NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Statement Of Accounts
2016/17

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2016/17

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NARRATIVE STATEMENT

Introduction

This Narrative Statement introduces the Statement of Accounts 2016/17 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 independent Treasurer to the Fire Authority and as the Officer designated under Section 112 of the Local Government Act 1972. My role is to act on behalf of the Authority in providing oversight and ensuring legal compliance and governance in respect of accounting and financial matters which affect the Authority.

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

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is published by CIPFA.

Organisational Performance

Background

The Authority has a number of key plans which together enable the organisation to deliver its overall objective of creating safer communities. The Integrated Risk Management Plan (IRMP) 2014-2019 sets out the key priorities for the Authority and focuses particularly on the delivery of services to the community. The Medium Term Financial Strategy includes budgets for the next three years which support the delivery of services but within the context of financial sustainability. The Workforce Plan looks ahead to future changes in the workforce and plans for sufficient numbers of competent employees to deliver services. These plans are all available on our website www.notts-fire.gov.uk.

These plans are all influenced by changes in risk and demand which themselves arise from external changes in the society around us. Examples of these are demographic changes which may affect where and how services have to be delivered, environmental changes which may result in increased risk of floods and economic changes such as the current period of austerity . The Authority is a dynamic organisation, which has to be ready to respond to these changes and still maintain high quality services.

Financial Performance

In terms of overall financial performance, I am pleased to report an underspend against the revenue budget for 2016/17 of £431,000 (total revenue budget was £41,294,863). When the total revenue budget was approved by the Fire Authority in February 2016 it was on the basis that a £98k deficit in the budget would be supported by a transfer from general reserves, resulting in a net revenue budget of £41,197k. This was in line with the Medium Term Financial Strategy which sets out as a principle that financial planning will take account of the possible use of reserves to minimise the effect of reductions in funding as a means of transition. However, the underspend achieved during the year has rendered the £98k transfer from general reserves unnecessary. Once again managers have focused on driving down costs in anticipation of further budget cuts to come and early savings have been driven out. Around 75% of the total revenue budget is spent on pay so it is inevitable that reductions in funding will have impacted on the Authority's employees.

An example of this is the on-going redesign of some of our support services to create efficiencies. Only one redundancy was effected in 2016/17, as a result of down-sizing Prince's Trust activity by the Authority to reflect decreasing income levels. In addition there were some pension strain costs arising from redundancies in the previous year. Again this has delivered on-going savings to the budget, as shown in the table below.

	Redundancy & Pension Strain Costs in Year £000's	Ongoing Annual Revenue Budget Savings £000's
2016/17	70	58
2015/16	472	301

There was an increase in the number of incidents in the year, which resulted in an increase in mobilisations of Retained Duty System employees and this in turn has driven the costs associated with the Retained Duty System upwards, although the cost per mobilisation has reduced due to economies of scale. Further detail about the reason for these increases is given below:

	Headcount of Retained Firefighters at 31st March	Retained Duty System Pay Costs in Year £000's	Number of Retained Mobilisations in Year
2016/17	125.5	2,646	2,495
2015/16	131.5	2,572	2,279

There has been a 13% increase in the number of incidents in 2016/17 due to increases in false alarms, secondary fires and the Emergency First Responder trial. This aspect of the Authority's performance does not necessarily relate to the cost of delivering a front-line response because the Fire and Rescue Service is based on risk, with Wholetime Duty System employees ready to respond regardless of the actual numbers of incidents. An incident may comprise a single fire appliance attending a road traffic collision or a number of fire appliances attending a large scale incident. Nevertheless the management of the Wholetime Duty System pay budget is a key measure of performance because it is the largest budget of the Authority, and this year saw an overspend of £175k, which represents less than 1% of the budget.

Also this year, the budget for Wholetime staff reduced as a result of the restructure of the Specialist Rescue Team, as well as the deletion of surplus vacant posts and these initiatives have delivered

	Incident Numbers	Wholetime Duty System Budget £000 s	Budget Variance £000 s	Budget Variance %
2016/17	11,016	21,493	175	0.8%
2015/16	9,750	22,232	92	0.4%

In addition to responding within the County and City, the Fire and Rescue Service has an obligation to support other Services in times of need. For example, Nottinghamshire crews were deployed to Norfolk to help prepare for the threat of major flooding in January 2017. We have been able to recover the additional costs of attending this incident from Norfolk County Council, and this amounted to £6k. Similarly, when we need additional resources these can be called in from other Services.

Fire Protection work is aimed at protecting people who work in, use and visit non-domestic buildings and this year has seen an overall increase in the number of fire safety inspections (see table below) as a result of new employees completing their training. Over the past few years opportunities have been taken to reduce the cost of Fire Protection activity by converting posts from “operational” to “civilian” and this occurred again during the year with one Fire Inspection Officer post conversion. It is positive that the number of fires in non-domestic properties has decreased this year and we hope that this will continue as we focus on risk-based inspections and efforts to educate business owners about the importance of fire safety.

	Number of Fire Safety Inspections	Number of Primary Fires in Non-Domestic Properties
2016/17	588	288
2015/16	384	320

Community safety work is focused on keeping people safe and is carried out by both operational crews, and by specialist community safety staff. Although it is difficult to prove cause and effect, it is generally accepted that community safety work has contributed to the on-going fall in the number of fires. The table below shows that the number of Home Safety Checks (HSCs) carried out by our staff increased this year, although the proportion in higher risk properties fell. Many HSCs are delivered following referrals from both other agencies and our own Persons At Risk Team and this result reflects the difficulties inherent in targetting those people in the community who are most at risk. The number of fire-related injuries stabilised this year and that number is still relatively low. Next year will see the start of a pilot scheme to deliver "Safe and Well" checks to those in our communities who are most at risk of both fire and ill health.

	Number of Home Safety Checks (HSCs) in Year	Proportion of HSCs in High Risk Dwellings	Number of Fire-related Injuries in Dwellings in Year	Number of Fire Prevention Activities & Campaigns in Year
2016/17	4,221	23%	37	4,454
2015/16	3,845	28%	37	6,121

The Authority has a complaints process and we do occasionally receive complaints from the public, but I am pleased to note that the number of complaints fell in 2016/17. There was no particular pattern to the nature of complaints received, but every one is investigated by an Officer, who then responds to the complainant.

	Number of Complaints in Year
2016/17	15
2015/16	25

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

Risk Management

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

- A new risk has been added in respect of the introduction of the Emergency Services Network. This reflects the requirement to successfully introduce the government's communications solution and to work collaboratively.
- New work has been identified for the "availability of resources" risk. Business continuity management arrangements are being refreshed with the aim of providing a robust system, and the ICT infrastructure is being aligned with ISO27001 standards.
- The introduction of National Operational Guidance has impacted on the risk of "health, safety and welfare" as existing safe systems of work are standardised and new processes introduced. In pursuit of continual improvement, it has been identified that there is a need to refresh and promote the safety management system.
- The "working at height" action plan, resulting from an earlier audit, has been implemented and a re-audit will confirm whether this has been effective.
- The Road Risk Group continues to lead on improvements in the management of the risks arising from "the use of vehicles on Authority business". Work is in progress to ensure clarity in the reporting and investigation of accidents.

Value for Money

Reducing levels of government grant funding over the past few years, and restrictions on the level of council tax which can be raised, have resulted in an increased emphasis on seeking value for money in all that we do. By this I mean that we have to find a balance between economy (spending less money), efficiency (working smarter) and effectiveness (delivering relevant services). I can give some examples of value for money initiatives in 2016/17:

- A number of our fire stations are now used by East Midlands Ambulance Service staff. Ambulances can be parked at our stations and the ambulance crews are able to use our facilities in between calls. This has resulted in income for the Authority of £42k in 2016/17 (£31k in 2015/16)(£37k 2014/15).

There has continued to be a strong focus on effective procurement to drive down the costs of what we do wherever possible. Examples of savings generated in the year are: £33k saving following early tender of the Microsoft agreement to avoid 13% price increase; £14k saving on the initial purchase of London Road gym equipment following a robust procurement process; £5k for reconditioning and cleaning of the fire boots; £33k following a revaluation of the blue light fits that is now being carried out at Carlton Fire Station.

The Core Statements

Comprehensive Income and Expenditure Statement

This statement brings together all of the items of income and expenditure which constitute the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the net cost to be funded from council tax. The reader may wish to refer to the Movement in Reserves Statement to find out the net increase or decrease to the General Fund Balance, which is effectively the underspend or overspend against the revenue budget for the year, and is a £431k underspend for 2016/17.

