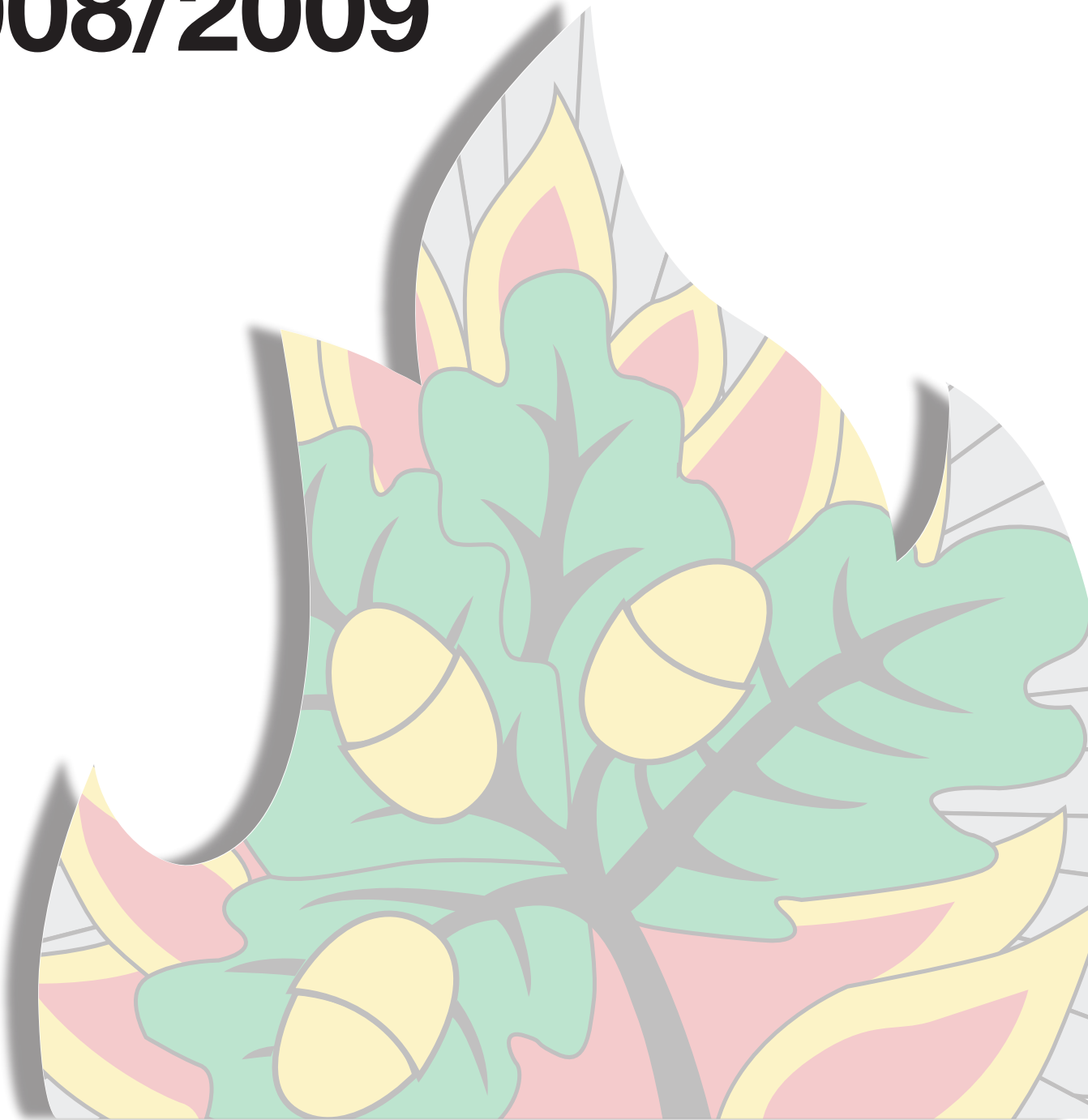




NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

**Nottinghamshire and
City of Nottingham Fire Authority**

Statement of Accounts 2008/2009



**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2008/09**

TABLE OF CONTENTS

	<u>Page No.</u>
Treasurer's Foreword	2
Statement of Responsibilities for the Statement of Accounts	9
Statement of Approval of the Statement of Accounts	10
Statement of Accounting Policies	11
Annual Governance Statement	18
Auditor's Report	20
The Core Accounting Statements	
- Income and Expenditure Account	23
- Statement of the Movement on the General Fund Balance	24
- Statement of Total Recognised Gains and Losses	25
- Balance Sheet	26
- Cash Flow Statement	27
- Index of Notes to the Accounting Statements	28
- Notes to the Accounting Statements	29
The Pension Statements	
- Pension Fund Account	48
- Pensions Net Assets Statement	49
- Notes to the Pension Statements	50
Glossary of Terms	52

TREASURER'S FOREWORD

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

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

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

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The following are included in the Statement of Accounts:

Income and Expenditure Account

This Account summarises the resources that have been generated and consumed in providing services and managing the Fire Authority during 2008/09. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. This account shows how net expenditure was financed from the Precept, Revenue Support Grant and National Non Domestic Rates.

Statement of the Movement on the General Fund Balance

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

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

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

Statement of Total Recognised Gains and Losses

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

Balance Sheet

The Balance Sheet sets out the financial position of the Authority as at the 31 March 2009. It shows the Authority's balances and reserves and its long term indebtedness, as well as the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The Authority's total liability to pay future retirement benefits to current pension recipients and to current employees who will retire in the future is also represented in the Balance Sheet. Currently there is an expectation that firefighter pension costs will be met by the department for Communities and Local Government.

Cash Flow Statement

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

Pension Fund Account

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

Pension Net Assets Statement

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

Annual Governance Statement

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

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

Summary of the Year

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

Revenue Income and Expenditure

Revenue expenditure describes the day to day costs of running the Authority and includes items such as employees' pay, running costs of buildings and vehicles and office expenses. The Authority set a revenue budget of £44.306m for 2008/09 and the year end position shows an underspend of £57k against this budget (a variance of 0.1%).

	<u>Budget</u> <u>2008/09</u>	<u>Actual</u> <u>2008/09</u>	<u>Variance from</u> <u>Budget</u> <u>2008/09</u>
	£000's	£000's	£000's
Expenditure:			
Net expenditure	44,306	44,340	34
Financed By:			
Revenue Support Grant	2,799	2,799	0
Precept from Constituent Authorities	21,401	21,492	(91)
National Non Domestic Rates	20,106	20,106	0
Total	0	(57)	(57)

Significant Variances

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

<u>Overspend</u>	<u>Underspend</u>
£000's	£000's

Operational Employees – Wholetime		364
Operational Employees – Retained		281
Other Pension Costs		205
Premises Repairs & Maintenance	205	
Transport Costs	134	
Insurance		129
Information, Communications and Technology Equipment		190
Services from External Providers - Legal	106	
Contributions to / from Earmarked Reserves	862	
Contingencies		441
Princes Trust Income		117
Total	1,307	1,727

The underspend on the Wholetime operational pay budget is due partly to numbers of employees paid at development rates of pay being lower than assumed in the budget, and partly due to a significant number of vacancies. The underspend shown is around £0.5m lower than the true underspend because the Authority approved plans to spend this amount from the pay underspend on other projects in the year.

The underspend on the Retained Duty System pay budget has arisen because of lower activity levels in the year than budgeted for. Retained pay is very much driven by activity and in 2008/09, turnouts to incidents numbered around 19% lower than in 2007/08.

The budget for other pension costs assumed six ill health retirements in the year, which was an estimate consistent with historical costs. By the end of the year, only one ill health retirement and one injury award had occurred, resulting in an underspend.

The premises repairs and maintenance budget overspend arose due to several authorised large maintenance projects being completed this year. These included the replacement of gates at Carlton Fire Station; installation of the fire alarm cabling at Headquarters and the Service Development Centre; the refurbishment of Hucknall Fire Station's kit area and an office refurbishment at Central Fire Station.

The transport costs budget overspent on fuel, partly due to price increases in the year and partly because fuel tanks were topped up at the end of the year following completion of the project to renew fuel tanks across the Service. In addition, some vehicle modification works were brought forward from 2009/10.

Insurance premiums came in slightly over budget, but underspent in total due to the delay of a project which would have increased motor insurance premiums. The budget for uninsured losses underspent in the year and the underspend was further increased by the receipt of a reimbursement from the County Council for insurance excesses dating back several years.

The Information, Communications and Technology Equipment budget has underspent because two key projects were not completed in the year (implementation of Sharepoint and development of the Service's website). As work on these projects is well advanced, an earmarked reserve has been created to fund these in 2009/10.

The legal fees budget overspent mainly because of one employment tribunal case, which had not completed at the year end. In addition, the Authority has increased the level of enforcement action against owners of commercial properties who do not comply with fire protection regulations. Although this has increased legal fees, prosecutions have been successful with the Authority receiving some income from penalty charges.

Members of the Finance and Resources Committee approved transfers to earmarked reserves in March 2009 totaling £741k.

Contingency budgets have not been fully allocated partly because pay awards came in lower than budgeted for (£183k) and partly because two projects for fire safety intervention and driving at work

did not get under way in the year. In addition £111k of the general non-pay contingency remained unused.

The budget for Princes Trust income achieved more than anticipated mainly because prudent assumptions were made for the budget and the number of students per course and the amount of income per student turned out to be higher.

