NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Statement of Accounts

2020/21 AUDITED

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2020/21

TABLE OF CONTENTS

NARRATIVE STATEMENT

Introduction

The Narrative Statement introduces the Statement of Accounts 2020/21 for the Nottinghamshire and City of Nottingham Fire Authority, which was formed as an independent body on 1st April 1998 following local government reorganisation. I write it as the Treasurer to the Fire Authority and as the Officer designated under Section 112 of the Local Government Act 1972. My role is to act on behalf of the Authority in providing oversight and ensuring legal compliance and governance in respect of accounting and financial matters which affect the Authority.

The Narrative Statement is intended to give the reader of these accounts a clear overview of the Authority's financial performance in the year and to put the Authority's non-financial performance into the context of the financial results.

I recognise that the accounts of the Authority can be quite daunting for readers, especially those who are unfamiliar with accounts in general and local government accounts in particular, so I hope that in taking the time to read the narrative statement, readers will be able to better understand how these accounts are constructed and how best to read and interpret them. It also explains more about what the core financial statements mean and explains how the notes to the accounts provide the reader with the detailed information to support the core statements.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is published by CIPFA.

Background

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

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

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

The Strategic Plan 2019-2022 sets out the key priorities for the Authority for the three years starting from 2019/20. Included in the Plan is the Year 2 Action Plan which relates to 2020/21.

Progress against the Plan and relevant performance data can be found in the Annual Statement of Assurance which was presented to Fire Authority in July 2021.

The Medium Term Financial Strategy includes budgets for the next four years which support the delivery of services but within the context of financial sustainability.

Performance during 2020/21

Covid-19 Response

2020-21 has been one of the most challenging years our Service has ever faced. While maintaining our focus on preventing incidents, protecting and responding to you, we have adapted to changed ways of working to react to the demands produced by the COVID-19 pandemic.

On top of responding to the 8,992 emergencies the service responded to in 2020/21, supporting the community became our primary goals during the Covid-19 pandemic. This included delivering 12,264 medicine and food parcels to vulnerable people and making 3,598 befriending and signposting calls. We proactively engaged with all requests that were made through the Local Resilience Forum (LRF) and other collaborations – for example NFRS Staff administered 30,721 Covid vaccines and undertook 386 Urgent Care shifts for EMAS. Over 25% of our staff put themselves forward as volunteers to undertake work with our partner organisations. Numbers were such that it was not possible to deploy all of them, but their willingness to volunteer was much appreciated.

Prevention

Restrictions brought about by the Covid-19 pandemic have made 2020/21 a challenging year for those within the Prevention Department and for the crews on our stations. We have had to significantly adapt the way we work by targeting face-to-face activities to those most at risk and using virtual interventions for others.
The service prioritised physical Safe & Well Visits to those at a high risk of fire and provided virtual support to those deemed to be at a lesser risk. This enabled us to complete close to 6,000 Safe & Well interventions despite the Covid-19 restrictions. This was a slight decrease from the 7,700 undertaken in 2019/20, but the service has employed additional staff to catch up during 2021/22 using Covid-19 grant received from the government.

The pandemic has also limited the other prevention activities that could be safely conducted by our crews. We prioritised those with the potential to have the biggest impact in reducing fire, road and water incidents. Despite the restrictions we were still able to complete 150 targeted prevention activities.

Whilst our physical prevention activity was limited, we were able to maximise the use of virtual safety education through various media outlets. In 2020/21 we supported 92 National Safety Campaigns, and numerous localised campaigns alongside our partners.

Protection

The Fire Protection team is responsible for auditing premises and enforcing fire safety legislation. The team work with local businesses, landlords and those responsible for public buildings and other non-domestic properties to ensure compliance with safety regulations. They carry out inspections, give advice, and where necessary, serve enforcement notices.

This year has seen a thorough review of our risk based inspection programme to better target our resources according to risk. Our protection team has continued to fulfil its statutory duties aligned to the building control process and those set out within the Regulatory Reform (Fire Safety) Order 2005 (FSO).

HMICFRS inspection
The service received a COVID-19 inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) during the year. The report was published in January provided a reassuring overview of the Service and stated that we had "adapted and responded" to the pandemic effectively. It also praised the additional humanitarian work the Service has undertaken.

Grenfell
We recognise the importance of learning from the tragedy that occurred at Grenfell Tower. Additional resources (both internal and from the Government) have been made available in 2020-21 to ensure that the learning from the Grenfell Tower Inquiry report and other national incidents is implemented in NFRS to make sure we are able to respond effectively and efficiently to fires in tall buildings. Additional training and equipment has been procured to make sure firefighters have the skills and equipment needed to ensure safety during complex incidents involving fires in tall buildings.

We continue to work with all UK fire and rescue services to develop working practices in response to Grenfell. We work particularly closely with regional partners to ensure interoperability and aligned practice, so we are prepared for significant incidents if they were to occur.

More details and performance statistics on all of the above can be found in the Annual Statement of Assurance.

Risk Management

Risk management processes are well embedded in the Authority. A comprehensive set of risk registers is monitored regularly by senior managers and elected members. These are brought together in the Corporate Risk Register which identifies the highest overall risks to the Service. The highest risks currently identified on the Corporate Risk Register are:

- Covid-19 Response and Recovery – recognising the risk that Covid-19 has on the Services ability to deliver its core business of response to incidents, fire prevention and protection;
- The use of vehicles on Authority business – risk of accidents or other events arising from driving related activity or a shortfall in driving standards;
- Mobilising – the Service is unable to receive and act on emergency calls;
- Firefighter's Pension scheme – impact of McCloud remedy and other ongoing legal cases.

By its nature, risk will change over time and in response to both external and internal pressures. It is important, therefore, that the Authority's managers remain alert to these developments and the emerging risks. In times of austerity and organisational restructuring, there is a possibility that control measures which had previously been seen as satisfactory may become eroded as resources reduce.

Value for Money

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

The Authority set a balanced budget for both 2020/21 (£45.165m) and 2021/22 (£45.302m) – the 2021/22 increase in budget was just 0.3%. This was achievable after making £640k of savings which were used to offset other areas of growth within the service.

The 2020/21 Band D Council Tax level was set at £81.36 (£1.56 per week), which is slightly higher than the national average of £76. Council Tax levels for other property bands can be found in the table below.

2020/21 Council Tax levels

Band	Council Tax 2020/21 £	Weekly Charge £
A	54.24	1.04
B	63.28	1.22
C	72.31	1.39
D	81.36	1.56
E	99.43	1.91
F	117.52	2.26
G	135.59	2.61
H	162.71	3.13

The Service is currently writing its Strategic Plan for 2021/22 to 2023/24 and is undertaking a Fire Cover risk review to assess current levels of risk across the county. These documents will be used to ensure that the Service's resources are best matched to risk levels and the priorities identified in the Strategic Plan.

As part of the Strategic Plan development, some initial external consultation has been undertaken. From the 78 responses, 63% said that they thought that NFRS provided good value for money, whist only 12% disagreed with the statement. Further consultation will be undertaken before the Strategic Plan is finalised.

One way of achieving value for money for Nottinghamshire residents is by collaborating with other emergency services and local councils. During 2020/21 the Service has been working closely with Nottinghamshire Police to build a new joint headquarters. This will enable the services to work more closely in the future which is expected to deliver some efficiencies.

A number of other examples of collaboration are the joint use of Hucknall, Highfields and West Bridgford fire stations with East Midlands Ambulance Service staff and Nottinghamshire Police.

Work continues to improve the use of technology across the organisation to enable improved efficiency. The work undertaken to date has enabled the almost seamless transition to home working where possible as a result of the Covid-19 outbreak.

The Core Statements

The Statement of Accounts contains several core statements. Details of these are included in the section below.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority analysed into usable reserves, which can be applied to fund expenditure or reduce local taxation, and other reserves. The Authority holds reserves for two reasons. There are always issues which may arise for which the Authority has no specific budget but in order that these "one off" type events do not unduly impact upon a single year's budget it is wise to maintain some money to deal with these events should they occur. These are what are known as General Fund Balances. The General Fund Balance was increased by £1k during the year to £4.990m.

Similarly, the Authority may wish to hold back sums of money because it knows that certain items of expenditure will occur but that these are of a "one off" nature and it is uncertain as to when they will occur. These are called earmarked reserves because they are for a specific purpose. A net figure of £0.949m was added to Earmarked Reserves during 2020/21, making a balance of £5.710m.

The increase was due to allocations of the underspend during the year (see the Revenue and Capital Outturn report reported to Finance and Resources Committee on 2 July 2021) less the use of Earmarked Reserves during the year.

The Treasurer is required to assess the adequacy of these reserves to meet future events and issue a statement annually to that effect.

It is important to note that some of the Authority's reserves which appear on the balance sheet cannot be used to fund expenditure. An example of an unusable reserve would be the Revaluation Reserve, which contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

This puts the service in a strong financial position going forward. At its meeting on 27 November 2020, Fire Authority set a minimum level of general fund reserves of £4.5m. The service is not expected to require general fund reserves to meet expenditure in 2021/22.

Comprehensive Income and Expenditure Statement (CIES)

This statement brings together all the items of income and expenditure which constitute the *accounting cost* in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the amount of expenditure to be charged to the General Fund as reported to Finance and Resources Committee. This is because the CIES includes accounting adjustments such as depreciation and changes in the valuation of assets, including pensions, in an attempt to show the full cost of service provision rather than just those costs which require funding from taxation.

The Total Comprehensive Income and Expenditure shows a deficit of £111.595m (compared to a surplus of £9.646m in 2019/20. The difference is largely due to £101m of actuarial adjustments to the pension fund to reflect changes in demographic and financial assumptions. Whilst this figure is very large it needs to be considered in the context of the total pension fund liability of £688.571m shown in the Balance Sheet.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis reconciles the expenditure shown in the CIES (the *accounting cost* of services) with the expenditure to be funded from taxation (shown in the column entitled Net expenditure chargeable to the General Fund). Whilst the Expenditure and Funding Analysis is not a core statement it has been included in the core statement section as it provides a useful link between the CIES and the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31st March. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority and thus the Balance Sheet is "in balance". The reader will notice that the total on the Balance Sheet is a negative figure of £620.129m, which means that the Authority's liabilities exceed its assets. This would usually be a cause for concern, however in this case the large liability in question relates to future pension liabilities (£668,571m) which at present are funded by Central Government. The underlying financial position of the Fire Authority is a strong one because when this pension liability is excluded, assets exceed liabilities by £48,442m.

Cash Flow Statement

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

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

The resultant figure shows the real movement in cash during the year, which is a decrease in cash of £1.351m This is largely due to a high level of cash being held at the beginning of the year to ensure the Service had sufficient funds to operate in the uncertainty of the Covid-19 outbreak which was in its early stages at the time.

Pension Fund Account

This statement shows the income and expenditure for the year relating to the Firefighters' Pension Schemes. The net amount payable for the year i.e. the extent to which pension benefits payable exceeded contributions, is £8.575m.

Pension Net Assets Statement

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

Annual Governance Statement

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

Summary of the Year

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

Revenue Income and Expenditure

The 2020/21 revenue budget for of £45.165m was approved by the Fire Authority in February 2020. This included £274k of expenditure on activity to be funded from Earmarked Reserves, leaving a net budget of £44.892m.

Expenditure on budgeted activity for the year was 43.339m – an initial underspend of £1.553m.

The underspend was largely caused by 2 main factors:

Wholetime firefighter pay underspent by £944k. This was due to increased vacancy levels caused by the delay of a training course for new recruits during the first lockdown. Overtime was also substantially reduced as the mixing of crews was stopped due to Covid-19 restrictions.

Additional grant was received to help the Service deal with the impact of Covid-19 and to implement the recommendations coming out of the Grenfell Fire enquiries. Whilst much of this grant was spent during the year, some of it was received late in the year and some has been used to fund temporary staff whose contracts run into 2021/22. £480k has been transferred into Earmarked Reserves to cover expenditure in 2021/22.

At its meeting on 2 July 2021, Finance and Resources Committee approved to use an additional £0.5m to finance the capital programme (replacing borrowing) and to transfer £1.051m to Earmarked Reserves. £480k of this was unspent grant (see above). The rest was set aside to fund 2021/22 budget pressures. More information can be found in the Revenue and Capital Outturn report. The outturn position was updated at Fire Authority on 23 July 2021 to reflect an additional provision of £60k relating to additional costs falling to the Authority as a result of the McCloud pension age discrimination remedy and a £36k correcton to the creditors figure.

A summary of expenditure following movements to Earmarked Reserves is shown below.

	Annual Budget 2020/21	Actual 2020/21	Variance 2020/21
	£000's	**£000's**	**£000's**
Employees	35,712	35,444	-268
Premises	2,799	2,562	-237
Transport	1,637	1,916	279
Supplies & Services	3,751	3,577	-174
Third Party Payments	783	1,037	254
Support Services	191	191	0
Capital Financing	2,494	3,194	700
Income	-2,099	-3,980	-1,881
Budgeted contribution from Earmarked Reserve	-274	0	274
Contribution from Earmarked Reserve in-year	-132	-132	**0**
Contribution to Earmarked Reserve	30	1,081	1,051
Net Expenditure	**44,892**	**44,890**	**-2**
Funded by:			
General Fund Reserves	0	2	2
Pension Grant	-2,340	-2,340	
Revenue Support Grant	-5,421	-5,421	0
Non-Domestic Rates	-11,057	-11,057	0
Council Tax	-26,074	-26,074	0
Total Funding	**-44,892**	**-44,890**	**2**

Capital Expenditure

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

	Revised Budget 2020/21	Actual 2020/21	(Under) / Over spend 2020/21	Slippage to 2021/22
	£000’s	**£000’s**	**£’000**	**£000’s**
Transport	634	173	-461	461
Operational Equipment	758	499	-259	259
Property	3,558	1,808	-1,750	1,738
IT & Communications	1,052	769	-283	283
Total	**6,002**	**3,249**	**-2,753**	**2,741**
Funded by:				
Borrowing		2,322		2,741
Earmarked Reserves/Revenue		691		0
Capital Receipts		235		0
Total	**0**	**3,249**		**2,741**

The main areas of spend are detailed below:

- The largest scheme in the 2020/21 capital programme related to the new Joint Head Quarters with Nottinghamshire Police - £1.5m expenditure during the year. Whilst £1.155m has been moved to 2021/22 the project remains on track to be completed by early 2022.
- Preliminary work has commenced on the new station at Worksop (£196k). This project has been delayed as there were issues with the initial site identified for the station which meant another site had to be found.
- £255k was spent on ICT equipment – some of this was to enable non-operational staff to work from home during the pandemic.
- Expenditure on new firefighter protective equipment and helmets was £350k.

Total slippage for the capital programme was £2.741m. Again, more information can be found in the Revenue and Capital Outturn report.