Expenditure and Funding Analysis

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 £509.065m, 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 (£558.299m) 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 £49.234m.

Movement in Reserves Statement

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

It is important to note that some of the Authority's reserves which appear on the balance sheet cannot be used to fund expenditure. An example of an unusable reserve would be the Revaluation Reserve, which contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The Authority held £7.8m in General Reserves as well as £4.9m in Earmarked Reserves as at 31st March 2017.

Cash Flow Statement

This statement, as its name suggests, shows the changes in cash and cash equivalents of the Authority during the reporting period. The starting point for this statement is the net surplus or deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement, as this might suggest what the movement in cash balances has been. There are however a number of charges that are made to the revenue account that are not cash transactions and that merely result in a transfer of funds between the balance sheet and the revenue account. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.
The resultant figure shows the real movement in cash during the year, which is an increase in cash of £0.96m.

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 £10.233m.

Pension Net Assets Statement

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

Annual Governance Statement

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

Key Figures with the Core Statements

Revenue Budget Underspend: this was £431k for 2016/17, with the main reasons for this variance given in the section below "Significant Variances".

Cost of Services: this was £44.817m for 2016/17 (£51.963m 2015/16) and is shown in the Comprehensive Income and Expenditure Statement. The reason for the lower expenditure in 2016/17 was past service costs of £252k.compare with just under £5m in 2015/16. These past service costs, which do not impact directly on the General Fund, relate to the pension schemes:

£1.82 m (2015/16) relates to the payment of backdated benefits to members of the 1992 Firefighter's Pension Scheme following a ruling by the Pension Ombudsman in the GAD v Milne case relating to commutation factors. The impact of this was fully accounted for in 2015/16.

£2.71m (2015/16) relates to the purchasing of back service credits by members of the Modified 2006 Firefighters' Pension Scheme. This cost has decreased to £501k in 2016/17.

£252k in 2016/17 relates to the refund of contributions to members of the 1992 Fire fighters pension scheme who had continued to contribute to the pension scheme beyond the point at which they had accrued maximum pensionable service.

Total Net Assets: this was £509.065m for 2016/17 (£403.297m 2015/16) and is shown on the Balance Sheet. The main reason for the movement between the 2 years was a £109m Increase in the pension liability.

Total Usable Reserves: this was £13.355m for 2016/17 (£11.242m 2015/16) and is shown on the Balance Sheet.

Debtors: this was £5.826m for 2016/17 (£3.949m 2015/16) and is shown on the Balance Sheet. The main reason for the movement between the 2 years was an increase of £1,656k in the amount owed by the pension fund to the general fund, based on 2016/17 unaudited pension fund statements.

Creditors: this was £2.544m for 2016/17 (£3.443m 2015/16) and is shown on the Balance Sheet. Although there was a relatively small movement between the 2 years within this were some significant movements. As a result of a change in accounting policy the authority has not accrued for overtime and retained work payable in arrears that outstanding at the end of 2016/17. The amount that was accrued for this in 2015/16 was £240k

Summary of the Year

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

Revenue Income and Expenditure

Revenue expenditure describes the day to day costs of running the Authority and includes items such as employees' pay, running costs of buildings and vehicles and office expenses. The Authority set a revenue budget of £41.295m for 2016/17 and the position at the end of the year shows an underspend of £431k. The outturn represents a variation to the original budget of just over 1% and the reasons for this variance are explained below.

The 2016/17 year was another challenging one financially, with the amount of grant funding from Central Government again being reduced, and further grant reductions expected in future years. When the 2016/17 revenue budget of £41.197m was approved by the Fire Authority in February 2016 it was on the basis that a budget deficit of £98k would be supported by general reserves in order to balance the budget. This was in line with the Medium Term Financial Strategy which sets out as a principle that financial planning will take account of the possible use of reserves as a transitional measure to minimise the impact of reductions in funding. The Authority's underlying financial position remains strong.

	Budget	**Actual**	**Variance from Budget**
	2016/17 £000	**2016/17 £000**	**2016/17 £000**
Net Expenditure	41,197	40,766	(431)
Financed By:			
Revenue Support Grant	(8,867)	(8,867)	0
Non Domestic Rates	(9,981)	(9,981)	0
Precept from Constituent Authorities	(22,349)	(22,349)	0
Net			**(431)**

Significant Variances

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

Explanation of variances

The amount of the revenue budget underspend in total is £431k, which is relatively small at just over 1% of the overall budget, although within this are a few significant over and underspends.

Wholetime operational pay overspent by £175k due to the additional pre-planned overtime required to maintain cover with less employees in post than the approved establishment. The under-establishment of employees supports the strategy of allowing numbers to fall in anticipation of delivering further pay budget savings over the next two years.

Retained duty system pay underspent by £263k in total, of which £51k related to numbers of employees being less than budgeted for in the year. The remaining underspend of £212k arose as a result of a change of accounting policy for payroll accruals - the policy change has been effected to assist with faster closedown of the accounts from 2017/18, as required by regulation. The £212k underspend has been used to create an earmarked reserve,
to be used in 2017/18 to offset the new initiatives to encourage retention and changes in working arrangement going forward.

The underspend of £100k on pensions is due to ill health charges for four employees who retired in 2014/15, partially offset by an underspend on injury pensions as there have been no new cases this year.

For premises budgets there was an overspend of £135k on backlog building maintenance. This work was supported by an earmarked reserve, which has not been used to fund the overspend as there is sufficient underspend in the revenue budget overall to cover this expenditure. The gas budget underspent by £79k due to the mild weather this year.

The fuel budget underspent by £126k due to a reduction in incident numbers leading to reduced consumption of fuel.

There were several areas of underspend within the supplies and services category of expenditure, including: operational equipment £62k where items were ordered but not received until after year end; protective clothing £94k due to refurbishment of clothing rather than replacement and also fewer numbers of employees recruited than expected and consultancy fees re organisational development initiatives where procurement has been delayed (£105k).

There is a negative variance against the Non Domestic Rates Growth Income budget of £141k. This is due to the reimbursement of previously overpaid growth income back to the Billing Authorities, after the realisation that the methodology for calculating and distributing this income was flawed.

Government Grant -Revenue, there is a positive variance against this budget of £1,142k. The majority of this variance relates to revenue grant received from government in the year for the Emergency Services Mobile Communications project - £1,070k, which was not anticipated at the time the budget was approved. A further £52k variance is in respect of FireLink grant, which has been increased by government to reflect higher running costs.

In total, the net change to earmarked reserves in the year was a net contribution to reserves of £1,394k. The biggest single new reserve created was in respect of the national Emergency Services Mobile Communications project, for which government grant was received during the year totalling £1,070k. The creation of this earmarked reserve allows for unspent grant of £950k to be carried forward to future years to fund this project.

Secondment income showed a positive variance of £56k due to two seconded posts being agreed during the year. In addition the amount received for recovery of court costs from fire safety order enforcement action was £48k higher than budgeted for. Capital financing budgets underspent by a net £175k, due to an overspend on the previous year's capital programme, which was more than offset by an underspend on interest charges resulting from borrowing taken later than planned and at advantageous rates compared to budgetary assumptions.

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. During the year, the following major non current assets were acquired or upgraded (including assets under construction as at 31 March 2017):

	2016/17
	£000s
Fire Appliances	68
Operational Equipment	263
London Road Fire Station	940
Mobilising System	7
Other Assets	770
Total	**2,048**

The Fire Authority had a Capital Programme for 2016/17, which detailed the capital expenditure projects to be undertaken in the year. A summary of the Capital Programme and actual expenditure for the year is shown below. The Capital Programme amounts include slippage of £4.2m (budgets carried forward) from 2015/16:

	Capital Programme 2016/17 £000	**Actual 2016/17 £000**	**Variance from Budget 2016/17 £000**
Property Programme	2,569	1,226	(1,343)
Transport Programme	2,335	107	(2,228)
Equipment	157	263	106
IT and Communications Programme	923	452	(471)
Total	**5,984**	**2,048**	**(3,936)**

Significant Variances

The Property programme underspent by £1.343m. London Road fire station underspent by £663k , part of this underspend is due to the money set aside for the project risk contingency, this is not known until the project is completed, the only amount required to be slipped into 2017/18 is £120k for the retention payments, due in August 2017.