Capital Expenditure

Capital expenditure describes the purchasing, upgrading and improvement of Fire Authority assets. These assets are known as "fixed assets" and they provide a benefit to the Authority over a longer period of time than the current financial year. During the year, the following major fixed assets were acquired / upgraded (including assets under construction as at 31 March 2008):

	<u>2008/09</u> £000s
Fire appliances	1,860
Small vehicles	249
Highfields Fire Station	7,109
Stapleford Fire Station	331
Warsop Fire Station	240
Worksop Fire Station	265

The Fire Authority had a Capital Programme for 2008/09, which detailed the capital expenditure projects to be undertaken in the year. A summary of the Capital Programme and actual expenditure for the year is shown below. The Capital Programme amounts include slippage of £1.3m (budgets carried forward) from 2007/08:

Significant Variances

	<u>Capital Programme</u> <u>2008/09</u> £000's	<u>Actual</u> <u>2008/09</u> £000's	<u>Variance from Budget</u> <u>2008/09</u> £000's
Premises Programme	3,285	7,499	4,214
Transport Programme	3,594	2,206	(1,388)
Specialist Equipment Programme	30	0	(30)
IT and Communications Programme	830	326	(504)
Total	7,739	10,031	2,292

The Property capital programme had minor underspends and overspends on various projects, but the most significant variance was due to the delayed completion of the sale of Dunkirk Fire Station (£4.2m). This fire station has now been reclassified as a non-operational asset.

The underspend in the Transport capital programme related mainly to fire appliances which are in the build stage and due to be completed in 2009/10.

ICT projects relating to business continuity, mobile computing, business process automation and Firelink will all be continuing into 2009/10 and the underspends on the projects will slip forward.

Financing of Capital Expenditure

The Authority borrowed £7m from the Public Works Loans Board (PWLB) during the year, and repaid £49k of debt to the PWLB. The additional borrowing was to help finance the Capital Programme and was timed to take advantage of favourable interest rates. The capital receipt from the sale of Dunkirk Fire Station will be used to finance the capital programme. As a result of the delay in the sale, temporary borrowing and internal resources have been used to finance the balance of capital expenditure.

Change of Accounting Policies

There have been changes in accounting requirements in 2008/09 in the areas of pension asset valuations, minimum revenue provision and what were previously referred to as Deferred Charges. The new accounting policies are shown in the Accounting Policies section of this Statement of Accounts, but the key impacts are summarised here.

Quoted securities held as assets in the Local Government Pension Scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the assets as at 31 March 2008 has decreased by £114k from £11,375k to £11,261k, resulting in an increase in the net pension liability by £114k as at 31 March 2008. As this is not a material change, the opening balance sheet has not been restated, but the notes to the accounts show the restated amounts.

The minimum revenue provision is now calculated with reference to asset lives for assets purchased since 2007/08 instead of being calculated at 4% of the capital financing requirement and the impact of this more prudent approach has been to increase the minimum revenue provision charged against the General Fund by £122k.

The impact of the accounting policy change in respect of Deferred Charges has mainly been presentational and has not affected the General Fund.

Movements in Debtors and Creditors

There has been an increase in debtors on the balance sheet of £1.936m. This is mainly due to the sum owed to the General Fund by the department for Communities and Local Government in respect of cash used to finance the Firefighter Pension Fund payments in the year (£1.799m). In 2007/08 there was a cash surplus relating to the same item and this was represented as a creditor in the accounts.

There has been an increase in creditors on the balance sheet of £268k. This is mainly the result of a number of invoices from suppliers having been processed by 31 March 2009 but not paid. These include: Nottinghamshire County Council £313k (£156k more than at 31 March 2008); Browne Jacobson £96k, Nexus £72k, Ampton £71k. There was a reduction in creditors relating to the Firefighter Pension Fund cash surplus -£427k and accruals relating to 2008/09 invoices not received until after the cut off date for invoice processing: various uniform and PPE £150k, workshop charges £55k and Regional Management Board charges £68k more than the previous year.

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2009/10 and beyond. The effect of this will be that these earmarked reserves will support the 2009/10 budget and allow certain non recurrent expenditure to take place. The earmarked reserves as at the year end are as follows:

	<u>31 March</u> <u>2008</u>	<u>Net</u> <u>Movement</u> <u>in Year</u>	<u>31 March</u> <u>2009</u>
	£000's	£000's	£000's
Integrated Clothing Project	800	(730)	70
Modernisation	110	(15)	95
FiReControl / FireLink Transition	200	0	200
Community Fire Safety	26	0	26
On-Fire Fund	200	(29)	171
ICT Project – Service Desk	23	(3)	20
Local Public Service Agreement Reward Grant	741	(145)	596
Capital and Other One-Off Items	300	0	300
Pensions – ill health retirements	0	230	230
Implementation of IFRS & Regional Finance System	0	86	86

Training Business Continuity Management & Values	0	37	37
Consultancy - Mediation & Employee Survey	0	20	20
Flood PPE and Ladders	0	60	60
Station remodelling	0	250	250
Mobile battery chargers	0	35	35
HQ redecoration	0	23	23
ICT Projects – Internet/Intranet/Sharepoint	0	100	100
Equality & Diversity – Training and Positive Action	0	22	22
Total	2,400	(59)	2,341

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 £238.583m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £231.84m. The total pension scheme liabilities decreased in 2008/09 by £47.077m.

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

Economic Climate

The financial year has seen a significant downturn in the UK and global economic climate, which has impacted on the Authority.

There is no immediate evidence that the impact of the downturn on society is causing an increase in demand for fire and rescue services however the Authority is aware of the possibility and, through close co-operation with partners, is monitoring demand levels and emerging trends.

One of the main impacts so far has been on treasury management activity. Falling interest rates have reduced the level of investment interest the Authority received in the latter half of the year, although gains in the first part of the year provided a buffer. Conversely, the Authority has benefited from lower interest rates on borrowing. The main focus of investing surplus cash has been to protect the Authority's capital and higher interest rates have been foregone to achieve this risk-averse strategy. Regular risk assessments have taken place, resulting in a temporary policy to invest with a limited number of institutions on the Authority's lending list. The lower interest rates at the year end have also resulted in an increase in the fair value of both debt and investments, although the differences between fair value and carrying amounts in the accounts are not material. The notes to the accounts give more detail about the risks associated with treasury management activity.

During the year an investment of £2m was made for 1 year with an institution which subsequently had its credit rating reduced to the extent that it was removed from the Authority's lending list. As at the date of issue of these accounts there is no reason to presume that the capital sum will not be repaid to the Authority in November 2009.

The other main impact has been in relation to asset valuations. The Authority's property assets are revalued at least once every 5 years in a rolling programme. As a result of the economic downturn, the Valuer was asked to carry out a desktop valuation on almost all of our properties at the end of March 2009 and two properties were valued earlier in the year. The result of this was an overall fall in property values of around £5.1m, a percentage fall of around 15%. Approximately £3.1m of this has been charged to the Income and Expenditure Account but has then been reversed in the Statement of Movement on the General Fund Balance so as not to impact on

Council Tax. The remaining £2.0m has been charged to the Revaluation Reserve and set against the £7.7m of upward revaluations which occurred in the previous financial year.

Other Published Financial Information

Summarised financial information, which is extracted from this Statement of Accounts, is included in the Annual Report 2008/2009. This can be found on the Authority's website (www.notts-fire.gov.uk).

Plans for 2009/10

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

- Continuing improvements will be sought in the areas of response, prevention and education.
- The Authority is anticipating the transfer of several "New Dimensions" vehicles and associated equipment from CLG (Communities and Local Government) ownership to the Authority's ownership on 1 October 2009. New Dimensions assets are currently used by Fire and Rescue Services to respond to major disruptive events such as collapsed buildings and flooding. The value of these assets is not yet known, but is likely to be significant.
- Regional projects will be progressing, in particular the move towards a regional control centre. The new regional control centre at Castle Donington is expected to be operational by 2010 and until then, the directors of the company are ten elected Members from the five Fire and Rescue Authorities. There have been only minimal financial transactions between the Authority and East Midlands Fire and Rescue Control Centre Ltd in 2008/09.
- The rebuilding of Carlton Fire Station will be progressing over the year.

The 2009/10 revenue budget and capital programme provide the financial resources required for all of these initiatives as well as for the day to day running of the service. In addition, earmarked reserves have been created to fund the set up costs associated with some of the major developments.

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

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

This Statement of Accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Authority at 31 March 2009 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 26 June 2009 by the Treasurer to the Authority. This is the date up to which events have been considered for recognition in the Statement of Accounts.

Signed _____

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

Dated _____

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 26 June 2009

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

Signed _____

(Chair of the Fire Authority)

Dated _____

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2008/09 financial year and its position at the year end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 : A Statement of Recommended Practice. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of asset.

Accruals of Income and Expenditure

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

- a) Supplies are recorded as expenditure when they are consumed. Some supplies are carried as stock on the balance sheet, where they are held in Stores prior to being distributed and used.
- b) Where goods and services are supplied to or received by the Fire Authority in the financial year, but payment does not occur until the following financial year, a creditor or debtor for the relevant amount is shown on the balance sheet. Exceptions are made to this policy for certain recurring items that cover a specific period, e.g. quarterly energy bills. These items are brought into the accounts in the year they are paid and are not apportioned over the years to which they relate.
- c) Fees and charges due from customers are accounted for as income at the date the Fire Authority provides the relevant services. Debts outstanding at the year end are assessed for evidence of uncollectability based on past events. Where there is evidence of impairment, the balance of debtors is written down and a charge made to revenue for the amounts which may not be received.
- d) Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of cash flows determined by the contract.

Value Added Tax

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

Intangible Fixed Assets

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

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

The value of assets shown is subject to a £30,000 de minimis level. Assets with a value less than £30,000 will, however, be capitalised if they form part of a larger asset e.g. an ICT project to implement a new system with both hardware and software.

Software is initially measured at cost and subsequently shown in the Balance Sheet at amortised historic cost. Amortisation is charged to the Income and Expenditure Account over the economic life of the asset.

Tangible Fixed Assets

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

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

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

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

a) Land and Buildings

These assets are classified as either operational or non operational. Operational assets are valued at Depreciated Replacement Cost (DRC), Non operational assets are valued at Market Value. Operational assets which are non-specialised are valued at Existing Use Value (EUV). All assets are revalued every 5 years on a rolling basis by the Nottingham Valuation Office, or more frequently if there have been material changes in value.

b) Furniture and Fittings

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

c) Vehicles and Plant

Some of the Fire Authority's fire appliances were originally financed by operating leases. They have been retrospectively redefined as assets financed by finance leases, according to the requirements of Standard Statement of Accounting Practice (SSAP) 21. Their valuation in the Balance Sheet represents the capital value of the assets less depreciation charged on a straight line basis over the primary lease period.

d) All other Assets

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where impairment (reduction) in an asset's value is identified, this is accounted for by:

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

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. This does not impact on council tax and such amounts are adjusted for in the Statement of Movement on the General Fund Balance. Amounts received from disposals are credited to the Usable Capital Receipts Reserve, which will then be used for new capital investment or set aside to reduce the borrowing requirement.