Treasury Management Activity

During the year, £2.3m of capital expenditure was funded from borrowing. The Authority repaid PWLB debt of £1.553m and undertook no new borrowing during the year. The Authority's level of borrowing at the year end was £26.969m. The capital financing requirement as at 31 March 2021 is £26.667m, which demonstrates that the current level of net borrowing is prudent.
There was no temporary borrowing outstanding at year end to cover cashflow shortfalls, so total borrowing was £26.969m as at 31 March 2021. This remains within the Operational Boundary set by Fire Authority of £33.850m.

Reserves

Earmarked reserves are held either for unspent grant or set aside to fund specific areas of expenditure, usually of a one off nature. Earmarked Reserves are reviewed annually in the Reserves Strategy which can be found appended to the Medium Term Financial Strategy. Earmarked reserves totalled £5.710m at 31 March 2021. A further breakdown can be found in note 11.

General Reserves of £4.990m were held at 31 March 2021, against a minimum level set in the Reserves Strategy of £4.5m. The use of general fund reserves is not expected to be required in 2021/22. The service has set a balanced budget for the year and Covid related expenditure should be contained within the grant received from Central Government for this purpose. Future years remain uncertain at this point in time as it is anticipated that Covid-19 will impact on council tax and business rate collection levels and the service will not know about future central government grant levels until the Autumn. This being said, the service is in a strong financial position and has sufficient reserve levels to enable it to plan for any reductions in funding in a measured way.

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 £668.571m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £634.122m.

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

An employment tribunal case was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. Fire Authorities are in a difficult position as they are required to implement the remedy in a timely manner whilst the discriminatory part of the pension legislation is not expected to be updated until at least October 2023. Following the ruling, the Fire Brigades Union (FBU) has commenced legal proceedings in the High Court for three test cases. Two of these cases are against Nottinghamshire Fire and Rescue Authority. A provision of £50k has been made towards the legal cost of the case and £128k towards additional ill health costs. There could be significant future costs involved with implementing the remedy which have been identified as a contingent liability in the Accounts.

The Home Office issued guidance in August 2020 (updated in June 2021) on how to implement remedy for those who are coming up to retirement. The Authority has made the decision:

- not to transition any further employees into the 2015 scheme until everybody transitions in April 2022;
- to apply the remedy to upcoming retirements where it is reasonable to do so.

<u>Other Significant, Material and Unusual Items</u>

Covid-19

Throughout the Covid-19 pandemic, the priority for the service has been to maintain its emergency response activity. From the outset, crews were formed into bubbles to prevent cross contamination between stations. Sickness levels have been very low and on-call availability actually improved due to staff being furloughed from their primary employment.

There was a 7% decrease in overall incidents during the year, largely caused by a reduced number of road traffic incidents due to lower traffic levels during the lockdown periods.

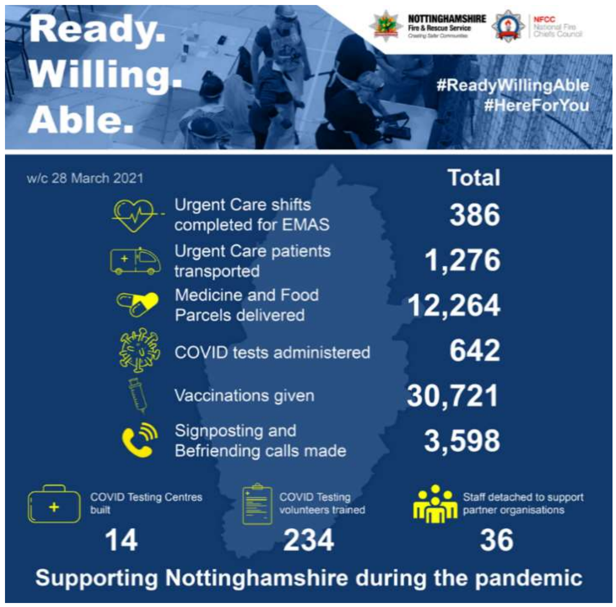
The service has attended several large incidents which required cross border support (both within Nottinghamshire and in other counties) but Covid secure practices have continued and the service has been able to utilise its standard Personal Protective Equipment (PPE) to protect staff at incidents. Over border support has been maintained throughout the pandemic.

Other face to face activity such as Safe and Well visits were constrained with only the most urgent visits being made and alternative methods of support being adopted, such as virtual or telephone advice. Additional temporary staff have been recruited in the Safe and Well team (using Covid-19 grant from the government) and as restrictions have been lifted, the Safe and Well team have increased the number of visits to 1,000 per month to reduce the backlog.

The training centre for staff was temporary closed in March and April. This impacted not only on the training of new recruits but also on maintenance of skills, for example in driver training and Breathing Apparatus training. These were given priority on the re-opening of the training centre and did not affect the operating capability of the service.

Recent investment by the organisation in technology enabled most support staff to move to home working in a seamless way with little impact on the service provided. Where working from home has not been a viable option it has been possible to either accommodate the reduced number of staff within the workplace or reallocate work where possible.

At this time of crisis, the service moved to support its community in different ways. Support was provided to East Midland Ambulance Service (EMAS) in the form of providing additional blue light drivers and helping with the transfer of patients. Firefighters assisted with the delivery of prescription medicine and emergency food parcels. Volunteers helped to set up Covid-19 test centres and help with the vaccination programme. A summary of the activity is shown below.



The financial impact of the pandemic has been borne out in the Summary of the Year part of this Narrative statement and in the figures in the Statement of Accounts. The service received a total of £1.210m Covid-19 grant from the government (£191k in 2019/20 and £1.020m in 2020/21). £743k has been spent during 2020/21 – a summary of this expenditure can be found in the table below. The balance of £276k being transferred to an Earmarked Reserve at year end. The revised balance on this reserve will stand at £453k. This has been allocated for ongoing expenditure in 2021/22.

Expenditure	**2020/21 Spend £'000**
Non-Uniformed Pay	121
Operational Pay and Overtime	14
On Call Firefighters Other Work	141
Cleaning Materials / Decontamination Supplies	66
Operational Equipment Uniforms and PPE	88
Other	108
ICT Infrastructure and Licencing	205
Total	**743**

The uncertain economic climate has also had an impact on the ability to value the Service's assets with a level of certainty. A statement regarding the Covid 19 and Valuation Uncertainty can be found in Note 15.

HMICFRS Inspection

During January and February 2019, the Service underwent an inspection by (HMICFRS). The inspection report was published in June 2019. The Inspection delivered an overall rating of Requires Improvement. Whilst some areas of performance were awarded a rating of Good (protecting the public through fire regulation and responding to national risks) 24 areas were judged to be requiring improvement. An improvement plan covering the 24 areas has been developed along with an action tracking process to manage and record progress. 23 of the 24 areas have now been completed, with the final action programmed to be completed in 2021/22.

As detailed earlier, the service received a COVID-19 inspection HMICFRS during 2020. The report was published in January provided a reassuring overview of the Service and stated that we had "adapted and responded" to the pandemic effectively. It also praised the additional humanitarian work the Service has undertaken.

The Service is expecting its next full inspection to take place in September and October 2021.

Collaboration

The Business Case for a joint Head Quarters with Nottinghamshire Constabulary at the existing Police Head Quarters site was approved by Fire Authority in February 2019. Planning permission was received for the new building in December and building works are well underway, with an anticipated moving in date of early 2022. This will create an exciting opportunity for the two services to work more closely together as well delivering savings.

Nottinghamshire Fire Safety Limited

The Authority established an arm's-length trading company, which began operating on 1 September 2010. The company was called "Nottinghamshire Fire Safety Limited". Its main activities were to sell fire extinguisher maintenance services and fire safety training to external customers. The financial position of the company was not material in terms of the overall financial position of the Authority so separate accounts were not prepared for both the Authority and the trading company. The Trading Company was sold in August 2020 for £164,000.

Further detail about the company's trading results and overall financial position is shown in notes 35 and 42.

Plans for 2021/22

Elected Members of the Fire Authority approved a council tax increase of 1.95% for 2021/22 with a Band D council tax of £82.95 (£81.36 2020/21). The revenue budget for 2021/22 has been set at £45.3m (£45.2m 2020/21) with no planned use of general fund reserves. The budget includes £2.7m of government grant to cover Business Rate loss of income due to Covid reliefs and £2.4m to cover the expected increased costs of the firefighter pension employer contribution following the changes to the discount rates applied to the scheme.

Funding for 2022/23 to 2024/25 will be determined as part of the Government's spending review which will not be announced until Autumn 2021. It is expected that the ongoing impact of Covid-19 may have a negative impact on the collection of business rates for 2021/22 onwards, and a 5% decrease has been assumed in the 2022/23 budget.

There may be significant changes to the budget following the spending review and the service will have to deal with these when more information becomes available. It is still not known how the pension grant mentioned above will be treated and how the future financial impact of the McCloud age discrimination remedy will be dealt with moving forward.

The pay award for Firefighters has now been agreed at 1.5% and it is expected that support staff will get at least a 1.5% pay award. The budget included pay awards of 1% across the board. The additional cost for 2021/22 is expected to be £125k. This will also impact on future years budgets.

The monitoring position reported to Finance and Resources Committee up to the end of April 2021 was an underspend of £88k (0.2%). This was before the firefighter pay award was agreed. This demonstrates that early indications are that 2021/22 expenditure is expected to be in line with the budget.

Despite the uncertainty going forward, the service is confident that it is in a strong position to react should it find itself needing to reduce expenditure in order to balance the budget in future years. The service is currently spending in line with the 2021/22 approved budget and reserves are sufficient to allow a period of transition should changes in service delivery models be required (£10.7m).

The Service is currently carrying out a comprehensive fire risk assessment of Nottinghamshire. This data will help us ensure that we are allocating our resources to meet the foreseeable risks within our communities and identify any potential areas where efficiencies can be made should this be required moving forward. This will enable us to provide an efficient and effective response to help create safer communities. Any changes in risk will influence the strategic direction of the service and will impact on budget development in future years.

Becky Smeathers

Becky Smeathers CPFA
Treasurer to the Nottinghamshire and City of Nottingham Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS STATEMENT OF ACCOUNTS 2020/21

The Authority's Responsibilities

The Authority is required to:

i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;

ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

iii) approve the Statement of Accounts.

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

i) selected suitable accounting policies and then applied them consistently;

ii) made judgements and estimates that were reasonable and prudent;

iii) complied with the local authority Code.

The Treasurer has also:

i) kept proper accounting records which were up to date;

ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer to the Authority is Mrs Becky Smeathers.

This Statement of Accounts is that upon which the auditor should enter his opinion and certificate. It presents a true and fair view of the financial position of the Authority at 31 March 2021 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 31st July 2021 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 ______________________________

Becky Smeathers CPFA
(Treasurer)

Dated 09/09/2022

STATEMENT OF APPROVAL OF THE STATEMENTS OF ACCOUNTS
STATEMENT OF ACCOUNTS 2020/21

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 27th May 2022.

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

Signed ____

(Chair of the Fire Authority)

Dated 9th September 2022____

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

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of the Nottinghamshire & City of Nottingham Fire Authority for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- Statement of Accounting Policies
- Accounting Standards Issued but Not Yet Adopted
- the related notes 1 to 42.
- and the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related note 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements give a true and fair view of the financial position of the Nottinghamshire & City of Nottingham Fire Authority as at 31 March 2021 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Nottinghamshire & City of Nottingham Fire Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the of the Nottinghamshire & City of Nottingham Fire Authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information contained within the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Nottinghamshire & City of Nottingham Fire Authority ;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the Treasurer

As explained more fully in the Statement of the Statement of the Treasurer's Responsibilities set out on pages 16, the Treasurer is responsible for the preparation of the Statement of Accounts, which the financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the body either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Nottinghamshire & City of Nottingham Fire Authority and determined that the most significant are:
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015
- Fire Services Act 1947
- Local Government Act 1972, and
- Local Government Act 2003,

In addition, the Nottinghamshire & City of Nottingham Fire Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- We understood how the Nottinghamshire & City of Nottingham Fire Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's board minutes, through enquiry of employees to confirm policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Nottinghamshire & City of Nottingham Fire Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Nottinghamshire & City of Nottingham Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Nottinghamshire & City of Nottingham Fire Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangement for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We are required under the Code of Audit Practice to complete a return on the Authority's submission for Whole of Government Accounts. The NAO have issued the group instruction and we have submitted the assurance return; however, we cannot formally conclude the audit and issue an audit certificate until the NAO have confirmed that no further assurances are required from us to complete their work as group auditor. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements. In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report. Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Nottinghamshire & City of Nottingham Fire Authority ,as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Nottinghamshire & City of Nottingham Fire Authority 's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date

INTRODUCTION TO THE CORE STATEMENTS

Movement in Reserves Statement - Page 25

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

Comprehensive Income and Expenditure Statement - Page 28

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

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

Balance Sheet - Page 29

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

Cash Flow Statement - Page 30

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

Expenditure and Funding Analysis - Page 25

Whilst not a core statement, the Expenditure and Funding Analysis (EFA) demonstrates the relationship between the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement and the movement in the general fund balance shown in the Movement in Reserves Statement. The EFA shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

CORE ACCOUNTING STATEMENTS

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2019/20	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019 carried forward	**5,576**	**4,763**	**0**	**347**	**10,686**	**(528,867)**	**(518,181)**
Movement in Reserves during 2019/20							
Total Comprehensive Income and Expenditure	(14,029)	0	0	0	**(14,029)**	23,675	**9,646**
Adjustments between accounting basis and funding basis under regulations (Note 10)	13,440	0	0	0	**13,440**	(13,440)	**0**
Increase or Decrease in 2019/20 before Transfers to Earmarked Reserves	**(589)**	**0**	**0**	**0**	**(589)**	**10,235**	**9,646**
Transfers to/from Earmarked Reserves (Note 11)	2	(2)	0	0	**0**	0	**0**
Increase/(Decrease) in 2019/20	**(587)**	**(2)**	**0**	**0**	**(589)**	**10,235**	**9,646**
Re-allocation of General Fund to Earmarked Reserve							
Balance at 31 March 2020 carried forward	**4,989**	**4,761**	**0**	**347**	**10,097**	**(518,632)**	**(508,535)**

Movement in Reserves during 2020/21

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020 carried forward	**4,989**	**4,761**	**0**	**347**	**10,097**	**(518,632)**	**(508,535)**
Movement in Reserves during 2020/21							
Total Comprehensive Income and Expenditure	(11,815)	0	0		**(11,815)**	(99,779)	**(111,594)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	12,765	0	0		**12,765**	(12,765)	**0**
Increase or Decrease in 2020/21 before Transfers to Earmarked Reserves	**950**	**0**	**0**	**0**	**950**	**(112,544)**	**(111,594)**
Transfers to/from Earmarked Reserves (Note 11)	(950)	950	0	0	**0**	0	**0**
Increase/(Decrease) in 2020/21	**0**	**950**	**0**	**0**	**950**	**(112,544)**	**(111,594)**
Balance at 31 March 2021 carried forward	**4,989**	**5,711**	**0**	**347**	**11,047**	**(631,176)**	**(620,129)**