The project for Newark and Hucknall fire station were still in the feasibility stage at the end of the year and the total amount of £588k will be slipped into 2017/18.

The Transport programme underspent by £2.2m and this variance mainly related to The replacement programme was under review to consider alternative fleet options to meet the objectives of the Sustainability Strategy 2020 and the operational need for vehicles required for Service Delivery. The outcome of this work will determine the type and number of vehicles within the long term vehicle replacement plan and should be known early in the next financial year.

The Information and Communications Technology programme also underspent during the year, by £0.4m. Most projects either completed in the year or made good progress, but budget will be slipped forward to fund the business process automation and other business systems.

Financing of Capital Expenditure

The Authority borrowed £3m in August 2016 and a further £2m in February 2017, and repaid £2.075m of debt to the Public Work Loans Board (PWLB). The Authority's level of borrowing at the year end was £23.262m, with £9.490m of this held as investments and not yet applied to finance capital expenditure. This compares to long term assets on the Balance Sheet valued at £60.036m. The capital financing requirement as at 31 March 2017 is £23.885m, which demonstrates that the current level of net borrowing is prudent.

During the year, capital expenditure was mainly financed by Capital Receipts and Capital grant.

Earmarked Reserves

Several earmarked reserves have been created for specific projects which will take place in 2017/18 and beyond. The effect of this will be that these earmarked reserves will support the 2017/18 budget and allow certain non-recurrent expenditure to take place. Earmarked reserves have been funded from two sources – they either arise from grants or donations received which have not been spent by the end of the year or they are created from within the revenue budget .The earmarked reserves held by the Authority are shown in note 11.

Pension Funds

Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability of £558.299m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £535.180m. 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.

Other Significant, Material and Unusual Items

The project to build a new fire station at London Road to replace the Central fire station completed during the year, and crews moved into the new station in September 2016. Nottingham City Council's Emergency Planning Team also occupy office space within the fire station. Central Fire Station and its land was sold to Nottingham City Council during the year and a capital receipt of £2.5m was received in March 2017.

The Authority approved a proposal to build a new fire station at Newark, on the site of the existing station which is now beyond its original planned life expectancy. Planning permission for the project has been granted and, following a tender process, a building contractor has been appointed. Completion of the new fire station is expected to be around March 2018.

Some key work was carried out in the year relating to the Emergency Services Mobile Communications Programme, which is the national project to provide the next generation communication system for the three emergency services. An employee of the Authority was seconded to work at a national level on this project and other employees have been contributing to work at a regional level. A key focus has been on ensuring that our ICT infrastructure and systems will comply with the requirements of the Public Services Network and this work continues into 2017/18.

Planned budgetary reductions continued in the year, with a restructure of the Specialist Rescue Team implemented on 1st April 2016. Further savings for 2017/18 onwards emerged during the budget process.

The Authority's pension liability, shown on the Balance Sheet, has increased from £449.0m last year to £558.2m at 31st March 2017. This change is also reflected in the Comprehensive Income and Expenditure Statement on the line "Remeasurements on the net defined benefit pensions liability", which shows remeasurement loss of £99.8m for 2016/17. The main reason for this remeasurement loss is that there has been a material decrease in the interest rate used to discount post-employment benefit obligations. The effect of this change to the financial assumptions has been a significant increase in the pension liability. The discount rate assumption is based on corporate bond yields at the reporting date.

During the year, the Government settled a case brought by the Fire Brigades Union regarding the pension contributions paid by firefighters employed before the age of 20 who have served for over 30 years before reaching the minimum retirement age of 50. The case was brought because employees in this position cannot accrue more than 30 years of pensionable service in the FFPS 1992. The pension regulations for the FFPS 1992 have been amended so that members do not pay more than 30 years' worth of pension contributions and the change has been backdated to 1 December 2006 which means that overpaid contributions have been refunded to affected individuals, with the Government funding these payments. This exercise was largely completed during the year and its impacts are shown in the Pension Fund statements and disclosure notes.

Economic Climate

The financial year 2016/17 saw some economic turmoil following the EU referendum in June 2016, with an immediate fall in confidence indicators and the lowering of the Bank Rate from 0.5% to 0.25%. However there was a recovery in confidence in the autumn and some growth in the UK economy is now anticipated. The Government triggered Article 50 in March 2017, which started the process of negotiations around Britain's exit from the European Union, however these negotiations will take up to two years and there is as yet no certainty about the outcomes and the impacts on this Authority of the decision to leave the Eurpoean Union.

The government's Public Sector Borrowing Requirement deficit elimination timetable will slip further into the future, as the Chancellor announced that the target of achieving this by 2020 would be eased. This gives an indication that austerity for the public sector will continue beyond this date. PWLB rates were volatile in the year as a result of the economic uncertainty.

The value of sterling declined significantly and this decline started as soon as the EU Referendum was announced. This has led to an increase in inflation and the potential next year for pressure on pay inflation. The Authority has recognised the risk of inflation increases in its strategic risk register.

The Authority has a Medium Term Financial Strategy in place - its reserves are sufficient to withstand any short terms changes in the funding regime and a Sustainability Strategy has been set out which is designed to respond to anticipated reductions.

Other Published Financial Information

Summarised financial information, which is extracted from this Statement of Accounts, will be published on the Authority’s website (www.notts-fire.gov.uk) following completion of the audit and before 30 September 2017. In addition, details of all transactions over £250 in value are published on the Authority’s website, in line with the Government’s transparency code for public bodies

Nottinghamshire Fire Safety Limited

The Authority established an arm’s-length trading company, which began operating on 1 September 2010. The company was called “Nottinghamshire Fire and Rescue Service (Trading) Limited” but changed its name to “Nottinghamshire Fire Safety Limited” on 1st April 2016. Its main activities are to sell fire extinguisher maintenance services and fire safety training to external customers. The financial position of the company is not material in terms of the overall financial position of the Authority so separate accounts are prepared for both the Authority and the trading company.

Further detail about the company's trading results and overall financial position is shown in notes 34 and 41. For 2016/17, Nottinghamshire Fire Safety Limited made a profit before tax of £33k (£65k in 2015/16).

Plans for 2017/18

Elected Members of the Fire Authority approved a council tax increase of 1.95% for 2017/18, with a Band D council tax of £75.29, and the revenue budget for 2017/18 has been set at £40.8m, some £0.5m less than that set for 2016/17. This is part of an overall requirement to reduce budgets over the period to 2019/20 alongside reductions in grant from central government. The Fire Authority accepted the government's offer of a four year financial settlement covering the years 2016/17 to 2019/20, and this has given some certainty around some aspects of financial planning.

Despite this, the Fire Authority is committed not only to surviving during this period of financial austerity but also to continuing to improve and develop services against this financial backdrop. The three core aims of the Authority are to deliver high quality services, with an engaged and motivated workforce, within a framework of strong governance and financial stability.

With this in mind our strategy has been to use fluctuations in balances to cushion the transitional effect of reductions and therefore to take opportunities to increase these balances whenever possible to support an overall strategy of budget reduction going forward. With the Government providing a four year finance settlement in February 2016 it is now possible to plan ahead with more certainty and continue to re-engineer services in order to keep within the lower overall budget (predicted to be in the region of £43m by 2019/20. This will undoubtably bring about further changes to our workforce.

Towards the end of the year the Policing and Crime Act 2017 became law, which allows the Police and Crime Commissioner (PCC) for Nottinghamshire to make a business case to take over responsibility for the fire function if desired. At the time of writing this statement, the PCC has not stated an intention to make such a case, but regardless of whether or not a business case is made we are now legally required to consider collaboration opportunities with the other “blue light” emergency services, so I anticipate that this will be a major theme for us next year and beyond.

The 2017/18 revenue budget and capital programme provide the financial resources required for the replacement or refurbishment of assets as well as for the day to day running of the service. We have planned to use mainly borrowing and internal financing to finance the capital programme in 2017/18.

Mr G Walker
Treasurer to the Nottinghamshire and City of Nottingham Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- i) make arrangements for the proper administration of its financial affairs and to 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 Mr G Walker

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 2017 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 30th June 2017 by the Treasurer to the Authority. This is the date up to which events have been considered for recognition in the Statement of Accounts.

Signed ____

Mr G Walker
(Treasurer)

Dated ____

STATEMENT OF APPROVAL OF THE STATEMENTS OF ACCOUNTS

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 22nd September 2017.