Basis of Charging for Fixed Assets

Revaluation gains arising in respect of individual assets are credited to the Revaluation Reserve and revaluation losses (not due to the clear consumption of economic benefits) may only be written off against the Revaluation Reserve if there are sufficient revaluation gains already in the reserve for that individual asset. The balance of any downward revaluation is charged to the Income and Expenditure Account.

Charges to Revenue

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

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

The Authority is not required to raise council tax to cover these charges. It is, however, required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is known as the Minimum Revenue Provision (MRP) and the Authority's accounting policy on MRP changed in 2008/09 to comply with the Local Authorities (Capital Finance and Accounting) ... Regulations 2008. These regulations require authorities to make an amount of provision which is "prudent" in accordance with statutory guidance. Previously the Authority charged an amount of MRP equal to 4% of the Capital Financing Requirement. From 2008/09 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 effect of this change in accounting policy has been to increase the MRP charge, which reduces the overall borrowing requirement and this is considered to be a prudent approach. The charges listed in a) to d) above are replaced by Minimum Revenue Provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Depreciation

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

Depreciation is calculated on the following bases:

Buildings	straight line allocation over the remaining useful life as estimated by the District Valuation Office
IT and Communications Equipment	straight line allocation over 5 years
Land and non operational buildings	not depreciated
Fire Appliances	straight line allocation over 10 or 12 years, depending on the appliance type
Furniture and Fittings	20% of opening balance
Intangible Fixed Assets (software)	amortisation equal to straight line allocation over 5 years

Part year depreciation is charged in the years of acquisition and disposal (calculated to the nearest 3 months). Revaluation gains are also depreciated, with an amount equal to the difference between current value and historic cost depreciation being transferred each year from the Revaluation Reserve to the Capital Adjustment Account

Stocks

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

Allocation of Support Service Costs

Support services are provided primarily by the Authority itself although some are purchased directly from the constituent authorities. The provision of a Clerk to the Authority is purchased from Nottingham City Council and some limited financial services are provided by Nottinghamshire County Council. The services of the Authority Treasurer are also provided by the County Council. Overheads are allocated to services on various bases in accordance with the CIPFA Best Value Accounting Code of Practice 2008, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- a) Costs relating to the Fire Authority's status as a democratic organisation and costs relating to the provision of information for public accountability are charged to Corporate and Democratic Core.
- b) Costs of discretionary benefits awarded to employees retiring early are charged to Non Distributed Costs.

In 2008/09, the Authority introduced a revised coding structure in its financial information system, which resulted in a higher proportion of expenditure being coded directly to front line services and a consequent reduction in the amount of expenditure treated as overheads. This has led to a more refined estimation of overhead allocations in 2008/09 compared to the previous year. Key elements of the overhead allocations in 2007/08 have been recalculated on a similar basis, resulting in restated prior year figures within Net Cost of Services in the Income and Expenditure Account.

Provisions

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

General Reserves

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

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

- i) **Earmarked Reserve**
This reserve contains funds built up to meet expected liabilities. The movement of this reserve is shown in note 26 on page 37.
- ii) **Revenue Reserve**
This reserve is the surplus of income over expenditure in the 2008/09 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 26 on page 37.

Capital Reserves

There are three capital related reserves shown in the Balance Sheet, two of which are non cash backed.

i) The Revaluation Reserve

This represents the total of all fixed asset revaluation gains since 1 April 2007, less any revaluation losses not due to the consumption of economic benefits since 1 April 2007 which have been offset against prior revaluation gains for the same asset. This reserve replaced the Fixed Asset Restatement Account in 2007/08.

ii) The Capital Adjustment Account

This account is credited with amounts set aside to finance capital expenditure and absorbs any timing differences between the setting aside of resources and accounting for depreciation and impairment losses. This reserve replaced the Capital Financing Account in 2007/08 and the 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.

iii) The Usable Capital Receipts Reserve

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

Movements on these reserves are shown in note 26 on page 37.

Pensions Reserve

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

Finance Leases

The Fire Authority accounts for leases as finance leases when substantially all of the risks and rewards relating to the leased asset transfer to the Authority. Rentals payable are apportioned between:

- i) A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- ii) A finance charge (debited to the Income and Expenditure Account (interest payable) as the rent becomes payable).

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

Operating Leases

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

Government Grants and Contributions (Revenue)

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

Capital Grants

Capital Grants which are identifiable to fixed assets with a finite useful life are credited to the Government Grant Deferred account and amounts are released to the revenue account over the useful economic life of the associated asset in line with the depreciation policy applied to that asset.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred in the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets is charged to revenue. Smoke alarms funded by a department for Communities and Local Government capital grant have been fully charged to revenue. The Fire Authority does not control the economic benefits arising from this expenditure. The capital grant applied to this expenditure is credited to the Income and Expenditure Account and treated as revenue grant income. This is a change of accounting policy in line with SORP requirements. Previously, the expenditure and the related capital grant would have been amortised to revenue and adjusted for through the Statement of Movement on the General Fund Balance.

Retirement Benefits

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

Further detail is given in the note 27 to the core financial statements.

Financial Instruments: Financial Liabilities

Financial liabilities 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 31 March 2009. 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 Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

Financial Instruments: Financial Assets

Loans and receivables (investments) are initially measured at fair value and carried at their amortised cost. The amortised cost will include any interest accrued and not received as at 31 March 2009. Where the interest rate is fixed for the term of the investment then the actual interest rate has been used to calculate interest receivable as this is the same as the effective interest rate. There are no transaction costs relating to investments. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Interests in Companies

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

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and including arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy of the code is on our website at www.notts-fire.gov.uk or can be obtained from the Corporate Communications Department, NFRS Headquarters, Bestwood Lodge, Arnold, Nottingham NG5 8PD. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

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

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

The Internal Control Environment

The Authority's internal control environment comprises the many systems, policies, procedures and operations in place to :-

- a) establish and monitor the achievement of the Authority's objectives
- b) facilitate policy and decision making
- c) ensure compliance with established policies, procedures, laws and regulations
- d) identify, assess and manage the risks to the Authority's objectives including risk management
- e) ensure the economical, effective and efficient use of resources, and to secure continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.
- f) provide appropriate financial management of the Authority and the reporting of financial management and,
- g) ensure adequate performance management of the Authority and the reporting of performance management

Review of Effectiveness

The Fire Authority has carried out a review of the effectiveness of the system of internal control which is informed by the work of the Internal Auditors and managers within the authority who have responsibility for the development and maintenance of the internal control environment and the

Corporate Risk Profile and risk registers. It is also informed by comments made by the External Auditors in their Annual Audit Letter and by other review agencies and inspectorates in their reports.

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

The Governance Framework

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

- a) The maintenance and review of Standing Orders/Financial Regulations, Committee Membership and Terms of Reference, Scheme of Delegation to Officers and Members and Staff Codes of Conduct
- b) The Performance Committee which, as well as the Authority itself, receives regular reports monitoring and reporting the Service's performance and governance arrangements
- c) An approved Corporate Risk Management Strategy and Policy which includes the maintenance of a comprehensive Risk Register
- d) An approved "Local Code of Corporate Governance"
- e) The designation of the Chief Fire Officer, who is responsible to the Authority for all aspects of operational management
- f) The designation of the Treasurer as the responsible officer in accordance with S.112 of the Local Government Finance Act 1988 and S.151 of the Local Government Act 1972
- g) The designation of the Clerk to the Fire Authority as Monitoring Officer with the requirement to report to the full Authority.
- h) The approval by the Authority of the Scheme of Financial Principles and Delegation Profiles.
- i) Partnership evaluation arrangements
- j) Anti Fraud and Corruption and Whistleblowing Policy
- k) Complaints procedures
- l) The work of the Standards Committee
- m) Internal and External Audit and the role of the Audit Committee

The Authority carries out an annual benchmark of its governance arrangements, measured against the CIPFA / SOLACE framework, and formulates action plans arising from the review. The most recent review was carried out in May 2009 and the following areas were identified as requiring strengthening in 2009/10:

- 1. Decision making protocols including the recording of evidence of decisions are to be reviewed
- 2. The Anti fraud and Corruption and Whistle-Blowing policies are to be reviewed and publicised to employees to reinforce the understanding of these processes.
- 3. A process needs to be developed for reviewing the performance of the Fire Authority as a whole.
- 4. Consideration of institutional stakeholders to whom the Authority is accountable and the effectiveness of those relationships.

Signed _____

Signed _____

F Swann MSc, BA (Hons), MIFireE, MCMI
(Chief Fire Officer)
Dated _____

(Chair of the Fire Authority)
Dated _____

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

Opinion on the financial statements

I have audited the accounting statements, the firefighters pension fund accounting statements and related notes of Nottinghamshire and City of Nottingham Fire Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Nottinghamshire and City of Nottingham Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the firefighters pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword and the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The firefighter pension fund accounting statements present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the firefighter pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Nottinghamshire and City of Nottingham Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Cornett

(Officer of the Audit Commission)

Rivermead House, 7 Lewis Court, Grove Park, Enderby, Leicestershire, LE19 1SU

30 September 2009

CORE ACCOUNTING STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

This Account summarises the resources that have been generated and consumed in providing services and managing the Fire Authority during 2008/09. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year.