EXPENDITURE AND FUNDING ANALYSIS

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
24,431	(2,638)	27,069	Firefighting and Rescue	24,071	(2,439)	26,510
1,878	(168)	2,046	Community Safety	1,681	(167)	1,848
1,420	(139)	1,559	Fire Protection	1,295	(182)	1,477
(149)	(3)	(146)	Resilience	(255)	(4)	(251)
			Corporate and Centralised Services:	0		
3,824	(1,230)	5,054	Estates and Procurement	3,478	(854)	4,332
3,009	(922)	3,931	Equipment	3,487	(608)	4,095
3,283	(246)	3,529	People and Organisational Development	3,386	(297)	3,683
942	(41)	983	Finance	684	(46)	730
2,760	(540)	3,300	ICT	3,744	69	3,675
3,267	(3,535)	6,802	Other	3,618	(1,335)	4,953
44,665	**(9,462)**	**54,127**	**Net Cost of Services**	**45,189**	**(5,863)**	**51,052**
(44,076)	(3,978)	(40,098)	Other Income and Expenditure	(46,139)	(6,902)	(39,237)
589	**(13,440)**	**14,029**	**(Surplus) or Deficit**	**(950)**	**(12,765)**	**11,815**
(5,576)			**Opening General Fund Balance**	**(4,989)**		
589			**Less/Plus (Surplus) or Deficit on General Fund Balance in Year**	**(950)**		
(2)			**Less/Plus Net Transfers to/(from) Earmarked Reserves**	**949**		
0			**Re-allocation of General Fund to earmarked reserves**	**0**		
(4,989)			**Closing General Fund Balance**	**(4,990)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure		Notes	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
£000	£000	£000			£000	£000	£000
27,558	(489)	27,069	**Firefighting and Rescue**		26,954	(444)	26,510
2,091	(45)	2,046	**Community Safety**		1,953	(105)	1,848
1,564	(5)	1,559	**Fire Protection**		1,733	(256)	1,477
209	(355)	(146)	**Resilience**		64	(315)	(251)
			Corporate and Centralised Services:				
5,370	(316)	5,054	Estates and Procurement		4,608	(276)	4,332
4,212	(281)	3,931	Equipment		4,244	(149)	4,095
3,552	(23)	3,529	People and Organisational Development		3,691	(8)	3,683
1,045	(62)	983	Finance		890	(160)	730
3,304	(4)	3,300	ICT		3,677	(2)	3,675
7,314	(512)	6,802	Other		5,143	(190)	4,953
56,219	**(2,092)**	**54,127**	**Cost of Services**		**52,957**	**(1,905)**	**51,052**
54	0	54	Other Operating Expenditure	12	15	0	15
14,390	(114)	14,276	Financing and Investment Income and Expenditure	13	14,179	(183)	13,996
0	(54,428)	(54,428)	Taxation and Non-Specific Grant Income	14	0	(53,248)	(53,248)
70,663	**(56,634)**	**14,029**	**Surplus (-) or Deficit on Provision of Services**		**67,151**	**(55,336)**	**11,815**
		(1,676)	Surplus or deficit on revaluation of property, plant and equipment assets				(1,581)
		0	Impairment Losses on Non-Current Assets Charged to Revaluation Reserve				0
		(21,999)	Remeasurements on the net defined benefit pension liability				101,361
		(23,675)	**Other Comprehensive Income and Expenditure**				**99,780**
		(9,646)	**Total Comprehensive Income and Expenditure**				**111,595**

BALANCE SHEET

31 March 2020		Notes	31 March 2021
£000			**£000**
	Property, Plant & Equipment		
56,555	- Land and Buildings	15	56,630
6,953	- Vehicles, Plant and Equipment	15	6,679
121	- Assets Under Construction	15	1,989
790	Surplus Assets	15	132
727	Intangible Assets	16	521
124	Intangible Assets Under Construction	16	0
0	Asset Held For Sale	15/21	380
318	Long Term Debtors	19	498
65,588	**TOTAL LONG TERM ASSETS**		**66,829**
4,466	Short Term Investments	17	3,553
293	Inventories	18	427
5,818	Short Term Debtors	19	5,335
6,272	Cash and Cash Equivalents	20	4,922
16,849	**TOTAL CURRENT ASSETS**		**14,237**
(1,581)	Short Term Borrowings	17	(63)
(3,744)	Short Term Creditors	22	(4,890)
(622)	Short Term Provisions	23	(622)
(82)	Grants Receipts in Advance - Revenue	34	0
(6,029)	**TOTAL CURRENT LIABILITIES**		**(5,575)**
(10)	Long Term Provisions	23	(43)
(26,958)	Long Term Borrowing	17	(26,906)
(182)	Long Term Creditors	22	(18)
0	Receipts in Advance - General		(82)
(557,793)	Pensions Liability	39	(668,571)
(584,943)	**TOTAL LONG TERM LIABILITIES**		**(695,620)**
(508,535)	**TOTAL NET ASSETS/(LIABILITIES)**		**(620,129)**
	Usable Reserves		
4,989	- General Fund Balance	24	4,991
4,761	- Earmarked Reserves	24	5,710
0	- Capital Receipts Reserve	24	0
347	- Capital Grants Unapplied	24	347
	Unusable Reserves		
16,687	- Capital Adjustment Account	25	16,222
22,489	- Revaluation Reserve	25	23,365
(557,793)	- Pension Reserve	25	(668,571)
0	- Financial Instruments Adjustment Account	25	0
191	- Collection Fund Adjustment Account	25	(1,899)
(206)	- Accumulated Absences Adjustment Account	25	(294)
(508,535)	**TOTAL RESERVES**		**(620,129)**

CASH FLOW STATEMENT

2019/20 £000		2020/21 £000
14,029	**Net (Surplus)/Deficit on the Provision of Services**	**11,815**
(15,196)	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(14,212)
15	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	235
(1,152)	Net Cash Flows from Operating Activities (Note 26)	(2,162)
771	Investing Activities (Note 27)	1,960
1,130	Financing Activities (Note 28)	1,553
749	Net (Increase) or Decrease in Cash and Cash Equivalents	1,351
(7,020)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(6,271)
(6,271)	**Cash and Cash Equivalents at the End of the Reporting Period (Note 20)**	**(4,920)**

INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS
STATEMENT OF ACCOUNTS 2020/21

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and the Service Reporting Code of Practice 2020/21 supported by International Financial Reporting Standards (IFRS).

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

Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 30 September 2023, management of the Nottinghamshire Fire and Rescue have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Our most recent year-end balances, as reported in the 2021/22 unaudited statements are as follows:

Date	General Fund	Earmarked reserves
31/03/2022	£5.191m	£4.853m

Our expected General Fund and Earmarked Reserve position has a predicted balance of £5.4m million and £4.6 million as at 1 April 2023. This remains above our minimum level of General Fund balances as set at the Nottinghamshire Fire Authority of £4.5 million December 2021. Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks. The levels of reserves set are felt to reflect the circumstances and risk appetite of the Authority.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing, other than to support the capital programme which is consistent to our plans and normal practice.

On this basis, the Fire Authority have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

The service recognises there is uncertainty over the longer term impact of Covid-19 resulting from a reduction in Council Tax and Business Rates funding. Any 2020/21 collection fund deficits were permitted to be repaid over 3 years rather than the normal 1 year. The Government have provided grant to cover Business Rate holidays and 75% of deficit figures. Estimates of both of these have been built into the revenue budget for 2021/22 to 2023/24. Final outturn figures were not significantly different to those in the 2021/22 budget and are not expected to cause any additional pressure.

Fire Authority approved its Medium Term Financial Strategy (MTFS) for 2022/23 to 2025/26 in December 2021. The final budget was approved by Fire Authority in February 2022. In order to balance the 2022/23 budget, the service has made temporary savings in excess of £1m. Savings in the region of £2m are required to balance the budget in 2023/24 and beyond. An Efficiency Strategy is being presented to Policy and Strategy Committee in May 22 to outline the process for identifying these savings. It is proposed to present the recommendations of the Efficiency Strategy to Fire Authority in September 2022 in order that the efficiencies identified can be built into the 2023/24 budget process. The Strategic Leadership Team are confident that these efficiencies will be sufficient to enable the service to set a balanced budget in future years. If this is not the case, then the temporary savings in place for 2022/23 will be extended into 2023/24. The Authority holds a healthy reserve position which is sufficient to support budgets for a number of years if required.

The 2020/21 revenue underspend was used to fund £500k capital expenditure, which will have the impact of reducing future year borrowing costs, and £1.051m was transferred into Earmarked Reserves to cover future year expenditure. Useable Reserves were £10.7m at 31 March 2021. The General Fund balance of £5.0m remained above the £4.5m minimum level set in the Reserves Strategy. The minimum level had been increased from the previous year to take account of the impact of Covid-19.

Based upon the latest assumptions cash flow forecasts have been prepared out to the end of September 2023 which indicate the service will maintain a strong cash position.

Based on our assessment of the financial and liquidity position of Nottinghamshire Fire and Rescue Service following the Covid-19 outbreak, there are no material uncertainties or concerns on the basis of preparing the 2020/21 financial statements or on the ability to continue to operate as a going concern for a period of 12 months from the date of approval of these financial statements.

Accruals of Expenditure and Income

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

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

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

c) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. However, due to a policy change which came into effect on 1 April 2017 an exception is now made to this policy for overtime payments and payments claimed in arrears by retained duty system staff. This expenditure is recognised in the year it is paid rather than the year in which the work was carried out.

d) Fees and charges due from customers are recognised as income at the date the Fire Authority provides the relevant services. Debts outstanding at the year end are assessed for evidence of uncollectability based on past events and a charge is made to revenue where the total value of debts for which there is evidence of impairment exceeds a £5,000 de minimis threshold. The impairment is assessed using the Expected Credit Loss Model. This model uses a provision matrix and calculates a fixed provision rate based on the number of days that a receivable is past due, assessed on the basis of historical experience from the previous five years and adjusted (if necessary) to reflect current conditions and forecasts of future conditions.
Impairment loss allowances are not recognised for debts where the counterparty is central government or a local authority, as statutory provisions prevent default. This policy applies to debts from unpaid fees and charges – council tax debtors are subject to a different policy (see below).

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

Allocation of Support Service Costs

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

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

Borrowing Costs

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

Cash and Cash Equivalents

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

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

Contingent Liabilities and Contingent Assets

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

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

Council Tax Income and Non Domestic Rates

Council tax and non domestic rates are collected from taxpayers by billing authorities both for themselves and substantively as agents, collecting council tax and non domestic rates on behalf of precepting authorities and central government and distributing it to them.

This authority is a precepting authority, and council tax and non domestic rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account on the Balance Sheet and shown within the Movement in Reserves Statement.

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

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

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

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

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post Employment Benefits

Participation in Pension Schemes

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

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

- The Local Government Pension Scheme (LGPS) is for administrative and support staff and is administered by Nottinghamshire County Council. This is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets.
- The Firefighters' Pension Scheme 1992 has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters. It is an unfunded pension scheme, meaning that there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. The cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office. Any surplus funding is paid over to the Home Office.

- The Firefighters’ Pension Scheme 2006 is also an unfunded pension scheme. This scheme came into being with effect from April 2006 and its members are retained firefighters and wholetime firefighters. Like the 1992 Scheme, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office and any surplus being paid over to them. The Firefighters' Pension Scheme (England)(Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. The modified version of the scheme has different benefits to the main 2006 Scheme. The 2006 Scheme has been closed to new entrants since April 2015.
- The Firefighters' Pension Scheme 2015 came into effect on 1 April 2015. Like the 2006 and 1992 Schemes, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office and any surplus being paid over to them. Unlike the other firefighters' schemes, it is a career average rather than a final salary scheme. Its members are retained firefighters and wholetime firefighters who were first appointed by an English fire and rescue authority on or after 1 April 2015, and firefighters who were transferred from the 1992 or 2006 Schemes.
- The Firefighters’ Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. The Firefighter Compensation Scheme (FFCS) is treated as an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

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

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

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

- Liabilities are discounted to their value at current prices, using discount rates of 2.0% and 2.1% for the LGPS and firefighters' schemes respectively. The discount rates for all schemes are based on the yields of AA-rated corporate bonds of currency and term appropriate to the currency and term of the scheme's liabilities.
- The assets of the LGPS pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - property - market value

- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost - the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
    - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability, i.e. the net interest expense for the Authority - the change during the period in the net defined benefit liability that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - Remeasurements comprising:
    - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - Contributions paid to the pension fund - cash paid as employer's contributions to the pension funds in settlement of liabilities.

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

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

Discretionary Benefits

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

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional Items

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

Financial Instruments

Financial Liabilities

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

Financial Assets

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

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

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal of interest (i.e. where the cash flows do not take the form of a basic debt instrument).
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

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

Expected Credit Loss Model
The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The recognition of an impairment in the CIES is subject to a collective de minimis threshold of £10k. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Impairment loss allowances are not recognised for expected credit losses on a financial assets where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

Government Grants and Contributions (Revenue)

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

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

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

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

Government Grants and Contributions (Capital)

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

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

- where a capital grant or contribution has been received and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recorded in Cash and held in the Capital Grants Receipts in Advance account as a liability on the Balance Sheet. When the conditions have been satisfied, the income will be credited to Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement.

- where no conditions remain outstanding and expenditure has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

- where no conditions remain outstanding and expenditure has not yet been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account to reflect its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Inventories (Stocks)

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

Leases

Finance Leases (the Authority as Lessee)

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

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

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

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

Operating Leases (the Authority as Lessee)

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

Operating Leases (the Authority as Lessor)

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

Non Current Assets

Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

Land and Buildings

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

Furniture and Fittings

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

Vehicles and Plant

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

All other Assets

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

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

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

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

Charges to Revenue for Non Current Assets

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

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

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

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

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

Depreciation and Amortisation

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

Depreciation is calculated on the following bases:

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

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

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

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

Revaluation and Impairment Losses

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

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

Disposals and Non Current Assets Held for Sale

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

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

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

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

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

Donated Assets

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

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

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

Re-classification of Assets Under Construction to Operational Assets

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

Intangible Assets

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

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

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

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

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

Provisions

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

Reserves

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

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

General Reserve

This reserve is the surplus or deficit of income over expenditure in the 2020/21 financial year, and the cumulative effect of such surpluses or deficits carried forward from previous years. See note 24.

Earmarked Reserve

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

Capital Reserves

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

The Revaluation Reserve

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

The Capital Adjustment Account

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

The Usable Capital Receipts Reserve

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

The Capital Grants Unapplied Reserve

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

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

Pensions Reserve

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

Accumulated Absences Adjustment Account

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

Collection Fund Adjustment Account

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

Value Added Tax

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

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

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

The standards introduced by the 2021/22 Code of Practice and relevant for additional disclosures that will be required in the 2020/21 financial statements in accordance with the requirements of the Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

None of these changes would impact significantly on the Authority's accounts for 2020/21.