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

Signed ____

(Chair of the Fire Authority)

Dated ____

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

We have audited the financial statements of the Nottinghamshire and City of Nottingham Fire Authority for the year ended 31 March 2017 on pages 1 to 123. 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 2016/17.

This report is made solely to the Members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer’s Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the 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, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Members of the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Members of the Authority as at 31 March 2017 and the Authority's expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception
The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 109 to 121 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or

- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on the Nottinghamshire and City of Nottingham Fire Authority's arrangements for securing economy, efficiency and effectiveness in their use of resources

Authority's responsibilities
The Members of the Authority are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities
We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Members of the Authority have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.
We report if significant matters have come to our attention which prevent us from concluding that the Members of the Authority have put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are not required to consider, nor have we considered, whether all aspects of the Members of the Authority's arrangements for securing economy, efficiency and effectiveness in their use of resources are operating effectively.

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 criterion issued by C&AG in November 2016, as to whether Members of the Authority had proper arrangements to ensure they took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Members of the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2017.

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, Nottinghamshire and City of Nottingham Fire Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, the Nottinghamshire and City of Nottingham Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Nottinghamshire and City of Nottingham Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Cardoza
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway Birmingham
B4 6GH

22 September 2017

INTRODUCTION TO THE CORE STATEMENTS

Movement in Reserves Statement - Page 26

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

Expenditure and Funding Analysis - Page 28

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

Comprehensive Income and Expenditure Statement - Page 29

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 30

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

Cash Flow Statement - Page 31

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

CORE ACCOUNTING STATEMENTS

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2015/16 Restated	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 2015	**6,535**	**3,831**	**0**	**720**	**11,086**	**(427,016)**	**(415,930)**
Movement in reserves during 2015/16							
Total Comprehensive Income and Expenditure	(14,675)	0	0	0	**(14,675)**	27,309	**12,634**
Adjustments between accounting basis and funding basis under regulations (Note 10)	15,218	0	0	(386)	**14,832**	(14,832)	**0**
Increase or Decrease in 2015/16 beforeTransfers to Earmarked Reserves	**543**	**0**	**0**	**(386)**	**157**	**12,477**	**12,634**
Transfers to/from Earmarked Reserves (Note 11)	328	(328)	0	0	**0**	0	**0**
Increase/(Decrease) in 2015/16	**871**	**(328)**	**0**	**(386)**	**157**	**12,477**	**12,634**
Balance at 31 March 2016 carried forward	**7,406**	**3,503**	**0**	**334**	**11,243**	**(414,539)**	**(403,296)**

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2016/17	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 2016 carried forward	**7,406**	**3,503**	**0**	**334**	**11,243**	**(414,539)**	**(403,296)**
Movement in reserves during 2016/17							
Total Comprehensive Income and Expenditure	(9,215)				**(9,215)**	(96,551)	**(105,766)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	11,039		477	13	**11,529**	(11,529)	**0**
Increase or Decrease in 2016/17 beforeTransfers to Earmarked Reserves	**1,824**	**0**	**477**	**13**	**2,314**	**(108,080)**	**(105,766)**
Transfers to/from Earmarked Reserves (Note 11)	(1,394)	1,394	0	0	**0**	0	**0**
Increase/(Decrease) in 2016/17	**430**	**1,394**	**477**	**13**	**2,314**	**(108,080)**	**(105,766)**
Balance at 31 March 2017 carried forward	**7,836**	**4,897**	**477**	**347**	**13,557**	**(522,619)**	**(509,062)**

EXPENDITURE AND FUNDING ANALYSIS

2015/16				**2016/17**		
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**
14,826	(11,793)	26,619	Firefighting and Rescue	16,576	(8,395)	24,971
1,020	(483)	1,503	Community Safety	1,024	(343)	1,367
1,197	(358)	1,555	Fire Protection	1,173	(230)	1,403
121	(159)	280	Resilience	215	(95)	310
			Corporate and Centralised Services:			
4,305	(277)	4,582	Estates and Procurement	4,641	(10)	4,651
686	(66)	752	Equipment	809	(74)	883
2,503	(877)	3,380	People and Organisational Development	2,848	(668)	3,516
737	(89)	826	Finance	639	(64)	703
2,298	(525)	2,823	ICT	1,307	(463)	1,770
1,164	(149)	1,313	Transport	1,259	(177)	1,436
7,566	(764)	8,330	Other	3,228	(579)	3,807
36,423	**(15,540)**	**51,963**	**Net Cost of Services**	**33,719**	**(11,098)**	**44,817**
(36,965)	323	(37,288)	Other Income and Expenditure	(35,544)	58	(35,602)
(542)	**(15,217)**	**14,675**	**(Surplus) or Deficit**	**(1,825)**	**(11,040)**	**9,215**
		(6,534)	**Opening General Fund Balance**	**(7,406)**		
		(542)	**Less/Plus Surplus or (Deficit) on General Fund Balance in Year**	**(1,825)**		
		(330)	**Less/Plus Net Transfers (to)/from Earmarked Reserves**	**1,394**		
		(7,406)	**Closing General Fund Balance**	**(7,837)**		

*** See note 8 for further breakdown**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16 Restated					2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
26,962	(343)	26,619	**Firefighting and Rescue**		25,310	(339)	24,971
1,658	(155)	1,503	**Community Safety**		1,586	(219)	1,367
1,539	16	1,555	**Fire Protection**		1,462	(59)	1,403
402	(122)	280	**Resilience**		417	(107)	310
			Corporate and Centralised Services:		0	0	0
4,687	(105)	4,582	Estates and Procurement		4,783	(132)	4,651
752	0	752	Equipment		884	(1)	883
3,446	(65)	3,381	People and Organisational Development		3,537	(21)	3,516
950	(124)	826	Finance		964	(261)	703
2,850	(29)	2,821	ICT		2,846	(1,077)	1,769
1,468	(154)	1,314	Transport		1,485	(49)	1,436
8,511	(181)	8,330	Other		3,833	(25)	3,808
53,225	**(1,262)**	**51,963**	**Cost of Services**		**47,107**	**(2,290)**	**44,817**
0	(15)	(15)	Other Operating Expenditure	12	0	(27)	(27)
15,464	(65)	15,399	Financing and Investment Income and Expenditure	13	16,437	(75)	16,362
0	(52,672)	(52,672)	Taxation and Non-Specific Grant Income	14	0	(51,937)	(51,937)
68,689	**(54,014)**	**14,675**	**Surplus (-) or Deficit on Provision of Services**		**63,544**	**(54,329)**	**9,215**
		(2,938)	Surplus or deficit on revaluation of property, plant and equipment assets				(3,289)
		159	Impairment Losses on Non-Current Assets Charged to Revaluation Reserve				0
		(24,530)	Remeasurements on the net defined benefit pension liability				99,840
		(27,309)	**Other Comprehensive Income and Expenditure**				**96,551**
		(12,634)	**Total Comprehensive Income and Expenditure**				**105,766**

BALANCE SHEET

31 March 2016 £000		Notes	31 March 2017 £000
	Property, Plant & Equipment		
44,812	- Land and Buildings	15	49,190
9,693	- Vehicles, Plant and Equipment	15	8,683
3,792	- Assets Under Construction	15	634
49	Surplus Assets	15	43
1,604	Intangible Assets	16	1,068
362	Intangible Assets Under Construction	16	418
60,312	**TOTAL LONG TERM ASSETS**		**60,036**
3,415	Short Term Investments	17	6,481
341	Inventories	18	297
3,950	Short Term Debtors	19	5,826
2,101	Cash and Cash Equivalents	20	3,059
9,807	**TOTAL CURRENT ASSETS**		**15,663**
(2,131)	Short Term Borrowings	17	(2,135)
(3,443)	Short Term Creditors	22	(2,544)
(503)	Short Term Provisions	23	(535)
0	Other Short Term Liabilities - Finance Leases	36	0
(25)	Grants Receipts in Advance - Revenue	33	(25)
(6,102)	**TOTAL CURRENT LIABILITIES**		**(5,239)**
(30)	Long Term Provisions	23	(43)
(18,262)	Long Term Borrowing	17	(21,183)
	Other Long Term Liabilities		
(449,022)	- Pensions Liability	38	(558,299)
(467,314)	**TOTAL LONG TERM LIABILITIES**		**(579,525)**
(403,297)	**TOTAL NET ASSETS**		**(509,065)**
	Usable Reserves		
7,406	- General Fund Balance	24	7,837
3,501	- Earmarked Reserves	24	4,894
0	- Capital Receipts Reserve	24	477
335	- Capital Grants Unapplied	24	347
	Unusable Reserves		
20,819	- Capital Adjustment Account	25	20,420
13,657	- Revaluation Reserve	25	15,175
(449,022)	- Pension Reserve	25	(558,299)
0	- Financial Instruments Adjustment Account	25	0
252	- Collection Fund Adjustment Account	25	296
(245)	- Accumulated Absences Adjustment Account	25	(212)
(403,297)	**TOTAL RESERVES**		**(509,065)**