2007/08 Net Expenditure		2008/09 Gross Expenditure	2008/09 Gross Income	2008/09 Net Expenditure
£000's		£000's	£000's	£000's
restated				
	Community Fire Safety			
4,354	- Staff	4,957	(9)	4,948
1,368	- Service	2,822	(533)	2,289
5,722		7,779	(542)	7,237
	Fire Fighting and Rescue Operations			
30,596	- Staff	30,352	(538)	29,813
9,443	- Service	12,566	(152)	12,414
40,039		42,918	(690)	42,228
139	Fire Service Emergency Planning and Civil Defence	795	(211)	584
475	Corporate and Democratic Core	556	0	555
239	Non Distributed Costs	0	0	0
46,614	Net Cost of Services	52,048	(1,444)	50,604
1	(Gain)/Loss on Disposal of Fixed Assets	(795)	0	(795)
(31)	(Surpluses) / Deficits on Trading Undertakings	447	(391)	56
394	Interest Payable and Similar Charges	638	0	638
(244)	Interest and Investment Income	0	(237)	(237)
13,251	Pensions Interest Cost and Expected Return on Pensions Assets	17,283	0	17,283
(2,345)	Gain re Government Grant payable to the Pension Fund on the Authority's behalf	(3,774)	0	(3,774)
57,640	Net Operating Expenditure	65,847	(2,072)	63,775
(20,668)	Precepts	0	(21,492)	(21,492)
(3,028)	General Government Grants	0	(2,799)	(2,799)
(444)	Local Public Service Agreement Reward Grant	0	0	0
(18,045)	Non Domestic Rates redistribution	0	(20,105)	(20,105)
15,455	(Surplus) / Deficit for the Year	65,847	(46,469)	19,378

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

2007/08 Net Expenditure		2008/09 Net Expenditure
£000's		£000's
15,455	(Surplus) / deficit for the year on the Income and Expenditure Account	19,378
(16,259)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(19,435)
(804)	Increase in General Fund Balance for the year	(57)
(2,640)	General Fund Balance brought forward	(3,444)
(3,444)	General Fund Balance carried forward	(3,501)

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

2007/08 £000s restated		2008/09 £000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(25)	Amortisation of intangible fixed assets	(39)
(3,262)	Depreciation and impairment of fixed assets	(5,501)
177	Government Grants Deferred amortisation	7
(171)	Revenue expenditure to be funded from capital under statute to be financed from capital resources	0
(1)	Net gain / (loss) on sale of fixed assets	795
(18)	Differences between amounts credited to the Income and Expenditure Account and amounts receivable to be recognised under statutory provisions relating to discounts on the early repayment of debt.	(9)
(20,751)	Net charges made for retirement benefits in accordance with FRS 17	(24,806)
2,345	Gain re Government Grant payable to the Pension Fund on the Authority's behalf	3,774
(21,706)	Subtotal	(25,779)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year	
413	Minimum revenue provision for capital financing	716
70	Capital expenditure charged in-year to the General Fund Balance	0
4,770	Employers' contributions payable to the Pension Funds and retirement benefits payable direct to pensioners	5,686
5,253	Subtotal	6,403
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
194	Net transfer to or from earmarked reserves	(59)
194	Subtotal	(59)
(16,259)	Net additional amount required to be credited to the General Fund balance for the year	(19,435)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2007/08 Net Expenditure £000's		2008/09 Net Expenditure £000's
15,455	(Surplus) / deficit for the year on the Income and Expenditure Account	19,378
(7,723)	(Surplus) / deficit arising on revaluation of fixed assets	(274)
24,209	Actuarial (gains) / losses on pension fund assets and liabilities	(62,422)
31,941	Total recognised (gains) / losses for the year	(43,319)

BALANCE SHEET

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

31 March 2008		31 March 2009
£000's		£000's
	Fixed Assets	
126	Intangible Fixed Assets	158
	Tangible Fixed Assets	
	Operational Assets	
33,683	Land and Buildings	35,857
3,290	Vehicles and Plant	3,500
1,928	Equipment / Furniture and Fittings	1,724
	Non Operational Assets	
0	Land and Buildings Available for Sale	3,000
1,529	Assets Under Construction	1,878
40,556	Total Long Term Assets	46,117
	Current Assets	
226	Stocks and Work in Progress	260
1,062	Debtors	2,998
539	Payments in Advance	495
5,521	Investments	2,035
151	Cash and Bank	661
7,499	Total Current Assets	6,450
	Current Liabilities	
(49)	Short Term Borrowing	(1,564)
(3,773)	Creditors	(4,041)
(642)	Deferred Income	(685)
(48)	Provisions	(63)
(4,512)	Total Current Liabilities	(6,353)
43,543	Total Assets less Current Liabilities	46,214
	Long Term Liabilities	
(9,776)	Long Term Borrowing	(16,713)
(203)	Government Grants Deferred	(195)
(464)	Deferred Income	(475)
(70)	Unapplied Capital Grants	0
(1,718)	Deferred Liabilities	(1,277)
(285,660)	Liability related to Defined Benefit Pension Scheme	(238,583)
(254,348)	Total Assets less Liabilities	(211,029)
	Financed By:	
7,723	Revaluation Reserve	7,998
17,693	Capital Adjustment Account	13,676
4	Usable Capital Receipts Reserve	0
47	Financial Instruments Adjustment Account	37
(285,660)	Pensions Reserve	(238,583)
3,444	General Fund Balance	3,501
2,401	Earmarked Reserves	2,342
(254,348)	Total Net Worth	(211,029)

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Note 30 gives further details about the cash flow statement.

2007/08 £000's		2008/09 £000's	2008/09 £000's
	Revenue Activities		
	Cash Outflows		
36,685	Cash paid to and on behalf of employees	39,265	
8,135	Other operating cash payments	9,301	48,567
	Cash Inflows		
(3,028)	Revenue Support Grant	(2,799)	
(20,668)	Precepts	(21,492)	
(18,045)	National non domestic rate receipts from national pool	(20,106)	
(5,930)	Other Government Grants	(2,358)	
(536)	Cash received for goods and services	(452)	
(1,004)	Other Income	(901)	(48,108)
(4,391)	Net Cash (Inflow) / Outflow from Revenue Activities		459
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
339	Interest paid	522	
47	Interest element of finance lease rental payments	151	673
	Cash Inflows		
(235)	Interest received		(218)
151	Net Cash (Inflow) / Outflow from Servicing of Finance		454
	Capital Activities		
	Cash Outflows		
4,268	Purchase of fixed assets		11,358
	Cash Inflows		
0	Sale of fixed assets		(1,351)
(241)	Capital grants received		0
4,027	Net Cash (Inflow) / Outflow from Capital Activities		10,008
(213)	Total Net Cash (Inflow) / Outflow before Financing		10,920
	Management of Liquid Resources		
3,828	Net increase / decrease in short term deposits		(3,513)
	Financing		
	Cash Outflows		
69	Repayments of amounts borrowed	49	
169	Capital element of finance lease rental payments	533	583
	Cash Inflows		
(4,000)	New loans raised	(7,000)	
0	New short term loans	(1,500)	(8,500)
66	Net cash inflow / outflow from Management of Liquid Resources and Financing		(11,430)
(147)	Net (Increase) / Decrease in Cash		(510)

INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS

<u>Note No:</u>	<u>Note:</u>	<u>Page No:</u>
1	Authorisation of Accounts for Issue	29
2	Trading Operations	29
3	Expenditure on Publicity	29
4	Members' Allowances	29
5	Officers' Emoluments	29
6	Related Party Transactions	30
7	Audit Fees	30
8	Finance Leases	31
9	Operating Leases	31
10	Interest Relating to Financial Instruments	31
11	Movements in Intangible Fixed Assets	32
12	Movements in Tangible Fixed Assets	32
13	Depreciation	33
14	Capital Expenditure and Financing	33
15	Commitments under Capital Contracts	34
16	Analysis of Fixed Assets	34
17	Valuation of Fixed Assets	34
18	Interests in Companies	35
19	Gain / Loss on Disposal of Fixed Assets	36
20	Debtors	36
21	Creditors	36
22	Analysis of Borrowing Repayable over a Period in Excess of 12 Months	36
23	Revenue Expenditure Funded from Capital under Statute	36
24	Provisions	36
25	Deferred Income	37
26	Movements on Reserves	37
27	Retirement Benefits	38
28	Financial Instruments: Measurement and Valuation	43
29	Financial Instruments: Exposure to Risk	44
30	Cashflow	46
31	Contingent Asset and Contingent Liability	47

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. Authorisation of Accounts for Issue

The financial statements have been authorised for issue on 26 June 2009 by the Treasurer to the Fire Authority. Events arising after this date will not have been recognised in the Statement of Accounts, even if they would have a material effect on these accounts.

2. Trading Operations

The Authority runs two trading operations: Fire Extinguisher Maintenance and a Commercial Training Unit. At the end of the year, prior to support service charge allocations under the Best Value Accounting Code of Practice, the financial results for the two trading operations were as follows:

	<u>Income</u> <u>2008/09</u>	<u>Expenditure</u> <u>2008/09</u>	<u>(Surplus) /</u> <u>Deficit</u> <u>2008/09</u>	<u>(Surplus) /</u> <u>Deficit</u> <u>2007/08</u>
	£000s	£000s	£000s	£000s
Fire Extinguisher Maintenance	(288)	220	(68)	(40)
Commercial Training Unit	(102)	102	0	2
Total	(390)	322	(68)	(38)

3. Expenditure on Publicity

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

	<u>2008/09</u> £000s	<u>2007/08</u> £000s
Recruitment advertising	43	34
Public education & Publicity	48	66
Total	91	100

4. Members' Allowances

Allowances paid to Members of the Authority were as follows:

	<u>2008/09</u> £000s	<u>2007/08</u> £000s
Members' allowances	109	105

5. Officers' Emoluments

The table below shows the number of employees whose remuneration was £50,000 or more in bands of £10,000 (remuneration is defined as pay, expense allowances chargeable to tax and the monetary value of any benefits such as a provided car but excluding employer pension contributions)

	<u>2008/09</u> Number	<u>2007/08</u> Number
£50,000 - £59,999	27	9
£60,000 - £69,999	8	3
£70,000 - £79,999	4	3
£80,000 - £89,999	1	2
£90,000 - £99,999	1	2
£100,000 - £109,999	2	1
£110,000 - £119,999	0	0
£120,000 - £129,999	0	1
£130,000 - £139,999	1	1
£140,000 - £149,999	0	0
£150,000 - £159,999	0	0
£160,000 - £169,999	1	0
Total	45	22

There were a number of officers whose total emoluments were just short of the £50,000 band in 2007/08 and pay inflation in 2008/09 has brought them into this disclosure requirement.