A new accounting standard covering leases, IFRS 16 - *Leases,* has been deferred to be adopted in the 2021/22 Code with effect from 1st April 2021. This new standard will bring almost all leases onto an entity's balance sheet. As a result, some contractual payments that the Authority currently recognises as revenue expenditure could instead be recognised as an asset with a corresponding lease liability.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The Government will provided indicative settlement figures for future years as part of the funding settlement in Autumn 2021. There remains the possibility that funding for local government organisations will be further reduced. Despite this there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Authority has a balanced budget for 2021/22 and is anticipating to contain spending within this budget. The Authority is in a strong financial position to allow it to properly plan for any reductions in budgets over the next three years should this be required.

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

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £108k for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. A sensitivity analysis showing the impacts of changes in the discount rates used is included in note 39

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

2019/20	Description of Item	Income or Expense	2020/21
£000			£000
4,024	Depreciation and Amortisation of Non Current Assets	Expense	3,596
(15)	Capital Receipt	Income	(235)
0	Reversal of unused provision for Officers Car Leasing	Income	(155)

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer to the Authority on 23 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amount 2020/21	Adjustment for Capital purposes	Net change for the Pension Adjustment	Other Differences	Total Adjustments
	£000	**£000**	**£000**	**£000**
Firefighting and Rescue	0	(2,383)	(56)	(2,439)
Community Safety	0	(168)	1	(167)
Fire Protection	0	(158)	(24)	(182)
Resilience	0	(4)	0	(4)
Corporate and Centralised Services				
Estates & Procurement	(805)	(49)	0	(854)
Equipment	(557)	(55)	4	(608)
People and Organisation Development	0	(287)	(10)	(297)
Finance	0	(49)	3	(46)
Information Communication and Technology	207	(142)	3	68
Other Corporate and Centralised Services	0	(1,324)	(11)	(1,335)
	(1,155)	**(4,619)**	**(90)**	**(5,864)**
Other income and expenditure	(15)	(4,797)	(2,090)	(6,902)
	(1,170)	**(9,416)**	**(2,180)**	**(12,766)**

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amount 2019/20	Adjustment for Capital purposes	Net change for the Pension Adjustment	Other Differences	Total Adjustments
	£000	**£000**	**£000**	**£000**
Firefighting and Rescue	0	(2,656)	18	(2,638)
Community Safety	0	(159)	(9)	(168)
Fire Protection	0	(134)	(5)	(139)
Resilience	0	(14)	11	(3)
Corporate and Centralised Services				
Estates & Procurement	(1,189)	(39)	(2)	(1,230)
Equipment	(870)	(51)	(1)	(922)
People and Organisation Development	0	(259)	13	(246)
Finance	0	(38)	(3)	(41)
Information Communication and Technology	(436)	(93)	(11)	(540)
Transport				0
Other Corporate and Centralised Services		(3,526)	(9)	(3,535)
	(2,495)	**(6,969)**	**2**	**(9,462)**
Other income and expenditure	(54)	(3,883)	(41)	(3,978)
	(2,549)	**(10,852)**	**(39)**	**(13,440)**

8. EXPENDITURE AND INCOME ANALYSIS BY NATURE

2019/20		2020/21
£000		**£000**
	Expenditure	
55,289	Employee Benefits Expenses	53,144
366	Other Employee Expenses	360
2,802	Premises Related Expenses	2,562
2,340	Transport Related Expenditure	1,916
3,948	Supplies and Services	3,576
795	Third Party Payments	1,037
185	Support Services	191
4,113	Depreciation, amortisation, impairment and loss on disposal of non-current assets	3,535
825	Interest Payments	829
70,663	**Total Expenditure**	67,150
	Income	
(1,070)	Fees, charges and other service income	(970)
(114)	Interest and investment income	(183)
(36,146)	Income from council tax and non-domestic rates	(35,129)
(19,304)	Government grants	(19,054)
0	Income from profit on disposal of non-current assets	0
(56,634)	**Total Income**	(55,336)
14,029	**(Surplus)/Deficit on Provision of Services**	11,814

9. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

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

2019/20 £'000		2020/21 £'000
(707)	Revenue from contracts with service recipients	(1,082)
	Impairment of receivables or contract assets	
(707)	**Total Included in Comprehensive Income and Expenditure Statement**	**(1,082)**

Amounts included in the Balance Sheet for contracts with Service Recipients

2019/20 £'000		2020/21 £'000
0	Receivables which are included in debtors	66

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

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

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

Usable Reserves

2019/20 General Fund Balance	2019/20 Capital Receipts Reserve	2019/20 Capital Grants Unapplied		2020/21 General Fund Balance	2020/21 Capital Receipts Reserve	2020/21 Capital Grants Unapplied
£000	£000	£000		£000	£000	£000
			Adjustments to the Revenue Resources			
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
(10,851)			Pension costs (transferred to (or from) the Pensions Reserve)	(9,417)		
(41)			Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(2,090)		
3			Holiday pay (transferred to the Accumulated Absences Reserve)	(89)		
(4,127)		0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,770)		0
(15,016)	**0**	**0**	**Total Adjustments to Revenue**	**(15,366)**	**0**	**0**
			Adjustments between Revenue and Capital Resources			
15	(15)		Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	235	(235)	
			Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)			
1541			Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1674		
22			Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	691	0	
1,578	**(15)**	**0**	**Total Adjustments between Revenue and Capital Resources**	**2,600**	**(235)**	**0**
			Adjustments to Capital Resources			
	116		Use of the Capital Receipts Reserve to finance capital		235	
		0	Application of capital grants to finance capital expenditure			0
			Cash payments in relation to deferred capital receipts			
0	**116**	**0**	**Total Adjustments to Capital Resources**	**0**	**235**	**0**
(13,438)	**101**	**0**	**Total Adjustments**	**(12,766)**	**0**	**0**

11 TRANSFERS TO/FROM EARMARKED RESERVES

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

Balance at 31 March 2019	Transfers out 2019/20	Movements 2019/20	Transfers in 2019/20		Balance at 31 March 2020	Transfers out 2020/21	Movements 2020/21	Transfers in 2020/21	Balance at 31 March 2021
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**	**£000**
(1,352)	66	154	0	**Information Communication and Technology**	(1,131)	0	0	(53)	(1,184)
(375)	94	31	(2)	**Prevention, Protection and Partnerships**	(252)	25	(21)	(180)	(428)
(536)	77	126	(177)	**Resilience**	(333)	14	0	(30)	(349)
(1,037)	0	0	0	**Capital**	(1,037)	0	1,037	0	0
(415)	15	212	0	**Operational**	(188)	0	10	(495)	(673)
(715)	30	684	0	**Transition**	0	0	0	0	0
(308)	0	310	0	**Pension**	0	0	0	0	0
(24)	0	24	0	**Other**	0	0	0	(42)	(42)
				Covid - 19 *	(177)	0	(600)	(276)	(1,053)
0	0	(1,387)	0	**Transformation and Collaboration**	(1,387)	14	(427)	0	(1,800)
0	80	(154)	(181)	**Regional Funds**	(255)	79	0	(5)	(181)
(4,762)	**362**	**0**	**(360)**	**Sub Total**	**(4,760)**	**132**	**(1)**	**(1,081)**	**(5,710)**

*Note: The Covid -19 reserve, which was analysed within Resilience in 2019/20, is now analysed separately in 2020/21. It includes both the remaining £453k grant received from Central Government and a £600k reserve set up by the Authority to assist with recovery work.

12 OTHER OPERATING EXPENDITURE

2019/20 £000		2020/21 £000
54	Gains/(Losses) on the disposal of non-current assets	15
54	**Total**	**15**

13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20 £000		2020/21 £000
825	Interest payable and similar charges	829
0	Interest paid in relation to Finance Leases	0
13,565	Net interest on defined pension liability	13,350
(114)	Interest receivable and similar income	(20)
0	Other investment income	(163)
14,276	**Total**	**13,996**

14 TAXATION AND NON-SPECIFIC GRANT INCOME

2019/20 £000		2020/21 £000
25,357	Council tax income and surplus on collection	25,977
3,629	Non domestic rates	1,875
9,682	Pension top up grant	8,553
5,372	Non ringfenced government grants	5,422
0	Capital grants and contributions	0
7,160	Non domestic rates tax top-up grant	7,277
690	Business Rates Tax Loss Reimbursement Grant	776
8	Transparency grant	8
191	Covid-19 Funding	1,020
2,340	Fire Pension Grant	2,340
54,429	**Total**	**53,248**

15 PROPERTY PLANT AND EQUIPMENT

Comparative Movements in 2019/20							Movements in 2020/21					
Other Land and Buildings £000	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**		**Other Land and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
						Cost or Valuation						
58,704	**22,483**	**1,155**	**0**	**93**	**82,435**	**At 01 April**	**57,393**	**20,513**	**790**	**0**	**121**	**78,817**
583	1,112	0	0	121	**1,816**	Additions	28	1,238	0	0	1,868	**3,134**
0	0	0	0	0	**0**	Donations	0	0	0	0	0	**0**
(1,228)	0	52	0	0	**(1,176)**	Revaluation increases/(decreases) recognised in the Revaluation Reserve	259	0			0	**259**
(35)	0	0	0	0	**(35)**	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	76	0			0	**76**
0	(2,858)	(1,048)	0	(69)	**(3,975)**	Derecognition - Disposals	0	(290)	0	0	0	**(290)**
0	(306)	0	0	0	**(306)**	Derecognition - Other	0	(104)	(250)	0	0	**(354)**
0	0	0	0	0	**0**	Assets reclassified (to)/from Held for Sale	0	0	(380)	380	0	**0**
(380)	82	380	0	(24)	**58**	Assets reclassified (to)/from Assets Under Construction	0	124	0	0	0	**124**
(250)	0	250	0	0	**0**	Correction of classification	0	0	0	0	0	**0**
57,394	**20,513**	**790**	**0**	**121**	**78,817**	**At 31 March**	**57,756**	**21,481**	**160**	**380**	**1,989**	**81,766**

Accumulated Depreciation & Impairment 2019/20							Accumulated Depreciation & Impairment 20/21					
Other Land and Buildings £000	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**		**Other Land and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
(1,713)	(15,023)	(1,125)	0	0	**(17,861)**	**At April 2020**	(842)	(13,560)	0	0	0	**(14,402)**
(1,899)	(1,701)	(6)	0	0	**(3,606)**	Depreciation & Impairment Charges	(1,611)	(1,637)	(28)	0	0	**(3,276)**
2,769	0	83	0	0	**2,852**	Depreciation written out to the Revaluation Reserve	1,322	0	0	0	0	1,322
0	0	0	0	0	**0**	Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
0	0	0	0	0	**0**	Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
0	0	0	0	0	**0**	Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
0	2,858	1,048	0	0	**3,906**	Derecognition- Disposals	0	290	0	0	0	**290**
0	306	0	0	0	**306**	Derecognition- Other	0	104		0	0	**104**
0	0	0	0	0	**0**	Other movements in Depreciation & Impairment	0	0	0	0	0	**0**
(843)	**(13,560)**			**0**	**(14,402)**	**At 31 March 2021**	**(1,131)**	**(14,803)**	**(28)**	**0**	**0**	**(15,962)**
56,551	**6,953**	**790**		**121**	**64,415**	**Net Book Value at 31st March**	**56,625**	**6,678**	**132**	**380**	**1,989**	**65,804**

Capital Commitments

At 31 March 2021 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years, budgeted to cost £19k. Similar commitments at 31 March 2019 were £15k. The major commitment for 2020/21 is:

Hucknall Fire Station	£19k

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by the Valuation Office, the last valuation took place on the 31 March 2021, covering 16 properties via an inspection, 6 via desktop and 8 by applying a tender price index, and carried out by Richard Hemsworth MRICS. Valuations of and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

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

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, the valuation office consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The pandemic and the measures taken to tackle COVID-19 continue to affect economic s and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS valuation Global Standards.

	Other Land & Buildings £000	**Vehicles, Plant, Equipment £000**	**Assets under Construction £000**	**Surplus Assets £000**	**Assets Held for Sale £001**	**Total £000**
Carried at Historical cost	0	6,679	1,989	0	0	**8,668**
Valued at Fair Value as at:						
31 March 2021	29,327	0	0	84	0	**29,411**
31 March 2020	24,716	0	0	48	380	**25,144**
31 March 2019	2,582	0	0	0	0	**2,582**
Total Cost or Valuation	**56,625**	**6,679**	**1,989**	**132**	**380**	**65,805**

16 INTANGIBLE ASSETS

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

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

Software 2019/20 £000	Software Under Construction 2019/20 £000		Software 2020/21 £000	Software Under Construction 2020/21 £000
		Balance at start of year:		
2,894	181	• Gross carrying amounts	2,600	120
(1,790)	0	• Accumulated amortisation	(1,874)	0
1,104	181	Net carrying amount at start of year	726	120
0	0	Adjustments to bring fixed asset register and statutory accounts into alignment	0	0
0	(58)	Assets Reclassified	0	(124)
40	1	Purchases	115	0
(334)	0	Disposals	(10)	0
(418)	0	Amortisation for the period	(311)	0
334	0	Other Changes - Disposal Amortisation	0	0
726	**124**	**Net carrying amount at end of year**	**520**	**(4)**
		Comprising:		
2,600	124	• Gross Carrying Amounts	2,705	(4)
(1,874)	0	• Accumulated amortisation	(2,185)	0
726	**124**		**520**	**(4)**

17 FINANCIAL INSTRUMENTS

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

31 March 2020			31 March 2021	
Non-current	**Current**		**Non-current**	**Current**
£000	**£000**		**£000**	**£000**
		Financial assets		
0	4,466	Investments measured at amortised cost	0	3,553
0	6,272	Cash & cash equivalents measured at amortised cost	0	4,922
318	4,890	Debtors measured at cost	498	4,266
0	0	Financial assets measured at fair value through profit or loss	0	0
0	0	Financial assets measured at fair value through other comprehensive income	0	0
318	**15,628**	**Total financial assets**	**498**	**12,741**
		Financial liabilities		
(26,958)	(1,581)	Loans measured at amortised cost	(26,905)	(63)
(182)	(3,365)	Creditors measured at cost	(100)	(4,300)
0	0	Financial liabilities measured at fair value	0	0
(27,140)	**(4,946)**	**Total financial liabilities**	**(27,005)**	**(4,363)**

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

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

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

31 March 2020		31 March 2021
£000		**£000**
	Current Debtors	
5,818	Debtors - as shown on Balance Sheet	5,335
(928)	Less: Council Tax and NDR debtors	(1,069)
4,890	**Current Debtors Classified as Financial Instruments**	**4,266**
	Current Creditors	
(3,744)	Creditors - as shown on Balance Sheet	(4,890)
461	Less: Council Tax NDR prepayments / overpayments	590
(82)	Grant Receipts in Advance - as shown on Balance Sheet	0
(3,365)	**Current Creditors Classified as Financial Instruments**	**(4,300)**
	Non-current Creditors	
(182)	Creditors - as shown on Balance Sheet	(18)
0	Grant Receipts in Advance - as shown on Balance Sheet	(82)
(182)		**(100)**

Income, Expense, Gains and Losses

2019/20 Surplus or Deficit on the Provision of Services £000	2019/20 Other Comprehensive Income and Expenditure £000		2020/21 Surplus or Deficit on the Provision of Services £000	2020/21 Other Comprehensive Income and Expenditure £000
		Interest revenue:		
(114)	**0**	Financial assets measured at amortised cost	(20)	**0**
0	0	Financial assets measured at fair value through other comprehensive income	0	0
(114)	**0**	**Total interest revenue**	**(20)**	**0**
825	**0**	**Interest expense**	**829**	**0**

Fair Value of Financial Assets and Financial Liabilities

The fair value of financial instruments has been determined by calculating the net present value (NPV) of future cashflows. The discount rates used in the NPV calculations are equivalent to the current rates in relation to the same or similar instruments of the same remaining duration from comparable lenders on the date of the valuation. A more detailed explanation of the rates used is given below. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair value of Public Works Loan Board (PWLB) loans of £26.2m is based on new PWLB borrowing rates. This fair value measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for new PWLB loans undertaken at the balance sheet date. The difference between the carrying value and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing PWLB rates.