CASH FLOW STATEMENT

2015/16 £000		2016/17 £000
14,675	**Net (Surplus)/Deficit on the Provision of Services**	**9,215**
(17,252)	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(12,630)
84	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2,532
(2,493)	Net Cash Flows from Operating Activities (Note 26)	(883)
3,394	Investing Activities (Note 27)	2,850
71	Financing Activities (Note 28)	(2,925)
972	Net (Increase) or Decrease in Cash and Cash Equivalents	(958)
(3,073)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(2,101)
(2,101)	**Cash and Cash Equivalents at the End of the Reporting Period (Note 20)**	**(3,059)**

INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 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.

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. This policy change has reduced the amount of expenditure accounted for in the 2016/17 financial year by around £250k. The impact in future financial years will be minimal.

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. 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.
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17, whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Costs relating to the Fire Authority's status as a democratic organisation and costs relating to the provision of information for public accountability are charged to Corporate and Democratic Core.

Non Distributed Costs, which includes past service costs relating to retirement benefits; impairment losses relating to surplus non current assets; revenue expenditure involved in holding surplus assets.

These two cost categories are defined in the CIPFA Service Reporting Code of Practice (SeRCOP) and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Cost of Services.

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.

Examples of non current assets likely to be classified as cash equivalents are Money Market Fund investments and deposits in "call accounts" repayable immediately without penalty. Fixed Term Deposits are not likely to be classified as cash equivalents because they are not readily convertible to cash, instead they are likely to be classified as Short Term or Long Term Investments.

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

Contingent Liabilities and Contingent Assets

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

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

Council Tax Income and Non Domestic Rates

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

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

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

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

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post Employment Benefits

Participation in Pension Schemes

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

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

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

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

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

All five pension schemes are accounted for as defined benefit schemes:
The liabilities of the LGPS and the firefighters' schemes are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date 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 3.8% and 3.5% 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 earler years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - 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 38 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

Loans and receivables (investments) 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 subsequently carried at their amortised cost. The amortised cost will include any interest accrued and not received as at the Balance Sheet date. Where the interest rate is fixed for the term of the investment then the actual interest rate has been used to calculate interest receivable as this is the same as the effective interest rate. There are no transaction costs relating to investments. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.
Financial assets and financial liabilities are presented gross in the Statement of Accounts, unless the Authority has a legal right to set off the amounts in which case the gross amounts are disclosed in a note.

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 been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account to reflect its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Interests in Companies

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

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

Inventories (Stocks)

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

Leases

Finance Leases (the Authority as Lessee)

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

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

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

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

Operating Leases (the Authority as Lessee)

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

Operating Leases (the Authority as Lessor)

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

Non Current Assets

Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

Land and Buildings

These assets are classified as either operational or non operational and valued at current value in existing use, which is deemed to be the amount that would be paid for the asset in its existing use in an arm's-length transaction and disregarding potential alternative uses (Existing Use Value - EUV). Specialised, operational assets (e.g. Fire Stations) and specialised, non operational assests 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 frequently 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:

Revenue Reserve

This reserve is the surplus of income over expenditure in the 2016/17 financial year and the cumulative effect of such surpluses carried forward from previous years. See note 24.

Earmarked Reserve

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

Capital Reserves

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

The Revaluation Reserve

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

The Capital Adjustment Account

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

The Usable Capital Receipts Reserve

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

The Capital Grants Unapplied Reserve

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

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

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

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

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

Value Added Tax

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

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

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

There are no new standards introduced in the 2017/18 Code of Practice which would impact on the Authority's accounts for 2016/17.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.
The critical judgements made in the Statement of Accounts are:
The Government has provided an indicative four year funding settlement, which gives some degree of certainty around future grant levels, however there still the possibility that funding for local government organisations will be further reduced. Despite this there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Authority faces a budget deficit of between £2.5m and £4.5m by 2019/20. Plans are in progress to reduce base budgets over the next three years and eliminate the deficit.
The Authority has valued its Fire Stations at depreciated replacement cost, as there is no market based evidence of fair value due to the specialised nature of the assets.

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

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

The items in the Authority's Balance Sheet at 31 March 2017 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 £41k 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 38

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

5. PRIOR PERIOD ADJUSTMENTS

There were no significant prior period adjustments, although where errors in comparative figures were identified these have been corrected, with the word "Restated" shown in the column heading. Explanations have been given for any significant restatement of comparatives figures.

6. 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:

Description of Item	Income or Expense	2016/17	2015/16
		£000	£000
Depreciation and Amortisation of Non Current Assets	Expense	3,624	3,489
Capital Grant	Income	(14)	(54)
Capital Receipt	Income	(2,517)	(30)
Revaluation of Non Current Assets	Income	0	0

7. EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Treasurer to the Authority on 30th June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In May 2017, a former employee notified the Authority of their intention to make a claim against the Authority of constructive dismissal and disability discrimination. This claim has not been formally confirmed to the Authority as at the date the Statement of Accounts was authorised for issue and is therefore a non-adjusting event after the balance sheet date. This matter is also referred to in Note 39 Contingent Assets and Liabilities.

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from the General Fund to arrive at the comprehensicve Income and Expenditure Statement amount	Adjustment for Capital purposes £000	Net change for the Pension Adjustment £000	Other Differences £000	Total Adjustments £000
Firefighting and Rescue	(1,157)	(7,298)	60	(8,395)
Community Safety	(14)	(320)	(8)	(342)
Fire Protection		(224)	(6)	(230)
Resilience		(95)	0	(95)
Corporate and Centralised Services				
Estates & Procurement	50	(60)	(1)	(11)
Equipment	(17)	(56)	0	(73)
People and Organisation Development	(79)	(583)	(6)	(668)
Finance	(2)	(57)	(6)	(65)
Information Communication and Technology	(328)	(131)	(4)	(463)
Transport	(145)	(34)	2	(177)
Other Corporate and Centralised Services	(3)	(579)	3	(579)
	(1,695)	**(9,437)**	**34**	**(11,098)**
Other income and expenditure	14		44	58
	(1,681)	**(9,437)**	**78**	**(11,040)**

Adjustments between Funding and Accounting Basis 2015/16

Adjustments from the General Fund to arrive at the comprehensicve Income and Expenditure Statement amount 2015/16	Adjustment for Capital purposes £000	Net change for the Pension Adjustment £000	Other Differences £000	Total Adjustments £000
Firefighting and Rescue	(1,008)	(10,716)	(70)	(11,794)
Community Safety	(16)	(466)	(1)	(483)
Fire Protection		(358)		(358)
Resilience		(154)	(5)	(159)
Corporate and Centralised Services				
Estates & Procurement	(205)	(73)	2	(276)
Equipment	(10)	(56)	(1)	(67)
People and Organisation Development	(83)	(795)	1	(877)
Finance	(24)	(68)	4	(88)
Information Communication and Technology	(389)	(137)	1	(525)
Transport	(109)	(40)		(149)
Other Corporate and Centralised Services	(5)	(773)	14	(764)
	(1,849)	**(13,636)**	**(55)**	**(15,540)**
Other income and expenditure	54		269	323
	(1,795)	**(13,636)**	**214**	**(15,217)**

9. EXPENDITURE AND INCOME ANALYSIS BY NATURE

	2016/17 £000	2015/16 £000
Expenditure		
Employee Benefits Expenses	41,660	46,832
Other Employee Expenses	323	340
Premises Related Expenses	2,290	2,184
Transport Related Expenditure	1,621	1,808
Supplies and Services	3,291	3,310
Third Party Payments	65	114
Support Services	210	257
Depreciation, amortisation, impaiment and disposal of non-current assets	3,096	3,061
Interest Payments	815	825
Total Expenditure	53,371	58,731
Income		
Fees, charges and other service income	(766)	(846)
Interest and investment income	(64)	(50)
Income from council tax and non-domestic rates	(32,411)	(32,046)
Government grants	(10,672)	(11,114)
Total Income	(43,913)	(44,056)
(Surplus)/Deficit on Provision of Services	9,458	14,675

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.