6. Related Party Transactions

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

All Officers and Members of the Fire Authority have submitted a return in respect of related party transactions. These returns confirmed that there were no such transactions during the financial year ended 31 March 2009 other than those detailed below.

The Fire Authority is made up of 12 Members from the Nottinghamshire County Council and 6 Members from the Nottingham City Council. Some of these Members serve on the Regional Management Board or are Directors of East Midlands Fire and Rescue Control Centre Ltd. Therefore transactions with these 4 bodies are considered to be with related parties and are summarised below.

	<u>2008/09</u> £000s	<u>2007/08</u> £000s restated
Nottinghamshire County Council:		
Treasury, Payroll, Pensions & Internal Audit	147	137
Other Income and Expenditure	919	899
Nottingham City Council		
Committee Services	38	34
Other Income and Expenditure	135	(5)
Regional Management Board		
Contributions towards regional costs	191	201
Reimbursement of regional costs	(88)	(87)
East Midlands Fire and Rescue Control Centre Ltd		
Provision of a Communications Adviser	(7)	0

The figure of £899k relating to Nottinghamshire County Council expenditure has been re-stated. In the 2007/08 Statement of Accounts this was shown as £265k, but omitted workshop charges in error. The significant change shown in respect of Nottingham City Council income is due to LPSA reward grant received in 2007/08, but not 2008/09.

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

	<u>2008/09</u> £000s	<u>2007/08</u> £000s
<u>Amounts Included Within Debtors</u>		
Nottinghamshire County Council:	0	0
Nottingham City Council	0	0
Regional Management Board	22	4
East Midlands Regional Control Centre Ltd	7	0
<u>Amounts Included Within Creditors</u>		
Nottinghamshire County Council:	82	34
Nottingham City Council	130	80
Regional Management Board	104	36

7. Audit Fees

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

	<u>2008/09</u> £000s	<u>2007/08</u> £000s
Fees payable to the Audit Commission re external audit services	36	35
Fees payable to the Audit Commission re statutory inspection	30	21

Fees payable to the Audit Commission re certification of grant claims and returns	0	0
Total	66	56

8. Finance Leases

Vehicles: The authority uses vehicles (fire appliances) financed under the terms of finance leases. The rentals paid under these arrangements in 2008/09 were £575k (2007/08 £673k), charged to the Income and Expenditure Account as £133k finance costs (debited to interest payable) and £442k relating to the write-down of obligations to the lessor.

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

	<u>Vehicles</u> £000s
Value at 1 April 2008	1,718
Additions	0
Revaluations	0
Depreciation	(441)
Disposals	0
Value at 31 March 2009	1,277

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2009, accounted for as Deferred Liabilities within Long Term Liabilities:

	<u>Vehicles</u> £000s
Obligations payable in 2009/10	298
Obligations payable between 2010/11 and 2014/15	867
Obligations payable after 2014/15	112
Total liabilities at 31 March 2009	1277

There are no commitments existing as at 31 March 2009 in respect of finance leases which have been entered into but whose inception occurs after the year end.

9. Operating Leases

Vehicles: The authority uses vehicles financed under the terms of operating leases. The rentals paid under these arrangements in 2008/09 were £146k (2007/08 £177k), charged to the Income and Expenditure Account.

Plant and Equipment: The authority has IT equipment and specialist operational equipment financed under the terms of operating leases. The rentals paid under these arrangements in 2008/09 were £17k (2007/08 £24k), charged to the Income and Expenditure Account.

Commitments under operating leases – the Authority was committed at 31 March 2009 to making payments of £9k under operating leases in 2009/10, comprising the following elements:

	<u>Vehicles</u> £000s
Leases expiring in 2009/10	9
Leases expiring between 2010/11 and 2014/15	0
Leases expiring after 2014/15	0

10. Interest Relating to Financial Instruments

Interest receivable for financial assets (loans and receivables) has been credited to the Income and Expenditure Account (within Interest and Investment Income) and was £35k in 2008/09 (£8k in 2007/08).

Interest payable for financial liabilities has been charged to the Income and Expenditure Account (within Interest Payable and Similar Charges) and was £12k in 2008/09 (£11k in 2007/08).

11. Movements in Intangible Fixed Assets

	Software £000s
Cost or Valuation	
As at 1 April 2008	151
Additions	71
Revaluations	0
Reclassifications	0
Disposals	0
As at 31 March 2009	222
Amortisation and Impairments	
As at 1 April 2008	(25)
Amortisation Charge	(39)
As at 31 March 2009	(64)
Balance Sheet Amount as at 31 March 2009	158
Balance Sheet Amount as at 1 April 2008	126
Nature of Asset Holding	
Owned	158
Finance Lease	0
Total	158

12. Movements in Tangible Fixed Assets

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

Operational	Land & Buildings	Vehicles	Equipment, Furniture & Fittings	Total
	£000s	£000s	£000s	£000s
Cost or Valuation				
As at 1 April 2008	39,373	9,874	4,259	53,506
Additions	8,811	334	278	9,424
Revaluations	(2,870)	(3)	(13)	(2,886)
Reclassifications	(2,110)	639	0	(1,471)
Disposals	(867)	(32)	0	(899)
As at 31 March 2009	42,337	10,811	4,525	57,674
Depreciation and Impairments				
As at 1 April 2008	(5,690)	(6,584)	(2,331)	(14,605)
Depreciation Charge	(1,121)	(749)	(470)	(2,340)
Disposals	331	22	0	353
As at 31 March 2009	(6,480)	(7,311)	(2,801)	(16,593)
Balance Sheet Amount as at 31 March 2009	35,857	3,500	1,724	41,081
Balance Sheet Amount as at 1 April 2008	33,683	3,290	1,928	38,901
Nature of Asset Holding				
Owned	35,857	2,223	1,724	39,804
Finance Lease	0	1,277	0	1,277
Total	35,857	3,500	1,724	41,081

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

Non Operational	Land & Buildings Available for Sale £000s	Land & Buildings Under Construction £000s	Vehicles Under Construction £000s	Total £000s
Cost or Valuation				
As at 1 April 2008		890	639	1,529
Additions		0	1,878	1,878
Revaluations		0	0	0
Reclassifications	3,000	(890)	(639)	1,471
Disposals		0	0	0
As at 31 March 2009	3,000	0	1,879	4,879
Depreciation and Impairments				
As at 1 April 2008		0	0	0
Depreciation Charge		0	0	0
As at 31 March 2009		0	0	0
Balance Sheet Amount as at 31 March 2009	3,000	0	1,879	4,879
Balance Sheet Amount as at 1 April 2008	0	890	639	1,529
Nature of Asset Holding				
Owned	3,000	0	1,879	4,879
Finance Lease		0	0	0
Total	3,000	0	1,879	4,879

Note: Revaluations of buildings took place on 31 March, so there is no impact on depreciation in respect of revaluations.

13. Depreciation

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

14. Capital Expenditure and Financing

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

	<u>2008/09</u> £000s	<u>2007/08</u> £000s
Opening Capital Financing Requirement	14,858	10,324
Capital Investment		
Operational assets	11,023	3,627
Non operational assets	350	1,391
Deferred charges	N/A	171
Sources of Finance		
Capital receipts	(1,345)	0
Government grants and other contributions	0	(171)
Revenue contribution used to finance capital costs	0	(70)
Government grants deferred	0	(1)
Minimum revenue provision – 4% of opening CFR	(396)	(413)
Minimum revenue provision – based on asset lives	(320)	0

Closing Capital Financing Requirement	24,170	14,858
---------------------------------------	---------------	---------------

<u>2008/09</u>	<u>2007/08</u>
£000s	£000s

Explanation of Movements in the Year

Increase in underlying need to borrow (supported by Government financial assistance)	948	948
Increase in underlying need to borrow (unsupported by Government financial assistance)	8,365	3,586
Increase in Capital Financing Requirement	9,313	4,534

Note: The minimum revenue provision based on asset lives (£320k) includes £14k of additional voluntary minimum revenue provision.

15. Commitments under Capital Contracts

There were commitments for capital expenditure in 2009/10 for which the Authority had contractual obligations as at 31 March 2009. The sum is £1,243k in respect of the following significant projects and is expected to be spent in 2009/10:

	<u>Commitments</u>
	£000s
Fire appliances	938
Command Support Vehicle	82
Southwell Fire Station	124
Fuel Tanks	98

16. Analysis of Fixed Assets

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

	<u>31 March</u>	<u>31 March</u>
	<u>2009</u>	<u>2008</u>
	Number	Number
Fire Stations	25	25
Community Safety Office	1	1
Training School	1	1
Administrative Headquarters	1	1
Houses	3	3
Large & Medium Vehicles, including Fire Appliances	100	99

17. Valuation of Fixed Assets

The Valuation Office carries out valuations of all properties over a 5 year rolling programme. The last valuation took place on 31 March 2009 and was carried out by John Murray MRICS. Because of the downturn in the economic climate, almost all of the Authority's properties were revalued in a "desktop" exercise.

The basis of valuation for various types of property is given in the Accounting Policies section.

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

		<u>Land and</u>	<u>Plant and</u>	<u>Total</u>
		<u>Buildings</u>	<u>Equipment</u>	<u>£000s</u>
		£000s	£000s	£000s
Revalued in	2004/05	5,803	0	5,803
"	2005/06	2,485	0	2,485

“	2006/07	8,148	0	8,148
“	2007/08	31,549	0	31,549
“	2008/09	38,520	15	38,535

18. Interests in Companies

The Authority, together with Derbyshire, Leicestershire, Lincolnshire and Northamptonshire Fire and Rescue Authorities, owns East Midlands Fire and Rescue Control Centre Limited (trading as East Midlands Fire and Rescue Control Centre). The principal activity of the company will be to provide a regional control centre to serve this Authority and the other four Fire and Rescue Authorities in the East Midlands region. The company is progressing towards provision of this service in line with the national timetable set by Central Government. The company was formed on 17 November 2006 and has prepared accounts for the period ending 31 December 2008.