The Authority also has the ability to prematurely repay its PWLB loans, however the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not be paid. The fair value of PWLB loans calculated using premature repayment rates is £31.4m. This fair value is £5.2m higher than that calculated using the PWLB new loans rates because the discount rate is lower and hence the premium payable would be higher.

There have been limited trades in the Lender Option Borrower Option (LOBO) market during the financial year ended 31 March 2021, so comparable market rates are not available. A proxy LOBO new loans rate has been derived by applying a margin of 80 basis points above the corresponding gilt rates. The fair value of the non-PWLB LOBO loan calculated using PWLB premature repayment rates as a market illustration is £9.2m. This fair value is £2.4m higher than that calculated using new loan rates (£6.8m) because the discount rate is lower and hence the premium payable would be higher.

31 March 2020			31 March 2021	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£000	**£000**	**Financial Liabilities at amortised cost**	**£000**	**£000**
(24,530)	(25,924)	**- PWLB Loans**	(22,959)	(26,193)
(4,010)	(6,117)	**- Other Loans**	(4,010)	(6,847)

The fair value of borrowings is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

31 March 2020			31 March 2021	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£000	**£000**		**£000**	**£000**
4,466	4,466	**Investments held at amortised cost**	3,553	3,553
6,272	6,272	**Cash and cash equivalents held at amortised cost**	4,922	4,922

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

The 2020/21 CIPFA Accounting Code of Practice ("the Code") requires authorities to maximise the use of relevant observable inputs and minimise the use of unobservable inputs when measuring fair value. To achieve this objective, authorities are required to follow a fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into three levels as follows:

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

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

31 March 2021

Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities				
Loans held at amortised cost	0	(33,040)	0	(33,040)
Financial assets				
Investments, cash & cash equivalents held at amortised cost	0	8,475	0	8,475
Total	**0**	**(24,565)**	**0**	**(24,565)**

31 March 2020 Comparative Year

Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities				
Loans held at amortised cost	0	(32,041)	0	(32,041)
Financial assets				
Investments, cash & cash equivalents held at amortised cost	0	10,738	0	10,738
Total	**0**	**(21,303)**	**0**	**(21,303)**

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

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

Financial assets	Financial liabilities
• no early repayment or impairment is recognised • estimated ranges of interest rates as 31 March 2021 of 0.00% to 0.40% for short term investments and cash equivalents, based on new lending rates for equivalent assets at that date • the fair value of trade and other receivables is taken to be the invoiced or billed amount	• no early repayment is recognised • estimated ranges of interest rates at 31 March 2021 of 0.81% to 2.16% for loans payable based on new lending rates for equivalent loans at that date

18 INVENTORIES

31 March 2020		31 March 2021
£000		**£000**
279	**Balance Outstanding at start of**	**293**
445	Purchases	577
(487)	Recognised as an expense in year	(449)
56	Written off balances	6
293	**Balance outstanding at year end**	**427**

19 DEBTORS

31 March 2020		31 March 2021
£000		**£000**
2,957	NNDR and council tax	3,111
359	Trade Debtors	325
3,737	Other debtors	3,397
(1,607)	Provision for bad debts	(1,950)
372	Prepayments and Accrued Income	452
5,818	**Total Short Term Debtors**	**5,335**
318	Prepayments and Accrued Income	498
318	**Long Term Debtors**	**498**
6,136	**Total**	**5,833**

20 CASH AND CASH EQUIVALENTS

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

31 March 2020		31 March 2021
£000		**£000**
	Cash held by the Authority	
29	Bank Current Accounts	1,920
6,243	Short-term deposits	3,002
6,272	**Total Cash and Cash Equivalents**	**4,922**

21 ASSETS HELD FOR SALE

There were no Non Current Assets held for sale as at 31st March 2020 as 31st March 2021 Hucknall Fire station was held for sale with a net book value of £380k.

22 CREDITORS

31 March 2020		31 March 2021
£000		**£000**
(1,538)	Trade Creditors	(1,836)
(767)	NNDR and Council Tax	(2,589)
(1,439)	Other Creditors	(465)
(3,744)	**Short Term Creditors**	**(4,890)**
(182)	Other Creditors	(18)
(182)	**Long Term Creditors**	**(18)**
(3,926)	**Total**	**(4,908)**

23 PROVISIONS

	Short Term					
	On-Call Duty System	**Officers Car Leasing**	**Legal Costs**	**Ill Health**	**Domestic Rates Appeals**	**Total Short Term**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2020	**(21)**	**(225)**	**0**	**0**	**(375)**	**(621)**
Additional provisions made in 2020/21	0	0	(50)	(85)	(42)	**(177)**
Amounts used in 2020/21	0	0	0	0	0	**0**
Unused amounts reversed in 2020/21	21	155	0	0	0	**176**
Balance at 31 March 2021	**0**	**(70)**	**(50)**	**(85)**	**(417)**	**(622)**

	Long Term			
	Insurances	**Ill Health**	**Total Long Term**	**Total Overall Provisions**
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2020	**(10)**	**0**	**(10)**	**(631)**
Additional provisions made in 2020/21	0	(43)	**(43)**	**(220)**
Amounts used in 2020/21	10	0	**10**	**10**
Unused amounts reversed in 2020/21	0	0	**0**	**176**
Balance at 31 March 2021	**0**	**(43)**	**(43)**	**(665)**

Insurances
This provision allows for potential liabilities arising from existing claims against the authority. The provision is not required at 31 March 2021.

On Call Duty System
This liability arose from an employment tribunal test case relating to “Part Time Workers (Prevention of Less Favourable Treatment) Regulations”. A prudent estimate was made in 2009/10 and 2010/11 relating to the payment of compensation to on call duty system firefighters. During previous years amounts of compensation have continued to be paid, although these have now ceased. It was decided the provision was no longer required.

Officers Car Leasing
A tax review identified that some travel related expenses have been incorrectly treated for tax purposes. Whilst these expenses are now being correctly taxed, negotiations have ongoing with Her Majesties Customs and Excise (HMRC) relating to outstanding VAT. A provision had been created to cover the costs which are estimated to be in the region of £225k, this was reduced to £70k in 20/21 when the calculation was finalised.

Ill Heath & Legal Costs

The service is currently subject to two litigation cases lodged at the High Court, relating to the national age discrimination claim, McCloud. The claimants are seeking damages relating to ill health pensions. Legal cost to cover this are expected to be in the region on £50K and the Ill Health cost are expected to be £85k short term and £43k long term.

Non Domestic Rates Appeals

From 2013/14, a proportion of Non Domestic Rates collected by Nottinghamshire collecting authorities is retained locally, rather than paid directly to central government. Part of these retained rates are collected on behalf of NFRS, and so a portion of any related provisions must now be recognised by NFRS. This provision allows for possible losses arising from any successful appeals of business premises rateable values in 2020/21.

24 USABLE RESERVES

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

31 March 2020		31 March 2021
£000		£000
4,989	General Fund	4,991
4,761	Earmarked Reserves	5,710
0	Capital Receipts Reserve	0
347	Capital Grants Unapplied	347
10,097	**Total Usable Reserves**	**11,048**

General Fund

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

2019/20		2020/21
£000		£000
5,577	**Balance at 1 April**	**4,990**
(589)	Transfer (to)/from General Fund Reserve	950
2	Transfer from General Fund Reserve to Earmarked Reserves	(949)
4,990	**Balance at 31 March**	**4,991**

Earmarked Reserves

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

2019/20		2020/21
£000		£000
4,763	**Balance at 1 April**	**4,761**
(362)	Application of Earmarked Reserves to finance expenditure	(132)
360	Transfer from General Fund Reserve	1,081
4,761	**Balance at 31 March**	**5,710**

Capital Receipts Reserve

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

2019/20 £000		2020/21 £000
0	**Balance at 1 April**	**0**
15	Capital Receipts in Year	235
(15)	Capital Receipts applied in year to finance capital	(235)
0	**Balance at 31 March**	**0**

Capital Grants Unapplied

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

2019/20 £000		2020/21 £000
347	**Balance at 1 April**	**347**
0	Capital Grants received in Year	0
0	Capital Grants applied in year to finance capital	0
347	**Balance at 31 March**	**347**

25 UNUSABLE RESERVES

31 March 2020 £000		31 March 2021 £000
22,488	Revaluation Reserve	23,365
16,686	Capital Adjustment Account	16,222
(557,793)	Pensions Reserve	(668,571)
191	Collection Fund Adjustment Account	(1,899)
(206)	Accumulated Absences Account	(294)
(518,634)	**Total Unusable Reserves**	**(631,177)**

Revaluation Reserve

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

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

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

2019/20 £000		2020/21 £000
21,339	**Balance at 1 April**	**22,488**
5,193	Upward revaluations of assets	1,869
(3,517)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(287)
1,676		1,582
23,015	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**24,070**
(527)	Difference between fair value depreciation and historical cost depreciation	(644)
0	Accumulated gains on assets disposed of	(61)
(527)	Amount written off to the Capital Adjustment Account	(705)
22,488	**Balance at 31 March**	**23,365**

Capital Adjustment Account

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

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

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

2019/20		2020/21
£000		£000
18,709	**Balance at 1 April**	**16,687**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)	
(3,605)	• Charges for depreciation and impairment of non-current assets	(3,275)
(35)	• Revaluation losses on Property, Plant and Equipment and reversal of previous impairments	76
(418)	• Amortisation of intangible assets	(320)
0	• Revenue expenditure funded from capital under statute	0
(69)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(189)
(4,127)		**(3,708)**
527	Adjusting amounts written out of the Revaluation Reserve	644
(3,600)	Net written out amount of the cost of non-current assets consumed in the year	**(3,064)**
	Capital financing applied in the year:	
15	• Use of Capital Receipts Reserve to finance new capital expenditure	235
0	• Capital grants and contributions credited to the CIES that have been applied to capital financing	0
1,541	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,674
0	• Voluntary provision for the financing of capital investment charged against the General Fund balance	0
0	• Application of grants to capital financing from Capital Grants Unapplied Account	0
22	• Capital expenditure charged against the General Fund balance	691
1,578		2,600
0	Movement in the Donated Assets Account credited to the CIES	
16,687	**Balance at 31 March**	**16,223**

Pension Reserve

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

2019/20		**2020/21**
£000		**£000**
(568,940)	**Balance at 1 April**	**(557,793)**
21,999	Remeasurements on the net defined benefit pension	(101,361)
(27,837)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(25,397)
16,985	Employers pensions contributions and direct payments to pensioners payable in the year	15,980
(557,793)	**Balance at 31 March**	**(668,571)**

Collection Fund Adjustment Account

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

2019/20		**2020/21**
£000		**£000**
232	**Balance at 1 April**	**191**
(41)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(2,090)
191	**Balance at 31 March**	**(1,899)**

Accumulated Absences Adjustment Account

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

2019/20		2020/21
£000		**£000**
(209)	**Balance at 1 April**	**(206)**
209	Settlement or cancellation of accrual made at the end of the preceding year	206
(206)	Amounts accrued at the end of the current year	(294)
3	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(88)**
(206)	**Balance at 31 March**	**(294)**

26 CASHFLOW STATEMENT - OPERATING ACTIVITIES

2019/20 £000		2020/21 £000
14,029	**Net (Surplus) or Deficit on the Provision of Services**	**11,815**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(3,605)	Depreciation	(3,275)
(35)	Impairment and revaluations	76
(418)	Amortisation	(321)
(187)	(Increase)/Decrease in impairment for bad debts	(344)
(683)	(Increase)/Decrease in Creditors	(68)
130	Increase/(Decrease) in Debtors	(719)
14	Increase/(Decrease) in Inventories	134
(11,052)	Pension Liability	(9,417)
684	Contributions (to)/from Provisions	(33)
(69)	Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(250)
25	Accrued Interest	5
(15,196)		**(14,212)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
15	Proceeds from the sale of property plant and equipment, investment property and intangible assets	235
15		**235**
(1,152)	**Net Cash Flows from Operating Activities**	**(2,162)**

CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
(79)	Interest received	(20)
1,171	Interest paid	829
0	Dividends received	(164)

27 CASHFLOW STATEMENT - INVESTING ACTIVITIES

2019/20		2020/21
£000		**£000**
1,786	Purchase of property, plant and equipment, investment property and intangible assets	3,111
3,000	Purchase of short-term and long-term investments	6,000
(15)	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	(251)
(4,000)	Proceeds from short-term and long-term investments	(6,900)
0	Other receipts from investing activities	0
771	**Net cash flows from investing activities**	**1,960**

28 CASHFLOW STATEMENT - FINANCING ACTIVITIES

2019/20		2020/21
£000		**£000**
(3,000)	Cash receipts of short and long-term borrowing	0
4,130	Repayments of short and long-term borrowing	1,553
1,130	**Net cash flows from financing activities**	**1,553**

29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2020	Financing cash flows	Non-cash changes	31 March 2021
	£'000	£'000	£'000	£'000
Long-term borrowings	(26,958)	1,553	(1,501)	(26,906)
Short-term borrowings	(1,582)	0	1,519	(63)
Total liabilities from financing activities	**(28,540)**	**1,553**	**18**	**(26,969)**

	1 April 2019	Financing cash flows	Non-cash changes	31 March 2020
	£'000	£'000	£'000	£'000
Long-term borrowings	(25,511)	(3,000)	1,553	(26,958)
Short-term borrowings	(4,118)	4,130	(1,594)	(1,582)
Total liabilities from financing activities	**(29,629)**	**1,130**	**(41)**	**(28,540)**

30 POOLED BUDGETS

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

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

	Local Resilience Forum	Multi Agency Co-ordination Centre	Emergency Services Carol Concert	2019/20 £000
Opening Balance	11	14	1	26
Income in Year	57	0	0	57
Expenditure in Year	0	0	1	1
Balance carried forward	68	14	0	82
				2020/21 £000
Opening Balance	26	0	0	26
Income in Year	57	0	0	57
Expenditure in Year	1	0	0	1
Balance carried forward	82	0	0	82