2016/17	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expediture Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to (or from) the Pensions Reserve)	(9,437)		
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	44		
Holiday pay (transferred to the Accumulated Absences Reserve)	34		
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)	(5,600)		(14)
Total Adjustments to Revenue Resources	**(14,959)**	**0**	**(14)**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2518	(2,518)	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1402		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0		
Total Adjustments between Revenue and Capital Resources	**3,920**	**(2,518)**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital		2,041	
Application of capital grants to finance capital expenditure			1
Cash payments in relation to deferred capital receipts			
Total Adjustments to Capital Resources	**0**	**2,041**	**1**
Total Adjustments	**(11,039)**	**(477)**	**(13)**

2015/16	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expediture Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs (transferred to (or from) the Pensions Reserve)	(13,636)		
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	269		
Holiday pay (transferred to the Accumulated Absences Reserve)	(57)		
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)	(3,036)		386
Total Adjustments to Revenue Resources	**(16,460)**	**0**	**386**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	30	(30)	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1103		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	109		
Total Adjustments between Revenue and Capital Resources	**1,242**	**(30)**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		30	
Application of capital grants to finance capital expenditure			
Cash payments in relation to deferred capital receipts			
Total Adjustments to Capital Resources	**0**	**30**	**0**
Total Adjustments	**(15,218)**	**0**	**386**

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 2015 £000	**Transfers out 2015/16 £000**	**Transfers in 2015/16 £000**	**Balance at 31 March 2016 £000**	**Transfers out 2016/17 £000**	**Transfers in 2016/17 £000**	**Balance at 31 March 2017 £000**
LPSA Reward Grant	**(304)**	130	0	**(174)**	0	0	**(174)**
Fire Investigation	**(120)**	0	0	**(120)**	0	0	**(120)**
Safe as Houses - Smoke Alarms	**(22)**	0	0	**(22)**	0	0	**(22)**
Community Fire Safety - Innovation Fund	**(201)**	0	0	**(201)**	0	0	**(201)**
Resilience Crewing and Training	**(382)**	72	(142)	**(452)**	0	0	**(452)**
Thoresby Estate Charitable Trust	**(4)**	1	0	**(3)**	0	0	**(3)**
Enhanced Logistical Support DCLG	**(7)**	7		**0**	0		**0**
Public Health England - Safe and Well	**0**			**0**		(10)	**(10)**
Transparency Grant	**0**	0	(8)	**(8)**	8	0	**0**
SubTotal	**(1,040)**	**210**	**(150)**	**(980)**	**8**	**(10)**	**(982)**

	Balance at 31 March 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000
Earmarked Reserves Created by Revenue:							
Pensions - Ill Health	**(138)**	80	(150)	**(208)**	0	0	**(208)**
Fire Safety - On Fire Fund	**(87)**	0	0	**(87)**	0	0	**(87)**
Fire Control Transition	**(168)**	25	0	**(143)**	143	0	**0**
Buisness Systems Development	**(16)**	0	0	**(16)**	0	(48)	**(64)**
Emergency Services Mobile Communications Programme	**0**	0	(10)	**(10)**	0	(6)	**(16)**
Training BCM & Values	**(3)**	3		**0**	0		**0**
ICT Sharepoint / Internet / Intranet	**(97)**	0	0	**(97)**	0	0	**(97)**
Operational Equipment	**(42)**	32		**(10)**	0		**(10)**
Capital Reserve	**(1,154)**	0	0	**(1,154)**	40	0	**(1,114)**
Organisational Transition - One-off Costs	**(521)**	372	0	**(149)**	0	(200)	**(349)**
Backlog Buildings Maintenance	**(100)**	5	0	**(95)**	0	0	**(95)**
Duke of Edinburg	**(23)**	0	0	**(23)**	0	0	**(23)**
Fire Control Collaboration Project	**(220)**	220	0	**0**	0	0	**0**
Tri Service Control Project Phase 2	**0**	0	(220)	**(220)**	0	(143)	**(363)**
LAT Pull Down Machines	**(11)**	11	0	**0**	0	0	**0**
HEP B Vaccinations	**0**	0	0	**0**	0	(22)	**(22)**
Taxation Compliance	**(10)**	0	0	**(10)**	0	0	**(10)**
Communications Development - ESN	**(200)**	0	0	**(200)**	0	(52)	**(252)**
Emergency Services Network - RAP Work	**0**	0	0	**0**	0	(892)	**(892)**
Retained Policy Change	**0**	0	0	**0**	0	(212)	**(212)**
Pensions - General	**0**	0	(100)	**(100)**	0	0	**(100)**
Subtotal	**(2,790)**	**748**	**(480)**	**(2,522)**	**183**	**(1,575)**	**(3,914)**
Total	**(3,830)**	**958**	**(630)**	**(3,502)**	**191**	**(1,585)**	**(4,896)**

12 OTHER OPERATING EXPENDITURE

2015/16 £000		2016/17 £000
15	Gains/(Losses) on the disposal of non-current assets	27
15	**Total**	**27**

13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £000		2016/17 £000
825	Interest payable and similar charges	815
0	Interest paid in relation to Finance Leases	0
14,639	Net interest on defined pension liability	15,622
(50)	Interest receivable and similar income	(64)
(15)	Dividend from Subsidiary Company	(11)
15,399	**Total**	**16,362**

14 TAXATION AND NON-SPECIFIC GRANT INCOME

2015/16 £000		2016/17 £000
22,255	Council tax income and surplus on collection	22,709
3,269	Non domestic rates	3,554
44	Non domestic rates - Growth Funding	-141
9,943	Pension top up grant	10,147
10,342	Non ringfenced government grants	8,867
54	Capital grants and contributions	14
6,477	Non domestic rates tax top-up grant	6,531
279	Small Business rate relief grant	248
8	Transparency grant	8
52,671	**Total**	**51,937**

Note : In 2016/17 NNDR Growth funding was found to have been distributed incorrectly. Precepting authorities had been paying this amount separately but it was agreed that the amount had already been included within the normal surplus/deficit reconciliation process. The overpaid amounts have now been refunded to the Precepting Authorities

15 PROPERTY PLANT AND EQUIPMENT

Movements in 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At April 2016	51,566	21,010	1,155	3,793	**77,524**
Prior Year Adjustments	0	0	0	0	**0**
Additions	291	714	0	966	**1,971**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(131)	0	0	0	**(131)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	487	0	0	0	**487**
Derecognition - Disposals	(2,646)	(15)	0	(45)	**(2,706)**
Derecognition - Other					**0**
Assets reclassified (to)/from Assets Under Construction	4,079	0		(4,079)	**0**
At 31 March 2017	**53,646**	**21,709**	**1,155**	**635**	**77,145**
Accumulated Depreciation & Impairment					
At April 2016	(6,754)	(11,317)	(1,106)	0	**(19,177)**
Prior Year Adjustments	0	0	0	0	**0**
Depreciation & Impairment Charges	(1,339)	(1,710)	(6)	0	**(3,055)**
Depreciation written out to the Revaluation Reserve	3,421				**3,421**
Depreciation written out to the Surplus/Deficit on the Provision of Services					**0**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0				**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services					**0**
Derecognition- Disposals	215	0			**215**
At 31 March 2017	**(4,457)**	**(13,027)**	**(1,112)**	**0**	**(18,596)**
Net Book Value					
at 31st March 2017	**49,189**	**8,682**	**43**	**635**	**58,549**
at 31st March 2016	**44,812**	**9,693**	**49**	**3,793**	**58,347**

Comparative Movements in 2015/16:	**Other Land and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
Cost or Valuation					
At April 2015	51,528	17,994	1,155	2,052	**72,729**
Additions	35	771	0	3,992	**4,798**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	420	0	0	0	**420**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(414)	0	0	0	**(414)**
					0
Derecognition - Disposals	(3)	(62)	0	0	**(65)**
Derecognition - Other					**0**
Assets reclassified (to)/from Assets Under Construction		2,307		(2,251)	**56**
At 31 March 2016	**51,566**	**21,010**	**1,155**	**3,793**	**77,524**
Accumulated Depreciation & Impairment					
At April 2015	(8,547)	(9,562)	(1,100)	0	**(19,209)**
Depreciation & Impairment Charges	(1,393)	(1,807)	(6)	0	**(3,206)**
Depreciation written out to the Revaluation Reserve	2,846				**2,846**
Depreciation written out to the Surplus/Deficit on the Provision of Services	340				**340**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0				**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services					**0**
Derecognition- Disposals		52			**52**
At 31 March 2016	**(6,754)**	**(11,317)**	**(1,106)**	**0**	**(19,177)**
Net Book Value at 31st March 2016	**44,812**	**9,693**	**49**	**3,793**	**58,347**