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

The company has exercised the options available to small sized companies under the Companies Act 2006 and is therefore exempt from the requirement to be audited for the financial period ended 31 December 2008.

The Authority has made no financial investment in the company and has received no dividends. Group accounts have not been prepared on the basis that the transactions and balances are not material.

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

<u>For the Year Ended 31 December 2008</u>	<u>31/12/08</u>	<u>31/12/07</u>
	<u>£000s</u>	<u>£000s</u>
Turnover	1,720	189
Profit on ordinary activities before taxation	0	0
Profit on ordinary activities after taxation	0	0
 <u>As At:</u>	 <u>31/12/08</u>	 <u>31/12/07</u>
	<u>£000s</u>	<u>£000s</u>
Net Assets	0	0

Indebtedness between Nottinghamshire Fire and Rescue Service and East Midlands Fire and Rescue Control Centre Limited

There are no amounts included within Creditors relating to sums owed by Nottinghamshire Fire and Rescue Service to East Midlands Fire and Rescue Control Centre Limited

The East Midlands Fire and Rescue Control Centre Limited owed the sum of £7k to Nottinghamshire Fire and Rescue Service in respect of the provision of a Communications Adviser to the company. This sum is included within Debtors.

The accounts of the company can be obtained from:

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

19. Gain / Loss on Disposal of Fixed Assets

The following fixed assets were sold in 2008/09, with either gains or losses on disposal as shown:

<u>Fixed Asset</u>	<u>Gain / (Loss)</u> <u>on Disposal</u> £000's
Part of Forecourt at Central Fire Station	112
Beeston Fire Station - Land	630
Beeston Fire Station - Building	57
Various Small Vehicles	(4)
Total	795

20. Debtors

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

<u>Debtor</u>	<u>Re</u>	<u>£000's</u>
Nottinghamshire Fire Authority Pension Account	Cash used to fund pension transactions	1,799

21. Creditors

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

<u>Creditor</u>	<u>Re</u>	<u>£000's</u>
Bristol Uniforms Ltd	Fire coats and trousers	97
Nottingham City Council	Accommodation charges re the Guildhall	92
Leicestershire Fire Service	Regional Management Board costs	104
Nottinghamshire County Council	Workshop charges	55
NFRS Employees	Overtime and other pay	116
NFRS Employees	Pay re Retained Duty System staff	216

22. Analysis of Borrowing Repayable over a Period in Excess of 12 Months

The following long term borrowings were outstanding at the financial year end.

<u>Analysis of Loans by Maturity</u>	<u>2008/09</u> £000s	<u>2007/08</u> £000s
Between 1 and 2 years	55	52
Between 2 and 5 years	5,183	173
Between 5 and 10 years	2,376	357
Between 10 and 15 years	199	283
Over 15 years	8,900	8,911
Total	16,713	9,776

23. Revenue Expenditure Funded from Capital under Statute

Smoke alarms funded by a department for Communities and Local Government capital grant have been charged to revenue and the capital grant relating to them has been credited to revenue.

24. Provisions

No new provisions have been created in the year. Movement on the existing insurance provision is shown below. The provision has increased by £15k following a review of liabilities in respect of employees and public liability claims which are on file and expected to be settled in the forthcoming financial year.

	<u>Balance</u> <u>31 March</u> <u>2008</u> £000s	<u>Increase/(Decrease)</u> <u>in Provision</u> <u>2008/09</u> £000s	<u>Provision</u> <u>Used</u> <u>2008/09</u> £000s	<u>Balance</u> <u>31 March</u> <u>2009</u> £000s
Insurance	48	15	0	63

25. Deferred Income

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

	<u>Deferred Income</u> <u>31 March</u> <u>2009</u> £000s	<u>Deferred Income</u> <u>31 March</u> <u>2008</u> £000s
Arson Task Force	105	105
New Burdens Grant	141	201
New Dimensions Grant	59	49
Safe as Houses Grant	14	0
Fire Prevention	123	83
Fire Setters	8	20
Bendigo Project	4	0
Community Fire Safety Innovation Fund	15	0
Local Resilience Forum	6	0

26. Movements on Reserves

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

Reserve	<u>Balance 1 April 2008</u>	<u>Net Movement in Year</u>	<u>Balance 31 March 2009</u>	<u>Purpose of Reserve</u>	<u>Further Details</u>
	£000s	£000s	£000s		Reference to further information
Revaluation Reserve	7,723	275	7,998	Gains on revaluation of fixed assets	
Capital Adjustment Account	17,693	(4,017)	13,676	Capital resources set aside to meet past expenditure	
Financial Instruments Adjustment Account	47	(10)	37	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Usable Capital Receipts	4	(4)	0	Proceeds of fixed asset sales to meet capital expenditure	
Pensions Reserve	(285,660)	47,077	(238,583)	Balancing account to allow inclusion of pensions liability in the Balance Sheet	Note 27, page 39
General Fund (Revenue Reserve)	3,444	57	3,501	Resources available to meet future running costs for the Service	Statement of Movement on the General Fund Balance page 24
Earmarked Reserves (Revenue)	2,401	(60)	2,341	Resources set aside to meet future project costs	Treasurer's Foreword page 6
Total	(254,348)	43,318	(211,030)		

27. Retirement 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 three pension schemes, all of which are defined benefit schemes.

1. 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.
2. The Firefighters Pension Scheme 1992 (1992 FPS) is an unfunded pension scheme, meaning that there are no investment assets and cash has to be generated to meet pension payments as they fall due. Its members are wholtime firefighters employed before 6 April 2006
3. The Firefighters Pension Scheme 2006 (2006 NFPS) is also an unfunded pension scheme. This scheme came into being with effect from April 2006 and its members are retained firefighters and wholtime firefighters.

The Firefighters' Compensation Scheme

The Firefighters' Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. This is an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

Effects of change to accounting policy and changes in disclosure requirements

As a result of the adoption of an amendment to Financial Reporting Standard (FRS) 17, *Retirement Benefits*, quoted securities held as assets in the Local Government Pension Scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the assets as at 31 March 2008 has decreased by £114k from £11,375k to £11,261k, resulting in an increase in the net pension liability by £114k as at 31 March 2008. The comparative figures shown for previous years have been restated accordingly.

Amendments to FRS17 have also resulted in significant changes to the disclosure notes required. As a result the comparative figures shown for previous years have been presented in the new format.

Transactions Relating to Retirement Benefits

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

The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

	<u>Local Government Pension Scheme</u> £000s		<u>Firefighters' Pension Schemes</u> £000s	
	2008/09	2007/08 restated	2008/09	2007/08 restated
<u>Income & Expenditure Account</u>				
<i>Net Cost of Services</i>				

Current Service Cost	630	679	6,893	6,600
Past Service Cost	0	221	0	0
<i>Net Operating Expenditure</i>				
Interest on Pension Liabilities	1,149	865	16,921	13,106
Expected Return on Assets	(787)	(709)	n/a	n/a
<i>Net Charge to Income & Expenditure Account</i>	992	1,056	23,814	19,706
<u>Statement of Movement on the General Fund Balance</u>				
Reversal of net charges for retirements benefits in accordance with FRS17	(992)	(1,056)	(23,814)	(19,706)
Actual amount charged against the General Fund balance for pensions in the year (employers contributions re LGPS/retirement benefits payable re FPS)	758	620	8,703	4,150

In 2007/08, the SORP introduced a new requirement to separately disclose the amount of Government Grant payable to the pension fund on the face of the Statement of Movement on the General Fund Balance. The grant is included within the section of the Statement showing the "Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance". In 2007/08, the grant total was deducted from the "Net charges made for retirement benefits in accordance with FRS17". It has now been recognised that it would have been more appropriate to deduct the grant total from "Employers' contributions payable to the Pension Funds and retirement benefits payable direct to pensioners". The comparative figures in the Statement of Movement on the General Fund Balance have been restated to reflect this change.

Further Analysis of Firefighters' Pension Schemes:

	<u>Firefighters' Pension Scheme 1992 £000s</u>		<u>Firefighters' Pension Scheme 2006 £000s</u>		<u>Firefighters' Compensation Scheme £000s</u>	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
<u>Income & Expenditure Account</u>						
<i>Net Cost of Services</i>						
Current Service Cost	5,374	5,301	855	697	664	602
Past Service Cost	0	0	0	0	0	0
<i>Net Operating Expenditure</i>						
Interest on Pension Liabilities	15,675	12,181	131	52	1,115	873
Expected Return on Assets	n/a	n/a	n/a	n/a	n/a	n/a
<i>Net Charge to Income & Expenditure Account</i>	21,049	17,482	986	749	1,779	1,475
<u>Statement of Movement on the General Fund Balance</u>						
Reversal of net charges for retirements benefits in accordance with FRS17	(21,049)	(17,482)	(986)	(749)	(1,779)	(1,475)
Actual amount charged against the General Fund balance for pensions in the year (retirement benefits	8,633	6,163	(514)	(336)	584	668

payable re FPS)						
-----------------	--	--	--	--	--	--

In addition to the recognised gains and losses included in the Income and Expenditure Account, net actuarial gains of £974k for the Local Government Pension Scheme and £61,562k for the Firefighters' Pension Schemes and Compensation Scheme have been included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £9,212k (comprised of a cumulative actuarial loss of £4,414k for the LGPS and a cumulative actuarial gain of £13,626k for the Firefighter Schemes).