31 MEMBERS' ALLOWANCES

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

2019/20 £000		2020/21 £000
116	Allowances	120
4	Expenses	0
120	**Total**	**120**

32 OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of employment	Total Remuneration excluding Pension Contributions	Pension Contribution	Total
		£	£	£	£	£	£
Chief Fire Officer John Buckley	2020/21	160,323	48	0	160,371	46,170	206,541
	2019/20	157,207	47	0	157,254	45,837	203,091
Deputy Chief Fire Officer	2020/21	132,327	48	0	132,375	38,085	170,460
	2019/20	124,191	47	0	124,238	35,653	159,891
Assistant Chief Officer	2020/21	92,071	40	0	92,111	16,941	109,052
Started 15/06/2020	2019/20	0	0	0	0	0	0
Assistant Chief Officer	2020/21	44,135	17	0	44,152	8,007	52,159
Left 17/08/2020	2019/20	109,369	47	0	109,416	15,798	125,214
Head of Finance and Treasurer	2020/21	66,088	48	0	66,136	12,032	78,168
	2019/20	61,222	47	0	61,269	9,061	70,330
Total	**2020/21**	**494,944**	**201**	**0**	**495,145**	**121,235**	**616,380**
	2019/20	**451,989**	**188**	**0**	**452,177**	**106,349**	**558,526**

Notes:

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

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

2019/20 Number of employees	Remuneration Band	2020/21 Number of employees
20	£50,000-£54,999	20
21	£55,000-£59,999	26
19	£60,000-£64,999	17
2	£65,000-£69,999	5
3	£70,000-£74,999	3
	£75,000-£79,999	1
1	£80,000-£84,999	
1	£85,000-£89,999	3
1	£90,000-£94,999	1
	£95,000-£99,999	
	£100,000-£104,999	
1	£105,000-£109,999	1
1	£110,000-£114,999	
	£115,000-£119,999	
1	£120,000-£124,999	
	£125,000-£129,999	
	£130,000-£134,999	1
	£135,000-£139,999	
	£140,000-£144,999	
	£145,000-£149,999	
	£150,000-£154,999	
1	£155,000-£159,999	
	£160,000-£164,999	1

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band £000's	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0-£20,000	0	0	1	0	1	0	5	0
£20,001 - £40,000	0	1	0	1	0	2	0	53
£40,001 - £60,000	0	0	0	0	0	0	0	0
Total	**0**	**1**	**1**	**1**	**1**	**2**	**5**	**53**

33 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections provided by the Authority's external auditors and other services provided by the Authority's external auditors.The charge in 2019/20 includes a fee variation charge of £18k for the 2018/19 accounts.

2019/20 £000		2020/21 £000
42	Fees payable with regard to external audit services carried out by the appointed auditor for the year	37
42	**Total**	**37**

34 GRANT INCOME

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

2019/20 £000		2020/21 £000
	Credited to Services	
(399)	Firelink grant (part of the Fire Revenue grant DCLG)	(420)
(80)	New Dimension grant (part of the Fire Revenue grant DCLG)	(80)
(49)	New Risks grant	(29)
(394)	Emergency Services Mobile Communications grant	0
0	Fire Protection and Recognised prior learning Grant	(19)
0	Fire Protection Building Risk Review Grant	(60)
0	Fire Protection Protection Uplift Grant	(92)
(98)	Apprenticeship Levy	(134)
0	Grenfell infrastructure Grant	(101)
(1,020)	**Total**	**(935)**

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

31 March 2020 £000		31 March 2021 £000
	Grants Receipts in Advance (Revenue Grants)	
(68)	Local Resilience Forum	(68)
(14)	Multi Agency Coordination Centre	(14)
(82)	**Total**	**(82)**

As the balances have remained on the balance sheet for more than 12 months they have been categorised as non-current liabilities on the 2020/21 balance sheet.

35 RELATED PARTIES

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

Central Government

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

Members

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

Officers

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

Nottinghamshire County Council and Nottingham City Council

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

	Nottinghamshire County Council		Nottingham City Council		Nottingham Police & Crime Commissioner	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
Expenditure during year	473	585	95	95	27	1,011
Income during year	182	0	36	28	336	430
Creditor at 31 March	1	0	0	0	119	126
Debtor at 31 March	84	49	6	0	6	35

Other Public Bodies

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

	Derbyshire Fire & Rescue Service		**Leicestershire Fire & Rescue Service**		**Northamptonshire Commissioner Fire & Rescue Authority**	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Expenditure during year	1,564	682	273	145	0	222
Income during year	84	12	1	10	0	0
Creditor at 31 March	2	0	5	1	0	0
Debtor at 31 March	0	2	0	0	0	0

Entities Controlled or Significantly Influenced by the Authority

The Authority was the sole shareholder of Nottinghamshire Fire Safety Limited, with 5 members forming the Board of Directors. The Authority recovered costs incurred in the provision of certain goods and services to the Company including finance, payroll, human resources, insurance and transport. The Company was the Authority’s provider of fire extinguisher maintenance services.

The Authority’s transactions and balances with the Company are detailed below for the period that the Authority still retained an interest in the Company. The Authorities share in the Company was sold in August 2020.

Nottinghamshire Fire Safety Ltd

2019/20 £000		2020/21 £000
10	**Expenditure during year**	10
47	**Income during year**	16
0	**Creditor at 31 March**	0
13	**Debtor at 31 March**	0
0	**Outstanding loan to**	0

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

36 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2019/20 £000		2020/21 £000
25,738	**Opening Capital Financing Requirement**	**26,017**
0	Capital receipt not applied in year	0
	Capital Investment	
583	Property, Plant and Equipment - (Operational and under Construction)	1,868
1,233	Property, Plant and Equipment - (Non Operational)	1,267
41	Intangible Assets (including under construction)	115
	Sources of Finance	
(15)	Capital Receipts	(235)
0	Government grant and other contributions	0
	Sums set aside from revenue:	
(22)	Direct revenue contributions	(691)
(1,541)	Minimum / Voluntary Revenue Provision	(1,674)
26,017	**Closing Capital Financing requirements**	**26,667**
	Explanation of Movements in Year	
0	Decrease in underlying need to borrow (unsupported by government financial assistance)	0
279	**(Decrease) / Increase in Capital Financing Requirement**	**650**

37 LEASES

Authority as Lessee

The Authority currently has no assets which would be defined as assets subject to operating lease arrangements. This was also the case in 2020/21.

Authority as Lessor

Operating Leases

The Authority has entered into an operating lease arrangement with Nottinghamshire Police in respect of two of its properties, one property is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1). Rent received in 2019/20 £15k and in 2020/21 was £43k.

Future contracted receipts are:

	£000's
Within 1 year	65
Within 2 to 5 years	131
Over 5 years	0

The lease for property not currently used for operational purposes expires 2022/23.

38 TERMINATION BENEFITS

In 2020/21 the Authority has funded termination benefits totalling £64k from its revenue budget. Termination benefits have been received by 2 individuals.

39 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

As at 31 March 2021 the Authority participates in four post-employment schemes, all of which are defined benefit schemes:

1) The Local Government Pension Scheme (LGPS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Firefighters' Pension Scheme 2015 came into effect on 1 April 2015. Like the 1992 FPS and the 2006 NFPS, it is an unfunded defined benefit scheme and its arrangements are governed by statute (the Firefighters' Pension Scheme (England) Regulations 2014). However, unlike the other two firefighters' schemes, it is a career average rather than a final salary scheme.

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

The 1992 FPS and 2006 NFPS provide benefits based on final salary and length of service at retirement, and the 2015 FPS provides benefits based on revalued average salary. The governance arrangements are managed by the Authority, and this essentially involves managing the cash flows and being responsible for the administration of the schemes. The day to day administration was carried out by Leicestershire County Council on behalf of the Authority until 30 November 2020, and by West Yorkshire Pension Fund from 1 December 2020 onward.

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

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

A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the three firefighters' schemes. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 108 to110) and it is therefore not the Authority's income. However, in IAS 19 terms it is a current contribution towards the Authority's liabilities for retirement benefits. The grant is therefore credited to other operating income in the Comprehensive Income and Expenditure Statement. The grant is not treated as an asset of the firefighters' pension schemes, but as a source of income to the schemes it does reduce the year end pension liability.

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

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

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

b) There is a risk that the government could change the arrangements of the scheme in such a way that the costs incurred by the Authority are significantly increased.

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

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

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to as the "McCloud Judgment") ruled that the transitional protections afforded to older members when public service pension schemes were amended constituted unlawful age discrimination. An interim order was made by the Employment Tribunal on 20 December 2018 which provided that members are entitled to be treated as if they had remained in the 1992 FPS or 2006 NFPS, as long as they were in these schemes at 31 March 2012 and at 31 March 2015. All members will by placed in the 2015 FPS for service after 1 April 2022 (the end of the remedy period). Benefits accrued in the final salary schemes to 31 March 2022 will remain protected.

The Government consulted on proposals to remove the discrimination and responded on 4 February 2021. Details of this proposal and the response are available online from GOV.UK. There remain several outstanding issues that will not be resolved until such time that the Government finalises its approach and legislation is in place to remove the discrimination identified by the McCloud/Sargeant ruling.

When assessing the potential implications of McCloud in the March 2019 IAS 19 exercise the actuaries calculated the additional liability that would have arisen had members who were not afforded protection continued to accrue benefits in the older final salary schemes. The approximate costs were included in the overall pension liability figure as at 31 March 2019 as a past service cost. In preparing the 31 March 2021 accounting figures, the actuaries have continued to reflect the potential costs arising from the McCloud Judgement on an approximate basis, following on from the exercise undertaken as at 31 March 2019. Once the details of the remedy are finalised the actuaries will reassess the accounting position in full across the schemes to reflect the actual impact and costs.

Transactions Relating to Post-employment Benefits

Past service costs of £223k and £10k relating to the 2006 NFPS and the LGPS respectively are recognised under Corporate and Centralised Services in the Comprehensive Income and Expenditure Statement. The 2006 NFPS past service costs relate to the purchasing of back service credits by members of the modified version of the Scheme. The LGPS cost is a curtailment relating to the payment of an unreduced pension on early retirement.

A net settlement cost of £790k relating to the LGPS is also recognised under Corporate and Centralised Services in the Comprehensive Income and Expenditure Statement. This settlement cost arose due to the cessation of Nottinghamshire Fire Safety Ltd, of which the Authority was a guarantor.

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

Following the most recent triennial funding valuation of the LGPS the Authority opted to prepay its secondary contributions for the three years to March 2023 by making a single lump sum payment of £548k in April 2020, thus achieving a saving of £40k. Whilst the full payment of £548k has been recognised in the movement on the net pension liability, only the amount relating the 2020/21 has been charged to the general fund. The remaining balance is held on the Authority's balance sheet as a prepayment.

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

LGPS £'000 2019/20	Firefighters' schemes £'000 2019/20		LGPS £'000 2020/21	Firefighters' schemes £'000 2020/21
		Comprehensive Income and Expenditure Statement		
		Cost of Services		
		Service cost comprising:		
1,967	9,026	- current service costs	2,335	8,674
660	2,641	- past service costs, including curtailments	10	223
0	0	(Gains)/losses on settlements	790	
14	0	Administration expenses	15	0
		Financing and Investment Income and Expenditure		
547	13,018	Net interest expense	573	12,777
3,188	24,685	*Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services*	3,723	21,674
		Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
3,101	0	Return on plan assets (excluding the amount included in the net interest expense)	(6,231)	0
(1,038)	(9,604)	Actuarial (gains) and losses arising on changes in demographic assumptions	(596)	0
(6,789)	(9,881)	Actuarial (gains) and losses arising on changes in financial assumptions	17,215	97,359
1,799	0	Experience (gains) and losses	(614)	(5,772)
413	0	Other actuarial gains and losses	0	0
674	5,200	*Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement*	13,497	113,261
		Movement in Reserves Statement		
(3,188)	(24,685)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,723)	(21,674)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,012	14,862	Employers' contributions payable to the scheme	1,555	13,680
	770	Retirement benefits payable to pensioners		745

	Firefighters' Pension Scheme 1992 £'000		Firefighters' Pension Scheme 2006 £'000		Firefighters' Pension Scheme 2015 £'000		Firefighters' Compensation Scheme £'000	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
Comprehensive Income and Expenditure Statement								
Cost of Services								
Service cost comprising:								
current service cost	4,266	3,841	2,834	2,874	1,099	1,133	827	826
past service cost	2,434	0	207	223	0	0	0	0
Financing and Investment Income and Expenditure								
Net interest expense	10,836	10,514	1,188	1,249	194	225	800	789
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	17,536	14,355	4,229	4,346	1,293	1,358	1,627	1,615
Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
Actuarial (gains) and losses arising on changes in demographic assumptions	(7,976)	0	(895)	0	(127)	0	(606)	0
Actuarial (gains) and losses arising on changes in financial assumptions	(7,416)	70,490	(1,473)	16,328	(276)	3,356	(716)	7,185
Experience (gains) and losses	0	(5,160)	0	(248)	0	(173)	0	(191)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	2,144	79,685	1,861	20,426	890	4,541	305	8,609
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(17,536)	(14,355)	(4,229)	(4,346)	(1,293)	(1,358)	(1,627)	(1,615)
Actual amount charged against the General Fund Balance for pensions in the year:								
Employers' contributions payable to the scheme (inclusive of government top-up grant)	15,913	14,752	(658)	(643)	(393)	(429)		
Retirement benefits payable to pensioners							770	745

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Firefighters' Schemes:

	Unfunded Liabilities: Firefighters' Pension Scheme 1992		**Unfunded Liabilities: Firefighters' Pension Scheme 2006**		**Unfunded Liabilities: Firefighters' Pension Scheme 2015**		**Unfunded Liabilities: Firefighters' Compensation Scheme**	
	£'000 2019/20	**£'000 2020/21**	**£'000 2019/20**	**£'000 2020/21**	**£'000 2019/20**	**£'000 2020/21**	**£'000 2019/20**	**£'000 2020/21**
Opening balance at 1 April	**(457,311)**	**(443,542)**	**(47,760)**	**(50,279)**	**(7,330)**	**(8,613)**	**(33,317)**	**(32,852)**
Current service cost	(4,266)	(3,841)	(2,834)	(2,874)	(1,099)	(1,133)	(827)	(826)
Past service cost	(2,434)	0	(207)	(223)	0	0	0	0
Interest cost	(10,836)	(10,514)	(1,188)	(1,249)	(194)	(225)	(800)	(789)
Contributions from scheme participants	(1,081)	(1,004)	(906)	(966)	(326)	(357)	0	0
Remeasurement gains and (losses):								
Actuarial gains/losses arising from changes in demographic assumptions	7,976	0	895	0	127	0	606	0
Actuarial gains/losses arising from changes in financial assumptions	7,416	(70,490)	1,473	(16,328)	276	(3,356)	716	(7,185)
Experience gains/losses on defined benefit obligation	0	5,160	0	248	0	173	0	191
Benefits paid net of transfers (in)/out	16,994	15,756	248	323	(67)	(72)	770	745
Closing balance at 31 March	**(443,542)**	**(508,475)**	**(50,279)**	**(71,348)**	**(8,613)**	**(13,583)**	**(32,852)**	**(40,716)**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)
Local Government Pension Scheme:

Funded Liabilities: Local Government Pension Scheme

£'000 2019/20		£'000 2020/21
(57,049)	**Opening balance at 1 April**	**(53,271)**
(1,967)	Current service cost	(2,335)
(624)	Past service cost	(10)
0	Settlements	(1,894)
(1,357)	Interest cost	(1,152)
(348)	Contributions from scheme participants	(367)
	Remeasurement gains and (losses):	
1,038	Actuarial gains/losses arising from changes in demographic assumptions	596
6,789	Actuarial gains/losses arising from changes in financial assumptions	(17,215)
(1,799)	Experience gains/losses on defined benefit obligation	614
2,024	Benefits paid net of transfers (in)/out	1,467
22	Unfunded pension payments	23
(53,271)	**Closing balance at 31 March**	**(73,544)**

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

Local Government Pension Scheme

£'000 2019/20		£'000 2020/21
34,027	**Opening fair value of scheme assets**	**30,764**
810	Interest income	579
0	Settlements	1,104
	Remeasurement gain/(loss):	
(3,101)	The return on plan assets, excluding the amount included in the net interest expense	6,231
(413)	Other actuarial gains/(losses)	0
1,131	Contributions from employer	1,555
348	Contributions from employees into the scheme	367
(2,024)	Benefits paid (including unfunded benefits)	(1,490)
(14)	Administration expenses	(15)
30,764	**Closing fair value of scheme assets**	**39,095**

Local Government Pension Scheme assets comprised:

Fair value of scheme assets at 31 March 2020				Fair value of scheme assets at 31 March 2021		
£'000	**% Quoted**	**% Unquoted**		**£'000**	**% Quoted**	**% Unquoted**
			Equities:			
6,701	22%	1%	• UK investments	10,004	25%	1%
10,097	33%		• Overseas investments	14,146	37%	
957		3%	• Private equity investments – unspecified origin	1,172		3%
17,755	55%	3%	Equities subtotal	25,322	62%	3%
			Gilts:			
1,278	4%		• UK fixed interest gilts	1,314	3%	
1,278	4%		Gilts subtotal	1,314	3%	
			Other Bonds:			
1,075	4%		• UK corporate bonds	660	2%	
1,752	6%		• Overseas corporate bonds	2,020	5%	
2,827	9%		Bonds subtotal	2,680	7%	
4,587		15%	Property	3,994		10%
1,254		4%	Cash / temporary investments	1,778		5%
1,149		4%	Inflation-linked pooled fund	1,892		5%
1,914		6%	Infrastructure	2,114		5%
30,764	**68%**	**32%**	**Total**	**39,094**	**72%**	**28%**

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

Basis for Estimating Assets and Liabilities

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

The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' schemes were carried out at 31 March 2019 and 31 March 2018 respectively. Both firms of actuaries have adopted a roll-forward approach to updating the net liabilities as at 31 March 2021. This approach takes into account the cashflows paid into and out of each scheme before taking into consideration any changes in assumptions.

The rate of interest used to discount the post-employment benefit obligations is based on the market yields at the reporting date on high quality corporate bonds of equivalent currency and term to the scheme liabilities. In assessing the liabilities for retirement benefits at 31 March 2021 Barnett Waddingham has used a discount rate of 2.00% for the Local Government Pension Scheme (compared with 2.35% at 31 March 2020), and Mercer Ltd has used a rate of 2.1% for the Firefighters' Schemes (compared with 2.4% at 31 March 2020).

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

	Local Government Pension Scheme		Firefighters' Schemes 1992, 2006 and 2015		Firefighters' Compensation Scheme	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):						
Men	21.8	21.6	26.2	26.3	23.6	23.7
Women	24.4	24.3	28.3	28.4	25.7	25.8
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):						
Men	23.2	22.9	28.5	28.6	25.8	25.9
Women	25.8	25.7	30.5	30.7	27.9	28
Rate of inflation (CPI)	1.85%	2.85%	2.10%	2.70%	2.10%	2.70%
Rate of increase in salaries	2.85%	3.85%	3.60%	4.20%	3.60%	4.20%
Rate of increase in pensions	1.85%	2.85%	2.20%	2.80%	2.20%	2.80%
Rate of revaluation of CARE pensions (2015 Scheme only)			3.35%	3.95%		
Rate for discounting scheme*	2.35%	2.00%	2.40%	2.10%	2.40%	2.10%

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

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

Sensitivity analysis for the Firefighters' Schemes

	Firefighters' Schemes	
	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000
Increase discount rate by 0.1% p.a.	-11,684	-256
Increase inflation by 0.1% p.a.	11,838	262
Increase pay growth by 0.1% p.a.	2,314	59
Increase life expectancy by 1 year	20,735	331

Sensitivity analysis for the LGPS	LGPS	
	Impact of an increase of +0.1%/+ 1 year* £'000	Impact of an decrease of -0.1%/- 1 year* £'000
Adjustment to discount rate:		
Impact on the defined benefit liability	-1,619	1,657
Impact on the projected service cost	-75	77
Adjustment to long term salary increase:		
Impact on the defined benefit liability	195	-195
Impact on the projected service cost	1	-2
Adjustment to pension increases and deferred revaluation:		
Impact on the defined benefit liability	1,446	-1,414
Impact on the projected service cost	76	-74
Adjustment to mortality age rating assumption:*		
Impact on the defined benefit liability	3,275	-3,133
Impact on the projected service cost	120	-116

Asset and Liability Matching Strategy

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

Impact on the Authority's Cash Flows

The defined benefit liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £669m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The net liability on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The aims of the Fund are to keep employer contribution rates as constant as possible. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities.

- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid, and any shortfalls are currently met by the Home Office.

- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2020/21 was £745k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2022 is £977k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £14.4m inclusive of government top-up grant.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme Members is 23 years. The weighted average durations of the defined benefit obligations of the 1992 FPS, 2006 NFPS, 2015 FPS and the Firefighters' Compensation Scheme are 17 years, 29 years, 32 years and 22 years respectively.

40 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2021, the Authority had no contingent assets

At 31 March 2021, the Authority has two contingent liabilities relating to an employment tribunal case (known as McCloud) which was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. Fire Authorities are in a difficult position as they are required to implement the remedy in a timely manner whilst the discriminatory part of the pension legislation is not expected to be updated until at least October 2023. The Government has issued some "Immediate Detriment" guidance regarding how to deal with those firefighters who are coming up for retirement, but there remains a considerable lack of clarity. The government are not recommending that retrospective cases are addressed at the moment due to the difficulties particularly around tax arrangements. It is not yet clear what future costs the Authority will face in implementing the McCloud remedy and whether there will be any new burden grant available from the government to cover these costs, which could be significant.

41 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy and prudential code indicators for 2020/21 were approved by the Authority on 28 February 2020. These were reviewed by Policy and Strategy Committee in 1 May 2020 to take account of the financial impact of the Covid-19 Outbreak. Both reports are available on the Nottingham City Council website. The key issues within the treasury management strategy were:

- The Authorised Limit for 2020/21 was originally set at £35.0m but increased to £37.0m on 1 May 2020 to allow the impact of Covid-19. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £31.9m but similarly increased to £33.9m on 1 May 2020. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.
- An upper limit of £2.0m was set for principal sums invested for longer than 365 days.

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

Credit Risk

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

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

The Authority’s maximum exposure to credit risk in relation to its investments with banks and other local authorities cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments, and there was no evidence at 31 March 2021 that any of the Authority’s deposits might not be repaid.

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

<u>Amounts arising from Expected Credit Losses</u>

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

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

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

Credit risk relating to trade receivables is not deemed to have increased significantly until payments become more than 120 days overdue. The Authority is very successful at collecting trade debtors, which is reflected by the fact that no debts have been written off during the past five years. Experience therefore shows that debts are highly likely to be recovered.

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

The lifetime expected credit losses were assessed using a provision matrix which calculates a fixed provision rate based on the number of days that a receivable is past due, assessed on the basis of historical experience from the previous five years and adjusted (if necessary) to reflect current conditions and forecasts of future conditions. A loss allowance is not recognised for expected credit losses on a financial instrument where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

The calculation for the 12-month expected credit losses was based on the historic default rate for A-rated investments which was produced by combining multi-year historic default rate data up to the end of December 2020 from the three main credit rating agencies. The credit losses were found to be immaterial and have therefore not been recognised.
During the year the Authority has not written off any financial assets.

The Authority has the following exposure to credit risk at 31 March 2021:

	Credit risk rating / Provision matrix category	**Historical experience of default**	**Gross Carrying amount £'000s**
12-month expected	AAA	0.04%	0
	AA	0.02%	0
	A	0.05%	8,475
Simplified approach (lifetime credit losses for trade receivables)	Not due	0.00%	20
	1-30 days	0.00%	0
	31-60 days	0.00%	0
	61-90 days	0.00%	0
	91-120 days	0.00%	0
	121+ days	0.00%	2

Liquidity Risk

<u>Liquidity Risk</u>

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

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

Re-financing and Maturity Risk

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

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

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

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

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

	Approved minimum limits	**Approved maximum limits**	**Actual 31 March 2020 £000s**	**Actual 31 March 2021 £000s**
Less than 1 year	0%	20%	1,581	62
Between 1 and 5 years	0%	30%	3,058	3,006
Between 5 and 10 years	0%	75%	3,500	3,500
Over 10 years	0%	100%	2,000	2,000
Over 20 years	30%	100%	18,400	18,400
Total			**28,539**	**26,968**

Market Risk

Price risk

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

Foreign exchange risk

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

Interest rate risk

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

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

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

The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. In 2020/21 this maximum was set at 30%. In addition, the annual Treasury Management Strategy includes an expectation of interest rate movements, which can be taken into account when planning borrowing and investment activities and when determining whether fixed or variable rate instruments are appropriate. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

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

	£'000
Decrease in fair value of fixed rate borrowings	5,854

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

42 INTERESTS IN COMPANIES

Nottinghamshire Fire Safety Limited.

Principal activities

Nottinghamshire Fire Safety Limited is a limited company and was wholly owned by Nottinghamshire Fire and Rescue Service. The company was formed on 31st March 2010. The company is engaged in fire extinguisher sales and maintenance together with some safety training activity.

It was determined that the Authority did not control this subsidiary on the basis that the Authority had the power to govern its financial and operating policies so as to benefit from its activities because the board of directors of the subsidiary comprised of five elected members. The accounts of this subsidiary are not consolidated with the accounts of the Authority because the turnover of the company and the value of the Authority's investment in it were not material when considered in the context of the Authority's accounts, and corporate governance objectives can be effectively achieved without consolidation. Instead, separate financial statements were prepared for the Authority and for the subsidiary.
The company was considered to be a related party to the Authority, and details of transactions between the two entities are disclosed in Note 35. The Authority's maximum exposure to loss from its interest in the subsidiary was limited to the share capital sum of £1.

The authorities share in the Company was sold in August 2020 for £163k, and therefore there are no figures for the year ended 31 March 2021. The payment received is shown as Other Investment Income in Note 13.

Key Financial Information for Nottinghamshire Fire Safety Limited - To Note for 2019/20 only

2019/20 £000	
	Profit and Loss
386	Turnover
-12	Operating Profit/(Loss)
-12	Profit/(Loss) on Ordinary Activities before Taxation
-11	Profit/(Loss) on Ordinary Activities after Taxation
	Balance Sheet
245	Total assets less current liabilities

The accounts of the company can be obtained from Companies House.

PENSION FUND ACCOUNT

2019/20 £000		2020/21 £000
	Contributions Receivable	
	Fire Authority:	
(5,181)	Contributions in relation to pensionable pay	(5,129)
(73)	Other (Ill Health Retirements)	(112)
(2,312)	Firefighters' contributions	(2,329)
(7,566)	**Total Contributions Receivable**	**(7,570)**
	Transfers in from other authorities	
(56)	Transfers in from other schemes	(29)
	Benefits Payable	
13,659	Pensions	14,181
3,619	Commutations and lump sum retirement benefits	1,953
26	Lump sum death benefits	0
21	Other	40
17,325	**Total Benefits Payable**	**16,174**
	Refunds of Contributions	
0	Contribution holiday refund payments	0
9,703	**Net Amount payable for the year before top-up grant from Central Government**	**8,575**
(7,219)	Top-up grant received from Central Government	(6,838)
(2,484)	**Balance of top-up grant for the year (receivable from)/payable to Central Government**	**(1,737)**

PENSION NET ASSETS STATEMENT

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

2019/20 £000		2020/21 £000
	Current Assets	
0	Contributions due from members	3
1,052	Prepaid Pensions	1,046
2,484	Pension top-up grant receivable from Central Government	1,710
3,536	**Total**	**2,759**
	Current Liabilities	
(387)	Unpaid pension benefits	(14)
(25)	Tax payable on behalf of members	(69)
(3,124)	Amount owing (to)/from General Fund	(2,676)
(3,536)	**Total**	**(2,759)**
0	**Net Current Assets**	**0**

NOTES TO THE PENSION STATEMENTS

1. The Firefighters' Pension Fund

The Firefighters' Pension Fund was established for Fire Authorities in England under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.

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

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

Details of the firefighters' pension schemes can be found in note 39 on pages 89-101.

2. Accounting Policies for the Pension Fund

<u>General Principles</u>
The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

<u>Accruals</u>
Activity is generally accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. However, employee and employer contributions are not accounted for on an accruals basis as the effect of doing so is not material. Accruals are shown as debtors and creditors in the Net Assets Statement. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements.

<u>Administration Costs</u>
The cost of managing pension activities, which includes part of the costs of Human Resources, Payroll and Finance staff as well the cost of pension administration services and actuarial services, are not accounted for within the Pension Fund but are included in the Authority's Comprehensive Income and Expenditure Statement.

<u>The Liability to Pay Pensions</u>
The Pension Fund financial statements show the income and expenditure for the year. They do not take account of the liability to pay future retirement benefits. This liability has been assessed by an independent firm of actuaries and is shown in the Authority's balance sheet. Further details of this liability can be found in note 39 to the core financial statements.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY
Annual Governance Statement

1 SCOPE OF RESPONSIBILITY

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

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

1.3 In 2017 the Authority approved and adopted a new local code of corporate governance, which is consistent with the principles of the 2016 CIPFA (Chartered Institute of Public Finance and Accountancy) / Solace framework *Delivering Good Governance in Local Government:*

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

3.0 THE GOVERNANCE FRAMEWORK

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

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

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

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

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

3.5 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority is required to prepare an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The IRMP is delivered via the Strategic Plan 2019 - 2022 which was approved by Fire Authority in February 2019 and revised in February 2020 to reflect the outcome of the HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services) report and the appointment of a new Chair to the Fire Authority

3.6 The Strategic Plan sets out how the service aims to achieve its vision of creating safer communities. The vision is underpinned by our three strategic aims:

- To provide high quality services,
- To ensure that our employees are engaged and motivated,
- To provide strong governance and financial sustainability.