Capital Commitments

At 31 March 2017 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £2,711k. Similar commitments at 31 March 2016 were £2,042k. The major commitments for 2016/17 are:

- Newark Fire Station £2,420k
- London Road Fire Station £120k
- Tri-Service Control system £171k

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 2017, covering 6 properties and was carried out by Richard Hemsworth MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

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

	Other Land & Buildings £000	Vehicles, Plant, Equipment £000	Surplus Assets £000	Total £000
Carried at Historical cost	0	8,683	0	**8,683**
Valued at Fair Value as at:				
31 March 2017	11,547	0	0	**11,547**
31 March 2016	21,774	0	0	**21,774**
31 March 2015	1,579	0	0	**1,579**
31 March 2014	6,013	0	0	**6,013**
31 March 2013	8,277	0	0	**8,277**
31 March 2012	0	0	43	**43**
Total Cost or Valuation	**49,190**	**8,683**	**43**	**57,916**

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 2016/17 £000	Software Under Construction 2016/17 £000	Software 2015/16 £000	Software Under Construction 2015/16 £000
Balance at start of year:				
• Gross carrying amounts	2,408	362	707	1,634
• Accumulated amortisation	(804)	0	(520)	0
Net carrying amount at start of year	1,604	362	187	1,634
Assets Reclassified	5	0	1,658	(1,712)
Purchases	15	56	44	440
Disposals	(139)		0	
Amortisation for the period	(556)	0	(284)	0
Other Changes - Disposal Amortisation	139		0	
Net carrying amount at end of year	**1,068**	**418**	**1,605**	**362**
Comprising:				
• Gross Carrying Amounts	2,289	418	2,408	362
• Accumulated amortisation	(1,221)	0	(804)	0
	1,068	418	1,604	362

17 FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016 restated
	£000	£000	£000	£000
Investments				
Loans and Receivables	0	0	6,481	3,415
Cash and cash equivalents	0	0	3,059	2,101
Total Investments	**0**	**0**	**9,540**	**5,516**
Debtors				
Receivables	0	0	5,062	3,052
Total Debtors	**0**	**0**	**5,062**	**3,052**
Borrowings				
Financial liabilities at amortised cost	(21,183)	(18,262)	(2,135)	(2,131)
Total Borrowings	**(21,183)**	**(18,262)**	**(2,135)**	**(2,131)**
Creditors				
Financial liabilities at amortised cost	0	0	(2,238)	(3,156)
Total Creditors	**0**	**0**	**(2,238)**	**(3,156)**

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.
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 2017	31 March 2016 restated
	£000	£000
Debtors		
Debtors - as shown on Balance Sheet	5,827	3,950
Less: Council Tax and NDR debtors	(765)	(898)
Debtors Classified as Financial Instruments	**5,062**	**3,052**
Creditors		
Creditors - as shown on Balance Sheet	(2,544)	(3,443)
Less: Council Tax NDR prepayments / overpayments	332	312
Grant Receipts in Advance - as shown on Balance Sheet	(26)	(25)
Creditors Classified as Financial Instruments	**(2,238)**	**(3,156)**

Income, Expense, Gains and Losses

	2016/17			2015/16		
	Financial Liabilities measured at amortised cost £000	**Financial Assets: Loans and receivables £000**	**Total £000**	**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Total £000**
Interest Expense	809	0	**809**	802	0	**802**
Total expense in Surplus or Deficit on the Provision of Services	**809**	**0**	**809**	**802**	**0**	**802**
Interest Income	0	(64)	**(64)**	0	(50)	**(50)**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**(64)**	**(64)**	**0**	**(50)**	**(50)**
Net gain/(loss) for the year	**809**	**(64)**	**745**	**802**	**(50)**	**752**

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 detors 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 £21.7m 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 £25.1m. This fair value is £3.4m higher than that calculated using the PWLB new loans rates because the discount rate is lower and hence the premium payable would be higher.

The fair value of other non-PWLB loans is based on PWLB new loans rates with a margin above gilts applied. This is because there were limited trades in the Lender Option Borrower Option market during the financial year ended 31 March 2017, so comparable market rates are not available. The method adopted is based on the pricing for instruments when the market was more active. The fair value of the non-PWLB loans calculated using PWLB premature repayment rates as a market illustration is £8.4m. This fair value is £2.1m higher than that calculated using new loan rates because the discount rate is lower and hence the premium payable would be higher.

	31 March 2017		31 March 2016	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities at amortised cost				
- PWLB Loans	(19,307)	(21,711)	(16,382)	(18,430)
- Other Loans	(4,011)	(6,350)	(4,011)	(5,172)

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 2017) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2017		31 March 2016	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	9,540	9,540	5,516	5,516

The 2016/17 CIPFA Accounting Code of Practice ("the Code") reflects the adoption of International Financial Reporting Standard (IFRS) 13 *Fair Value Measurement.* In accordance with IFRS 13, 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 vaule 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 2017			
	Quoted prices in active markets for identical assets (Level 1) £'000	**Other significant observable inputs (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
Recurring fair value measurements using:				
Liabilities				
Loans held at amortised cost	0	(28,061)	0	(28,061)
Assets				
Loans and receivables	0	9,540	0	9,540
Total	**0**	**(18,521)**	**0**	**(18,521)**

	31 March 2016 Comparative Year			
	Quoted prices in active markets for identical assets (Level 1) £'000	**Other significant observable inputs (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
Recurring fair value				
Liabilities				
Loans held at amortised cost	0	(23,602)	0	(23,602)
Assets				
Loans and receivables	0	5,516	0	5,516
Total	**0**	**(18,086)**	**0**	**(18,086)**

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 2017 of 0.05% to 0.90% 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 2017 of 0.83% to 2.47% for loans payable based on new lending rates for equivalent loans at that date

18 INVENTORIES

	Consumable Stores	
	31 March 2017	31 March 2016
	£000	£000
Balance Outstanding at start of year	**342**	**440**
Purchases	343	370
Recognised as an expense in year	(387)	(468)
Written off balances	0	0
Balance outstanding at year end	**298**	**342**

19 DEBTORS

	31 March 2017	31 March 2016
	£000	£000
Central Government bodies	2,114	2,029
Other Local Authorities	(41)	(564)
NHS Bodies	21	
Other entities and individuals	3,735	2,484
Total Short Term Debtors	**5,829**	**3,949**
Other Entities and Individuals	0	0
Long Term Debtors	**0**	**0**
Total	**5,829**	**3,949**

20 CASH AND CASH EQUIVALENTS

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

	31 March 2017	31 March 2016
	£000	£000
Cash held by the Authority		
Bank Current Accounts	19	12
Short-term deposits with banks and building societies	3,040	2,089
Total Cash and Cash Equivalents	**3,059**	**2,101**

21 ASSETS HELD FOR SALE

There were no Non Current Assets held for sale either as at 31st March 2016 or at 31st March 2017.

22 CREDITORS

	31 March 2017	31 March 2016
	£000	£000
Central Government bodies	(519)	(826)
Other local authorities	(801)	(964)
NHS Bodies	1	2
Other entities and individuals	(1,225)	(1,655)
Short Term Creditors	**(2,544)**	**(3,443)**

23 PROVISIONS

	PROVISIONS			
	Long Term	Short Term		Total
	Insurances	Retained Duty System	Non Domestic Rates Appeals	
	£000	£000	£000	£000
Balance at 1 April 2016	**(30)**	**(22)**	**(481)**	**(533)**
Additional provisions made in 2016/17	(24)	0	(32)	**(56)**
Amounts used in 2016/17	11	0		**11**
Unused amounts reversed in 2016/17	0	0	0	**0**
Balance at 31 March 2017	**(43)**	**(22)**	**(513)**	**(578)**

Insurances
This provision allows for potential liabilities arising from existing claims against the authority. Uninsured losses of £11k were covered by the provision during the year. The provision required at 31 March 2017 was determined to be £43k.

