this report.
- Figures for 'Fire Risk Checks carried out by Elderly (65+)', 'Fire Risk Checks carried out by Disabled' and 'Number of Fire Risk Checks carried out by Partners' don't include imputed figures because a lot of FRAs can't supply these figures.
- The checks included in a home fire safety check can vary between services. You should consider this when making direct comparisons between services.

Home fire safety checks may also be referred to as home fire risk checks or safe and well visits by FRSs.

## Fire safety audits per 100 known premises

Fire protection refers to FRSs' statutory role in ensuring public safety in the wider built environment. It involves auditing and, where necessary, enforcing regulatory compliance, primarily but not exclusively in respect of the provisions of the [Regulatory Reform \(Fire Safety\) Order 2005 \(FSO\)](#). The number of safety audits in Service in numbers refers to the number of audits FRSs carried out in known premises. According to the Home Office definition, "premises known to FRAs are the FRA's knowledge, as far as possible, of all relevant premises; for the enforcing authority to establish a risk profile for premises in its area. These refer to all premises except single private dwellings".

We took this from the Home Office fire statistics, '[Fire safety audits carried out by fire and rescue services, by fire and rescue authority](#)' for the period from 1 April 2017 to 31 March 2018.

Please consider the following points when interpreting outcomes from this data.

- Berkshire FRS didn't provide figures for premises known between 2014/15 and 2017/18.
- Dorset FRS and Wiltshire FRS merged to form Dorset & Wiltshire FRS on 1 April 2016. All data for Dorset and Wiltshire before 1 April 2016 is excluded from this report.
- Several FRAs report 'Premises known to FRAs' as estimates based on historical data.



## **Firefighter cost per person per year**

We took the data used to calculate firefighter cost per person per year from the annual financial data returns that individual FRSs complete and submit to CIPFA, and [ONS mid-2017 population estimates](#).

You should consider this data alongside the proportion of firefighters who are wholetime and on-call / retained.

## **Number of firefighters per 1,000 population, five-year change in workforce and percentage of wholetime firefighters**

We took this data from the Home Office fire statistics, '[Total staff numbers \(full-time equivalent\) by role and by fire and rescue authority](#)' as at 31 March 2018.

Table 1102a: Total staff numbers (FTE) by role and fire authority – Wholetime Firefighters and table 1102b: Total staff numbers (FTE) by role and fire authority – Retained Duty System are used to produce the total number of firefighters.

Please consider the following points when interpreting outcomes from this data.

- We calculate these figures using full-time equivalent (FTE) numbers. FTE is a metric that describes a workload unit. One FTE is equivalent to one full-time worker. But one FTE may also be made up of two or more part-time workers whose calculated hours equal that of a full-time worker. This differs from headcount, which is the actual number of the working population regardless if employees work full or part-time.
- Some totals may not aggregate due to rounding.
- Dorset FRS and Wiltshire FRS merged to form Dorset & Wiltshire FRS on 1 April 2016. All data for Dorset and Wiltshire before 1 April 2016 is excluded from this report.

## **Percentage of female firefighters and black, Asian and minority ethnic (BAME) firefighters**

We took this data from the Home Office fire statistics, '[Staff headcount by gender, fire and rescue authority and role](#)' and '[Staff headcount by ethnicity, fire and rescue authority and role](#)' as at 31 March 2018.

Please consider the following points when interpreting outcomes from this data.

- We calculate BAME residential population data from ONS 2011 census data.
- We calculate female residential population data from ONS mid-2017 population estimates.
- The percentage of BAME firefighters does not include those who opted not to disclose their ethnic origin. There are large variations between services in the number of firefighters who did not state their ethnic origin.
- Dorset FRS and Wiltshire FRS merged to form Dorset & Wiltshire FRS on 1 April 2016. All data for Dorset and Wiltshire before 1 April 2016 is excluded from this report.



## Annex B – Fire and rescue authority governance

These are the different models of fire and rescue authority (FRA) governance in England. Nottinghamshire Fire and Rescue Service is a combined FRA.

### **Metropolitan FRA**

The FRA covers a metropolitan (large urban) area. Each is governed by locally elected councillors appointed from the constituent councils in that area.

### **Combined FRA**

The FRA covers more than one local authority area. Each is governed by locally elected councillors appointed from the constituent councils in that area.

### **County FRA**

Some county councils are defined as FRAs, with responsibility for fire and rescue service provision in their area.

### **Unitary authorities**

These combine the usually separate council powers and functions for non-metropolitan counties and non-metropolitan districts. In such counties, a separate fire authority runs the fire services. This is made up of councillors from the county council and unitary councils.

### **London**

Day-to-day control of London's fire and rescue service is the responsibility of the London fire commissioner, accountable to the Mayor. A Greater London Authority committee and the Deputy Mayor for Fire scrutinise the commissioner's work. The Mayor may arrange for the Deputy Mayor to exercise his fire and rescue functions.

### **Mayoral Combined Authority**

Only in Greater Manchester. The Combined Authority is responsible for fire and rescue functions but with those functions exercised by the elected Mayor. A fire and rescue committee supports the Mayor in exercising non-strategic fire and rescue functions. This committee is made up of members from the constituent councils.

## **Police, fire and crime commissioner FRA**

The police, fire and rescue commissioner is solely responsible for the service provision of fire & rescue and police functions.

## **Isles of Scilly**

The Council of the Isles of Scilly is the FRA for the Isles of Scilly.

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