3.7 The Plan sets out to achieve these aims using annual action plans which detail the key objectives for the year ahead. These cascade down to departmental business plans. Progress is monitored by the Programme and Performance Board and reviewed through Fire Authority governance. Every year a Statement of Assurance is produced which outlines how the service has performed against the Strategic Plan.

The Internal Control Environment

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

Policy and Decision-Making Process

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

Management Structure

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

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

Established Policies, Procedures & Regulations

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

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

Internal Audit Function

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

Risk Management Strategy

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

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

Business Continuity Management (BCM)

3.16 Under the Civil Contingencies Act (2004) (Part 1. Para 2(1) (C)) and The Fire and Rescue Services Act 2004 there is a duty for all Category 1 Responders to prepare plans to ensure so far as reasonably practicable, that if in an emergency the Service can perform its core functions.

Best Value Duty

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

Financial Management

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

3.19 The timetable for publishing and auditing the Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015. These have been amended for the 2020/21 Statement of Accounts to allow additional time to prepare the accounts in the light of Covid-19. The publishing date of the unaudited accounts has been extended from 31 May to 31 July and the approval by Fire Authority of the audited accounts from 31 July to 30 September.

4 REVIEW OF EFFECTIVENESS

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

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

- The Authority and its Committees
- Management Review
- Internal audit
- HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue)
- External bodies

The Authority and its Committees

4.3 In normal circumstances, at the Annual General Meeting of the Fire Authority in June of each year, the format and structure of its democratic decision process is re-affirmed, and approval is given to the powers and make-up of the following committees:

- The Policy and Strategy Committee,
- The Finance and Resources Committee (which undertakes the role of the Audit Committee),
- The Community Safety Committee,
- The Human Resources Committee.

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

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

4.6 In 2020, Covid-19 restrictions meant that face to face committee meetings could not be held. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings (England and Wales Regulations 2020 came into force on 4 April 2020.

4.7 Under this legislation, the Annual General meeting was cancelled and the Policy and Strategy Committee, being the committee responsible for matters of urgency met virtually on 1 May, 24 July and 13 November 2020. Fire Authority met virtually on 11 September and 27 November to enable the Statement of Accounts to be authorised. A normal meeting schedule recommenced from January 2021, albeit that the meetings were held virtually for the remainder of the year. Meetings returned to face to face from the Annual General Meeting on 28 May 2021.

Management Review

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

Performance Management

4.9 There is a system of performance management and review embedded within the Authority's management structure and processes. The 2019/22 Strategic Plan set out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by the Programme and Performance Board (which is made up of SLT members) and managed by the individual departmental management teams.

4.10 Performance against the Strategic Plan is reviewed in the Annual Statement of Assurance published each year.

4.11 A new performance management framework has been developed. The aim of this work is to improve the management of organisational performance and to increase accountability to the community in respect of the way that services are delivered.

Risk Management

4.12 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management and receive update reports every six months. During 2020/21, however, Finance and Resources Committee did not meet between January 2020 and January 2021 due to amended governance arrangements during the Covid-19 pandemic (see section 4.7). Consequently, the Corporate Risk Register was only considered once during 2020/21 at the March 2021 meeting.

4.13 Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management are considered strong. The Service has a Risk Assurance Team which is responsible for corporate risk, operational risk and health and safety risk. The purpose of this is to enhance the co-ordination of assurance activities and management of risk within the Service.

Business Continuity

4.14 Business continuity arrangements had been reviewed in January 2020 just prior to theCovid-19 pandemic. The pandemic allowed for real life testing of plans and of the management systems and processes in place and they ensured that the service continued to deliver critical activities to the communities of Nottinghamshire, in addition to ensuring staff welfare was maintained. The service was also able to support local agencies and partners by taking on additional activities during the pandemic.

4.15 Towards the end of 2020 business continuity plans were reviewed and developed again to learn from the Covid-19 experience, covering both strategic requirements and departmental level actions that should be taken in the event of business disruption. These were tested using tabletop exercises to ensure that the Service could still fulfil its statutory duties in terms of responding to multiple major incidents during a pandemic situation.

Professional Staff

4.16 The Authority employs appropriate professional staff:

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

- The Treasurer to the Authority ensures the proper and effective administration of the financial affairs of the Authority and holds the key statutory responsibilities under Section 114 of the Local Government and Finance Act 1988. Prior to January 2021, the Treasurer role was fulfilled through a Service Level Agreement with the Nottinghamshire Office of the Police and Crime Commissioner (OPCC). In November 2020, the Fire Authority approved that the role of Treasurer be amalgamated into the current Head of Finance post within the Service, thus becoming the Head of Finance and Treasurer. This post holder is responsible for advising both senior managers and elected members on all financial matters in line with CIPFA's document *The Role of the Chief Financial Officer*. The post holder is professionally qualified and has many years' experience within Local Authority Finance.

Financial Planning

4.17 The Medium Term Financial Strategy sets out a 4 year financial plan which is approved by Fire Authority in November or December each year. This, alongside the Strategic Plan, provides the framework for developing the annual budget for the coming year. Any projects put forward for additional funding as part of the budget process are evaluated against the key objectives set out in the Strategic Plan.

4.18 The draft budget is scrutinised by the Finance and Resources Committee in January each year prior to final approval in February by Fire Authority. This process ensures that a realistic and affordable budget is achieved.

4.19 The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team, managed by the Head of Finance and Treasurer, maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.

Budget Monitoring / Efficiency

4.20 Budget monitoring remains robust at both strategic and service level via the production of regular financial monitoring reports for both Capital and Revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well as being scrutinised by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.

4.21 Functional Heads also exercise a detailed degree of budget monitoring against both revenue and capital budgets.

4.22 A Transformation and Efficiency Strategy for 2021/22 and 2022/23 was approved by Fire Authority in February 2020 with the objective of further transforming the service and increasing efficiency and effectiveness.

4.23 In May 2020, the Policy and Strategy committee approved some amendments to the 2020/21 Treasury Management Strategy and Prudential Indicators to build in additional cashflow resilience following the Covid-19 outbreak. This was done as precautionary measure and it was not necessary to take advantage of these amendments.

Internal Audit

4.24 The Authority procures its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the UK Public Sector Internal Audit Standards. The internal audit plan for 2020/21, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Finance and Resources Committee during the year.

4.25 All internal audit reports include an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports are reviewed by SLT and submitted to the Finance and Resources Committee acting in its role as Audit Committee. There has been a delay in the Committee reviewing the 2019/20 reports due to the Committee not meeting during the Covid-19 pandemic. All reports were taken to Finance and Resources Committee as part of the Annual Internal Audit Report when meetings commenced January 2021.

4.26 The Internal Audit Annual Report for 2020/21 was reported to Finance and Resources Committee on 2 July 2021. A link to the meeting reports can be found here. Within the report the auditors provided a view on the internal control environment and concluded that:

"Based on the coverage and outcomes, overall, we consider the collective evidence provides reasonable assurance concerning the arrangements in place for corporate governance, risk management and the control environment."

4.27 Four 2020/21 audits have been finalised during the year. The reports gave overall assurance levels of substantial (Risk levels are low) or reasonable (risk levels are acceptable):

Report	Assurance Level
Treasury Management	Substantial
Cardiff Checks	Substantial
Purchase Cards	Reasonable
Purchasing and Creditor Payments	Reasonable

4.28 The annual report also covers the adequacy and effectiveness of the corporate governance and risk management frameworks. The report concludes that the service has:

- **Strong corporate governance arrangements** in place and complied with. Strong assurance from internal and external reviews.
- **Strong risk management framework** in place and complied with. Covid-19 risks accounted for promptly.

External Review

4.29 The External Auditors (currently Ernst Young LLP) are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. This communication is in the form of a written report which will be presented to Fire Authority on completion of the Audit.

4.30 The principal purposes of the Auditors' report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2021 and any material misstatements in the accounts,
- To report on any key issues for governance,
- To report on the Auditors' Value for Money conclusion,
- To give an "audit opinion" on the financial statements,
- To report on the implementation of any recommendations in the previous year's ISA 260 report,
- To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements.

4.31 EY approved an unqualified Statement of Accounts for 2019/20. There were several unadjusted differences. These were not adjusted for in the accounts as the cumulative effect of these was not considered to be material. The audit also concluded that the Service has put in place proper arrangements to secure value for money in its use of resources.

4.32 *It is anticipated that EY will similarly be able to approve an unqualified Statement of Accounts for 2020/21. As part of their 2020/21 External Audit Plan 5 risks were identified. These related to:*

- Misstatements due to fraud or error;
- Risk of fraud in revenue and expenditure recognition and incorrect capitalisation of expenditure;
- Valuation of pension liabilities – firefighters pension scheme;
- Valuation of land and buildings;
- Valuation of pension liabilities – LGPS.

4.33 EY were unable to audit the 2018/19 Accounts in accordance with the timetable as set out in the Accounts and Audit Regulations 2015 due to resourcing issues, with the final ISA 260 report not being issued until December 2019. This was replicated for the 2019/20 which were not approved until February 2021. The 2021/22 accounts have still not been approved at the date of approving this Governance Statement (February 2022).

4.34 The ongoing delay in the audit of the Accounts presents a risk to the Authority as any audit findings will not be reviewed and corrected in a timely manner.

4.35 EY were appointed for a 5 year term through a procurement exercise managed by the Public Sector Audit Appointments Ltd (PSAA). 2020/21 is the second year of the contract. EY have indicated that the charge for undertaking the audit on the 2020/21 Statement of Accounts is likely to significantly increase from that originally set out in the contract. This is due to increasing audit regulation, introduction of a new Code of Audit Practice, increased scrutiny relating to the McCloud pension age discrimination case and a general shortage of public sector qualified staff. The situation is common across the whole public sector and negotiations remain ongoing between the Authority, EY and PSAA.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection

4.36 In addition to the usual Internal and External Audit reviews, the Authority had its first inspection by HMICFRS early in 2019. The inspection delivered an overall rating of Requires Improvement. Whilst some areas of performance were awarded a rating of Good (protecting the public through fire regulation and responding to national risks), 24 areas were judged to be requiring improvement. An improvement plan covering the 24 areas was developed along with an action tracking process to manage and record progress. Of the 24 areas, 23 have now been completed, with the final action programmed to be completed in 2021/22. These will be reviewed in the next inspection which is due to start in September 2021.

4.37 The service received a Covid-19 inspection in 2020. The report, published in January 2021, provided a reassuring overview of the Service and stated that the service had 'adapted and responded to the pandemic effectively'. It also praised the additional humanitarian work the Service undertook during the pandemic.

5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2021/22

5.1 The recovery from the Covid-19 pandemic remains a significant issue for governance in 2021/22. This has impacted on many levels of governance throughout the Service.

5.2 The service maintained fortnightly BCM meetings into 2021/22 to ensure that the service's response to Covid remained appropriate and to enable the service to return to normal ways of working once restrictions started to be lifted.

Fire Authority Governance Arrangements

5.3 In March 2021 the Home Secretary announced that the Government was to issue a Fire Reform White Paper to respond to the recommendations from the Grenfell Tower Inquiry, the Kerslake Review (on the Manchester Arena Attack) and to build on the findings from Sir Thomas Windsor's State of Fire and Rescue reports. The White Paper is expected to cover three key areas: people; professionalism; and governance. It is expected to include consultation on whether to mandate the transfer of fire and rescue functions to the Police, Fire and Crime Commissioner model.

Strategic Plan

5.4 The National Framework contains the continued requirement for the authority to have an Integrated Risk Management Plan (IRMP), which is delivered through the Authority's Strategic Plan. The current Strategic Plan is due to end in March 2022. The service has undertaken a fire cover risk review to assess risk across Nottinghamshire. This is being used to develop the next strategic plan (known as the Community Risk Management Plan) of the Authority.

2021/22 Budget

5.5 The Authority approved a balanced budget for 2021/22 in February 2021. Monitoring of expenditure against the budget as reported to Finance and Resources Committee in January 22 indicates that the service is anticipating an overspend position of £116k.

5.6 There was a significant underspend in 2020/21 (£1.6m) caused by delayed activity because of the Covid-19 pandemic. £1.051m of the underspend was transferred to earmarked reserves to address additional pressures to the 2021/22 budget.

Medium Term Financial Strategy and 2022/23 Budget

5.7 Budgets for 2022/23 to 2025/26 are due to be agreed by Fire Authority on 25 February 2022. If a 1.95% Council Tax increase is approved, the budget will require £153k to be drawn from reserves to obtain a balanced position. The budget is based on several assumptions, including a 3% wage increase for 2022/23. An efficiency strategy will be presented to Policy and Strategy Committee in May 22 to address the longer-term financing issues.

5.8 Given these uncertainties, the service is confident that it will financially secure going forward. Reserves are in a strong position (totalling £10.7m as at 31 March 2021).

Pensions

5.9 There remains a significant amount of uncertainty regarding pensions. The change in the discount rate applied to future payments into the pension scheme has increased the service's employer liability by £2.57m. For 2020/21 and 2021/22 the Home Office has provided additional grant of £2.34m but the future of this additional funding will not be known until the spending review.

5.10 The McCloud remedy is also ongoing regarding the transition arrangements in the 2015 firefighter's pension scheme. These have been judged to be discriminatory on the grounds of age. There are expected to be considerable additional costs related to the case and it is unclear at present how these costs will be met.

Financial Management Code

5.11 In October 2019, CIPFA issued a new Financial Management Code. The purpose of the code is to support good practice in financial management and to assist authorities in demonstrating their financial sustainability. It contains a set of minimum standards for financial management for local authorities, including fire authorities. These cover the areas of:

- Organisational leadership – clear strategic direction.
- Accountability – based on medium term financial planning.
- Transparency – using consistent, meaningful and understandable data.
- Adherence to professional standards.
- Assurance.
- Long term sustainability.

5.12 The Financial Management Code was adopted by the Authority in July 2021. The report to Finance and Resources Committee can be found here. A gap analysis has been undertaken which provided assurance that most of the requirements of the code are already being met. A small number of improvements were identified. Work is underway to ensure the Authority is fully compliant by the end of the current financial year when a further report will be taken to Finance and Resources Committee.

External Audit

5.13 Delayed local audit opinions are a huge concern across the public sector. These delays have been caused by the increased amount of regulatory requirement and the lack of audit resources within the public sector. The increasingly delayed audit of the Statement of Accounts (see sections 4.29 -4.35) presents an increased risk to the Authority over the remaining 2 years of the current contract. Against this backdrop PSAA are commencing the procurement for audit services from 2023/24 onwards with a view to implementing measures to ensure the short-term sustainability of the market. The Fire Authority has approved the participation in the PSAA's tendering process to appoint auditors for the 5 years from 2023/24.

Signed……………………………………	Signed……………………………………
Councillor Michael Payne **CHAIR OF THE FIRE AUTHORITY**	Craig Parkin **CHIEF FIRE OFFICER**