The financial assumptions used by the actuary when calculating the FRS17 liability for the Firefighters' Schemes as at 31 March 2009 are less conservative than those used as at 31 March 2008. The actuary's decision to revise these assumptions has been driven by the yields on corporate bonds rising and inflation expectations falling during the year. The result has been a significant reduction in the total FRS17 liabilities for the Firefighters' Schemes. The effect of the change in financial assumptions is included in the figure for actuarial gains and losses for the Firefighters' Schemes, which has gone from an actuarial loss of £22,501k at 31 March 2008 to an actuarial gain of £61,562k at 31 March 2009.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of the present value of the scheme liabilities:

	<u>Funded Liabilities: Local Government Pension Scheme £000s</u>		<u>Unfunded Liabilities: Firefighters' Pension Scheme 1992 £000s</u>		<u>Unfunded Liabilities: Firefighters' Pension Scheme 2006 £000s</u>		<u>Unfunded Liabilities: Firefighters' Compensation Scheme £000s</u>	
	2008/09	2007/08 restated	2008/09	2007/08 restated	2008/09	2007/08 restated	2008/09	2007/08 restated
1 April	(18,744)	(15,524)	(258,596)	(226,009)	(1,464)	(437)	(18,231)	(16,132)
Current service cost	(630)	(679)	(5,374)	(5,301)	(855)	(697)	(664)	(602)
Interest cost	(1,149)	(865)	(15,675)	(12,181)	(131)	(52)	(1,115)	(873)
Contributions by scheme participants	(298)	(253)	(1,716)	(1,723)	(288)	(258)	0	0
Actuarial gains/(losses)	3,844	(1,151)	56,160	(21,268)	1,178	58	4,224	(1,291)
Benefits paid (net of transfers in)	709	(70)	10,349	7,886	(226)	(78)	584	667
Past service costs	0	(221)	0	0	0	0	0	0
Unfunded pension payments (LGPS only)	19	18	n/a	n/a	n/a	n/a	n/a	n/a
31 March	(16,249)	(18,744)	(214,852)	(258,596)	(1,786)	(1,464)	(15,202)	(18,231)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £000s		
	2008/09	2007/08 restated	2007/08
1 April	11,261	10,185	10,288
Expected rate of return	787	709	720
Actuarial gains/(losses)	(2,870)	(557)	(557)
Employer contributions (including unfunded)	758	620	620

benefits)			
Contributions paid by scheme participants	298	253	253
Estimated benefits paid (including unfunded benefits)	(729)	51	51
31 March	9,506	11,261	11,375

The expected return on assets is a measure of the return on the investment assets held by the scheme. It is not intended to reflect the actual realised return by the scheme, but a longer-term measure, based on the value at the beginning of the year. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was £2,083k, compared with £156k the previous year.

Scheme History

	2008/09	2007/08 restated	2006/07 restated	2005/06 restated	2004/05 restated
<u>Present value of Liabilities:</u>					
Local Government Pension Scheme	(16,249)	(18,744)	(15,524)	(14,697)	(11,006)
Firefighters' Pension Scheme 1992	(214,852)	(258,596)	-	-	-
Firefighters' Pension Scheme 2006	(1,786)	(1,464)	-	-	-
Firefighters' Compensation Scheme	(15,202)	(18,231)	-	-	-
Firefighters' Schemes Total (prior to 07/08)*	-	-	(242,579)	(250,511)	(221,585)
<u>Fair value of assets in the Local Government Pension Scheme</u>	9,506	11,261	10,185	8,552	6,643
<u>Surplus/(deficit) in the scheme:</u>					
Local Government Pension Scheme	(6,743)	(7,483)	(5,339)	(6,145)	(4,363)
Firefighters' Pension Scheme 1992	(214,852)	(258,596)	-	-	-
Firefighters' Pension Scheme 2006	(1,786)	(1,464)	-	-	-
Firefighters' Compensation Scheme	(15,202)	(18,231)	-	-	-
Firefighters' Schemes Total (prior to 07/08)*	-	-	(242,579)	(250,511)	(221,585)
Total	(238,583)	(285,774)	(247,918)	(256,656)	(225,948)

* Directly comparative figures for the financial years 2004/05 to 2006/07 are unavailable, as prior to 2007/08 combined actuarial valuations were carried out for the Firefighters' Pension Schemes and the Compensation Scheme.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £239m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The net liability on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The figures in the above table represent the Fire Authority's share of the liabilities in the County Council Fund.
- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid and any shortfalls are currently met by the department for Communities and Local Government.
- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2008/09 was £568k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2010 is £760k. Expected contributions for the Firefighters' Pension Schemes and Compensation Scheme is £8.51m.

Basis for Estimating Assets and Liabilities

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

The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' Schemes were carried out on 31 March 2007 and 31 March 2008 respectively. In updating the net liability figure as at 31 March 2009 both firms of actuaries have adopted the roll-forward approach. This approach takes into account the cashflows paid into and out of each scheme before taking into consideration any changes in the financial assumptions since 31 March 2008.

The main assumptions used by the actuaries in their calculations for FRS17 purposes were:

	Local Government Pension Scheme		Firefighters' Schemes	
	2008/09	2007/08	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:				
Equity investments	6.9%	7.5%	-	-
Gilts	4.0%	4.6%	-	-
Other Bonds	6.5%	6.1%	-	-
Other	5.7%	6.2%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):				
Men	20.30	20.3	25.0	24.9
Women	23.91	24.0	28.8	28.8
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):				
Men	21.22	21.3	26.1	26.0
Women	24.91	25.0	29.8	29.8
Rate of inflation	3.0%	3.6%	3.3%	3.6%
Rate of increase in salaries	4.5%	5.1%	4.8%	5.1%
Rate of increase in pensions	3.0%	3.6%	3.3%	3.6%
Rate for discounting scheme liabilities	6.7%	6.1%	7.1%	6.1%

Neither the Firefighters' Pension Schemes nor the Firefighters' Compensation Scheme have assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2008/09	2007/08
Equity investments	59.3%	62.0%
Gilts	14.6%	11.3%
Other Bonds	6.2%	3.9%
Other assets	19.9%	22.8%
Total	100.0%	100.0%

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2008/09	2007/08	2006/07	2005/06	2004/05
Local	%	restated	restated	restated	restated

Government Pension Scheme		%	%	%	%
Differences between the expected and actual return on assets	(30.19)	(4.95)	2.03	12.79	3.60
Experience gains and losses on liabilities	0.00	(2.56)	0.00	(9.96)	(3.01)

Firefighters' Pension Schemes and Compensation Scheme	Firefighters' Pension Scheme 1992		Firefighters' Pension Scheme 2006		Firefighters' Compensation Scheme	
	2008/09 %	2007/08 %	2008/09 %	2007/08 %	2008/09 %	2007/08 %
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	0.0	(2.8)	0.0	5.7	0.0	(0.7)

Directly comparative figures for the financial years 2004/05 to 2006/07 are unavailable, as prior to 2007/08 combined actuarial valuations were carried out for the Firefighters' Pension Schemes and the Compensation Scheme. Previous years' combined figures are as follows:

Firefighters' Pension Schemes	2006/07	2005/06	2004/05
	%	%	%
Differences between the expected and actual return on assets	n/a	n/a	n/a
Experience gains and losses on liabilities	3.1	1.0	5.7

28. Financial Instruments: Measurement and Valuation

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

	Long Term		Current	
	31 March 2009 £000s	31 March 2008 £000s	31 March 2009 £000s	31 March 2008 £000s
Loans and Receivables	0	0	2,691	5,521
Financial Liabilities at Amortised Cost	16,765	9,825	1,512	0

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

	31 March 2009		31 March 2008	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Loans and Receivables	2,696	2,725	5,521	5,520

Financial Liabilities at Amortised Cost	18,277	18,339	9,825	9,633
---	--------	--------	-------	-------

The fair value of financial instruments shown above has been determined by calculating the net present value (NPV) of future cashflows. The discount rates used in the NPV calculations are equivalent to the current rates in relation to the same or similar instruments of the same remaining duration from comparable lenders on the date of valuation i.e. market rates. For loans from the Public Works Loans Board (PWLb) the interest rate for comparable new loans has been used as the discount rate. The fair value of the Authority's PWLB loans included in the above table under Financial Liabilities is £12,868k. The alternative method of calculating the fair value would be to use the interest rate for the early repayment of loans as the discount rate. This alternative method would give a fair value of £13,422k for PWLB loans.

For loans and receivables, the fair value is greater than the carrying amount mainly due to one investment made in November 2008 at a higher interest rate than the rates for similar investments at the Balance Sheet date.

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

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

29. Financial Instruments: Exposure to Risk

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in, for example, interest rates.

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

Credit Risk

Credit risk arises from deposits with financial institutions and from providing chargeable services to customers. The Authority has a list of approved banks and financial institutions to which it will lend surplus cash. The list is based on independent Fitch ratings and only includes organisations with a minimum rating of A+ (long term), F1 (short term), B (overall soundness) and 2 (financial support). The Authority is advised of ratings changes by Sector and the list is updated accordingly on an ongoing basis. During the latter half of the year, the Authority restricted lending to the extent that only UK and Irish institutions on the list were used as counterparties due to concerns about the likelihood of financial support for overseas institutions experiencing difficulties repaying debt in the current economic climate.

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

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on actual experience in terms of deposits and the percentage of debt which has been written off as unrecoverable over the last 3 years in terms of debtors. There were two deposits as at 31 March 2009 showing on the Balance Sheet. One was repaid to the Authority before the date this Statement of Accounts was authorised for issue and the remaining one (£2.035m) is due to be repaid in November 2009.

	Amount at 31 March 2009	Estimated Maximum Exposure to Credit Risk	Historical Experience of Default
	£000s	£000s	
Deposits with Banks and Financial Institutions	2,035	0	0%
Customers	213	1	0.25%
Total	2,248	1	

Of the £213k shown in the above table as due from customers, £95k was not yet due for payment as at 31 March 2009 and £118k was past its due date for payment. The past due amount is analysed by age as follows:

	£000s
Less than 1 month overdue	17
1 to 2 months overdue	30
2 to 5 months overdue	36
More than 5 months overdue	35
Total	118

Liquidity Risk

The Authority is able to access borrowings from the Public Works Loan Board so there is no significant risk that it will be unable to raise funds in order to meet its commitments relating to financial liabilities. The risk 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%. Up to 100% of borrowings may fall due for repayment after 10 years and this strategy allows the Authority time to restructure debt when interest rates are favourable. The Authority has borrowed £4m under a "Lender Option Borrower Option" instrument and the assumption has been made that the loan will be repaid on the maturity date rather than the option date which falls in 2012/13. The maturity analysis of borrowings is shown in note 22.

The Authority's strategy is to maintain sufficient cash balances to meet daily revenue requirements without recourse to borrowing other than short term borrowing to deal with temporary cash flow deficits.

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

Market Risk

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

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

The Authority is exposed to risk in terms of interest rate movements on borrowings and investments. The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

Investments and borrowings are not carried at fair value in the Balance Sheet, so nominal gains or losses arising from interest rate movements are not reflected in the Income and Expenditure Account or in the Balance Sheet. Fair values are disclosed in note 28. If, as at 31 March 2009, interest rates had been 1% higher with all other variables held constant, the effect on fair values would have been:

£000s

Decrease in fair value of fixed rate investments	12
Decrease in fair value of fixed rate borrowings	1,854

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

30. Cashflow

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

<u>2007/08</u>		<u>2008/09</u>
£000s		£000s
15,455	Deficit on Income and Expenditure Account	19,378
	Non cash items included in the Income & Expenditure Account	
(3,287)	Depreciation and Impairments	(5,540)
177	Government grant deferred amortisation	7
(171)	Write down of deferred charges	0
(13,636)	FRS 17 adjustments	(15,345)
(4)	Disposal of fixed assets	(546)
	Movement in Assets & Liabilities	
(2,868)	Increase/(decrease) in debtors	2,820
779	(Increase)/decrease in creditors	(1,275)
(12)	Increase/(decrease) in stock	34
(65)	(Increase)/decrease in provision	(15)
	Items included in the Income & Expenditure Account, shown elsewhere on the Cashflow Statement	
244	Interest earned	237
(394)	Interest paid	(638)
4	Proceeds from the sale of fixed assets	1,341
(613)	Net revenue activities included in the Pension Account Statements	0
(4,391)	Net Cash Inflow from Revenue Activities	459

Movement in Cash

	Balance 1 April 2008 £000s	Balance 31 March 2009 £000s	Movement In Year £000s
Bank Balance	149	660	(510)
Cash in Hand	2	1	0
	151	661	(510)

Reconciliation between Movement in Cash and Movement in Net Debt

<u>2007/08</u>		<u>2008/09</u>
£000s		£000s
147	Increase / (Decrease) in cash	510
3,828	Short term investments	(3,513)
69	Cash Outflow from loan repayments	49
(4,000)	Cash inflow from increase in debt	(8,500)

44	Change in Net Debt resulting from Cash Flows	(11,453)
(4,194)	Net debt as at 1 April 2007	(4,150)
<u>(4,150)</u>	Net debt as at 31 March 2008	<u>(15,603)</u>
44		(11,453)

A minor error was identified relating to the opening balance, and the 2007/08 figures in the above note have been restated accordingly

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

	<u>Balance 1</u> <u>April 2008</u> £000s	<u>Balance 31</u> <u>March 2009</u> £000s	<u>Movement</u> <u>2008/09</u> £000s
<u>Financing</u>			
Borrowing repayable within 12 months	(38)	(1,552)	(1,514)
Long term borrowing	<u>(9,776)</u>	<u>(16,713)</u>	<u>(6,937)</u>
	(9,814)	(18,265)	(8,451)
<u>Management of Liquid Resources</u>			
Temporary Investments	5,513	2,000	(3,513)
Cash / Bank	151	661	510
Net cash (inflow) / outflow	(4,150)	(15,603)	(11,453)

Liquid Resources

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

Analysis of Government Grants

<u>Grant</u>	<u>Source of Funding</u>	<u>2008/09</u> £000s	<u>2007/08</u> £000s
Fire Prevention	CLG	0	98
FiReControl Implementation Funding Grant	CLG	182	526
Local Public Service Agreement Reward Grant	CLG	141	421
Home Fire Risk Check (Capital)	CLG	0	241
Enhanced Command Support Trainers Grant	CLG	41	54
Incident Response Unit Training Grant	CLG	36	35
Pension Fund Top-up Grant	CLG	1,958	4,797
Total		2,358	6,172

31. Contingent Asset and Contingent Liability

In 2006/07, the Authority engaged in court proceedings in respect of co-responding, resulting in costs being awarded against the Authority. It is expected that certain other Fire and Rescue Authorities will contribute sums towards meeting the awarded costs, but the amounts are not certain and are therefore contingent assets.

One former employee has made a legal claim against the Authority, concerning matters of employment, which may result in payment of compensation. A tribunal date has not yet been set and an estimate of the possible financial effects of this contingent liability is not disclosed as this might prejudice the Authority's position regarding the claim.

PENSION STATEMENTS
PENSION FUND ACCOUNT

2007/08 £000's		2008/09 £000's
	Contributions Receivable	
	Fire Authority:	
(3,687)	Contributions in relation to pensionable pay	(3,685)
0	Early retirements	0
(411)	Other (Ill Health Retirements)	(448)
(1,981)	Firefighters' contributions	(2,003)
(6,079)	Total	(6,136)
	Transfers in from other authorities	
(78)	Individual transfers in from other schemes	(506)
(78)	Total	(506)
	Benefits Payable	
7,019	Pensions	7,620
1,098	Commutations and lump sum retirement benefits	2,698
153	Lump sum death benefits	82
0	Other	0
8,270	Total	10,401
	Payments to and on account of Leavers	
4	Refunds of contributions	0
228	Transfers out to other authorities	16
0	Other	0
232	Total	16
2,345	Net Amount payable for the year before top-up grant from Communities & Local Government	3,774
(2,958)	Top-up grant received from Communities & Local Government	(2,571)
613	Balance of top-up grant for the year (receivable from)/payable to Communities & Local Government	(1,203)
0		0

PENSION NET ASSETS STATEMENT

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

2007/08		2008/09
£000's		£000's
	Current Assets	
10	Contributions due from employer	17
8	Contributions due from members	41
615	Prepaid Pensions	683
0	Transfers In Receivable	0
0	Pension top-up grant receivable from CLG	1,203
633	Total	1,944
	Current Liabilities	
(447)	Unpaid pension benefits due	(145)
(613)	Pension top-up grant payable to CLG	0
(1,060)	Total	(145)
427	Amount owing (to)/from General Fund	(1,799)
0	Net current assets	0

NOTES TO THE PENSIONS STATEMENTS

1. The Firefighters' Pension Fund

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

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

2. Accounting Policies for the Pension Fund

General Principles

The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2008/09 financial year and its position at the year end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008.

Accruals

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

Administration Costs

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

3. The Liability to Pay Pensions

The Authority has a liability to pay future retirement benefits to current members of the Firefighters' Pension Schemes. The value of this liability has been assessed by an independent firm of actuaries and is shown in the Authority's Balance Sheet and explained further in note 27 to the core financial statements. The Pension Fund Account and Net Assets Statement do not take account of this liability.

4. Accruals Within the Pension Fund and Net Assets Statement

Prepaid Pensions

Retirement benefits are paid to members monthly in advance. The payments made in March 2009 relate to April 2009 and have been treated as prepayments.

Transfers Between Pension Schemes

The Pension Regulations state that where members transfer between Fire Authority Schemes within England, no transfer of accrued pension benefits will take place. However, where members transfer to / from the Fire Authority Scheme to / from another Fire Authority in Scotland, Wales or Northern Ireland or to / from a non Fire Authority organisation, they can opt to transfer their accrued benefits. As at 31 March 2009, transfers into the Fire Authority Scheme which had been requested but not

actioned have been calculated. Values can take a considerable amount of time to determine and amounts can vary depending upon the date of settlement. Transfers totalling £29k that related to requests made on or before 31 March 2009 have been settled since 1 April 2009. This amount has been accrued for within the Pension Fund Statements.

Pension Commutations

Retiring members can opt to exchange part of their ongoing entitlement to pension payments for a one-off payment of benefit on retirement. This is known as a pension commutation. As at 31 March 2009, all requests for commutations had been actioned.

Pension Top-Up Grant Payable

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

Contributions Payable

Retained firefighters are paid one month in arrears, therefore employee and employer contributions relating to March 2009 were still outstanding at 31 March 2009. These outstanding contributions have been calculated and accrued for.

Payments/Contributions relating to Job Sizing

A number of operational roles were assessed during the year and, as a result, were deemed to be on a higher pay band. The effect of this re-assessment was backdated and where employees had retired in the intervening period, additional employer contributions relating to the period up to retirement were made into the pension fund and additional pension amounts are due to be paid to those former employees. An accrual has been made for unpaid pension benefits and employers' contribution income due at 31 March 2009.

5. Financing of the Pension Fund

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority's main bank account. These amounts are shown as "Amounts owing from the General Fund". Top-up grant received from the department for Communities and Local Government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable by Communities and Local Government to the Authority is £1,203k. The difference between the grant payable and the cash deficit of £1,799k as at 31 March 2009 is the total of the accruals included in the Pension Fund.

GLOSSARY OF TERMS

1. Accruals

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

2. Budget

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

3. Capital Expenditure

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

4. Capital Receipts

Income derived from the sale of capital assets.

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

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

6. Contingent Liability

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

7. Creditors

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

8. Debtors

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

9. Depreciation

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

10. 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.

11. 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.

12. Fixed Assets

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

13. 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.

14. Non-Distributed Costs

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

15. 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.

16. Provision

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

17. 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.

18. Revenue Contribution to Capital Outlay

A fixed asset purchased directly from revenue contributions.

19. Revenue Expenditure and Income

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

20. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred in the year that may be capitalised under statutory provisions and is funded by way of a capital grant. Such expenditure is charged to revenue in the year along with the related grant.