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

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 2016/17.

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 2017	31 March 2016
	£000	£000
General Fund	7,837	7,406
Earmarked Reserves	4,896	3,502
Capital Receipts Reserve	477	0
Capital Grants Unapplied	347	335
Total Usable Reserves	**13,557**	**11,243**

<u>General Fund</u>

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	**7,406**	**6,535**
Transfer into General Fund Reserve	431	871
Balance at 31 March	**7,837**	**7,406**

<u>Earmarked Reserves</u>

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	**3,502**	**3,832**
Application of Earmarked Reserves to finance expenditure	0	(693)
Transfer from General Fund Reserve	1,585	409
Write back reserves no longer required	(191)	(46)
Balance at 31 March	**4,896**	**3,502**

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	**0**	**0**
Capital Receipts in Year	2,518	30
Capital Receipts applied in year to finance capital	(2,041)	(30)
Balance at 31 March	**477**	**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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	**335**	**721**
Capital Grants received in Year	13	54
Capital Grants applied in year to finance capital	(1)	(440)
Balance at 31 March	**347**	**335**

25 UNUSABLE RESERVES

31 March 2016 £000		31 March 2017 £000
13,657	Revaluation Reserve	15,175
20,819	Capital Adjustment Account	20,419
(449,022)	Pensions Reserve	(558,299)
252	Collection Fund Adjustment Account	296
(245)	Accumulated Absences Account	(212)
(414,539)	**Total Unusable Reserves**	**(522,621)**

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.

2015/16 £000		2016/17 £000
10,691	**Balance at 1 April**	**13,657**
36	Valuation of Mansfield Fire Station	0
3,425	Upward revaluations of assets	3,289
(159)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
3,302		3,289
13,993	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**16,946**
(334)	Difference between fair value depreciation and historical cost depreciation	(414)
(2)	Accumulated gains on assets disposed of	(1,357)
(336)	Amount written off to the Capital Adjustment Account	(1,771)
13,657	**Balance at 31 March**	**15,175**

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

2015/16 £000			2016/17 £000
22,415	**Balance at 1 April**		**20,819**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)		
(2,872)	• Charges for depreciation and impairment of non-current assets	(3,054)	
(523)	• Charges for depreciation re Mansfield fire station	0	
414	• Revaluation losses on Property, Plant and Equipment and reversal of previous impairments	487	
(284)	• Amortisation of intangible assets	(556)	
	• Revenue expenditure funded from capital under statute		
(13)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2,491)	
(3,278)			**(5,614)**
0	Adjusting amounts written out of the Revaluation Reserve		1,770
(3,278)	Net written out amount of the cost of non-current assets consumed in the year		**(3,844)**
	Capital financing applied in the year:		
30	• Use of Capital Receipts Reserve to finance new capital expenditure	2,041	
38	• Capital grants and contributions credited to the CIES that have been applied to capital financing	0	
1,103	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,402	
0	• Voluntary provision for the financing of capital investment charged against the General Fund balance	0	
402	• Application of grants to capital financing from Capital Grants Unapplied Account	1	
109	• Capital expenditure charged against the General Fund balance	0	
1,682			3,444
0	Movement in the Donated Assets Account credited to the CIES		0
20,819	**Balance at 31 March**		**20,419**

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.

2015/16 £000		**2016/17 £000**
(459,916)	**Balance at 1 April**	**(449,022)**
24,530	Remeasurements on the net defined benefit pension	(99,840)
(28,632)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(24,075)
14,996	Employers pensions contributions and direct payments to pensioners payable in the year	14,638
(449,022)	**Balance at 31 March**	**(558,299)**

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.

2015/16 £000		**2016/17 £000**
(17)	**Balance at 1 April**	**252**
269	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	44
252	**Balance at 31 March**	**296**

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.

2015/16 £000		2016/17 £000
(188)	**Balance at 1 April**	**(245)**
188	Settlement or cancellation of accrual made at the end of the preceding year	245
(245)	Amounts accrued at the end of the current year	(212)
(57)	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	33
(245)	**Balance at 31 March**	**(212)**

26 CASHFLOW STATEMENT - OPERATING ACTIVITIES

2015/16 £000		2016/17 £000
14,675	**Net (Surplus) or Deficit on the Provision of Services**	**9,215**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(3,206)	Depreciation	(3,055)
414	Impairment and revaluations	488
(283)	Amortisation	(556)
1	(Increase)/Decrease in impairment for bad debts	(86)
150	(Increase)/Decrease in Creditors	(1,083)
(525)	Increase/(Decrease) in Debtors	3,665
65	Increase/(Decrease) in Inventories	(44)
(13,635)	Pension Liability	(9,437)
(220)	Contributions (to)/from Provisions	(45)
(15)	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	(2,491)
2	Accrued Interest	14
(17,252)		**(12,630)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
54	Capital Grants credited to surplus or deficit on the provision of services	14
30	Proceeds from the sale of property plant and equipment, investment property and intangible assets	2,518
84		**2,532**
(2,493)	**Net Cash Flows from Operating Activities**	**(883)**

CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
(48)	Interest received	(50)
825	Interest paid	815
(15)	Dividends received	(11)

27 CASHFLOW STATEMENT - INVESTING ACTIVITIES

2015/16 £000		2016/17 £000
4,598	Purchase of property, plant and equipment, investment property and intangible assets	2,332
12,100	Purchase of short-term and long-term investments	10,700
(30)	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	(2,518)
(13,220)	Proceeds from short-term and long-term investments	(7,650)
(54)	Other receipts from investing activities	(14)
3,394	**Net cash flows from investing activities**	**2,850**

28 CASHFLOW STATEMENT - FINANCING ACTIVITIES

2015/16 £000		2016/17 £000
0	Cash receipts of short and long-term borrowing	(9,000)
71	Repayments of short and long-term borrowing	6,075
71	**Net cash flows from financing activities**	**(2,925)**

29 POOLED BUDGETS

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

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

See note 33 details of balances held relating to this arrangements.

30 MEMBERS' ALLOWANCES

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

	2016/17	2015/16
	£000	£000
Allowances	112	111
Expenses	6	5
Total	**118**	**116**

31 OFFICERS' REMUNERATION

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

		Salary, Fees and Allowances	Expense Allowances	Compensation for loss of employment	Total Remuneration excluding Pension Contributions	Pension Contribution	Total
		£	£	£	£	£	£
Chief Fire Officer	2016/17	149179	52	0	149231	32372	181602
	2015/16	140381	18546	0	158927	30461	189388
Deputy Chief Fire Officer	2016/17	122925	52	0	122977	17578	140556
	2015/16	115895	52	0	115947	24836	140783
Assistant Chief Fire Officer	2016/17	111829	52	0	111881	24267	136148
	2015/16	107188	14844	0	122032	23259	145290
Assistant Chief Officer (leave date 30/09/15)	2016/17	0	0	0	0	0	0
	2015/16	48132	26	121245	169403	153887	323290
Head of Finance (senior employee from 01/10/15)	2016/17	59492	172	0	59664	7481	67145
	2015/16	54704	66	0	54770	6893	61662
Treasurer (new position due to restructure, start date 02/11/16)	2016/17	12153	52	0	12205	1527	13732
	2015/16	4967	22	0	4989	626	5614
Total	**2016/17**	**455,578**	**380**	**0**	**455,958**	**83,225**	**539,183**
Total	**2015/16**	**471,266**	**33,555**	**121,245**	**626,067**	**239,962**	**866,029**

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

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

Remuneration Band	**2016/17 Number of employees**	**2015/16 Number of employees**
£50,000-£54,999	19	27
£55,000-£59,999	7	5
£60,000-£64,999	4	4
£65,000-£69,999		
£70,000-£74,999		1
£75,000-£79,999	2	4
£80,000-£84,999		
£85,000-£89,999	1	
£90,000-£94,999		
£95,000-£99,999		
£100,000-£104,999		
£105,000-£109,999		1
£110,000-£114,999	1	
£115,000-£119,999		1
£120,000-£124,999	1	
£125,000-£129,999		
£130,000-£134,999		
£135,000-£139,999		
£140,000-£144,999		1
£145,000-£149,999	1	
£150,000-£154,999		
£155,000-£159,999		
£160,000-£164,999		
£165,000-£169,999		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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	0	0	3	1	3	1	36,674	12,698
£20,001 - £40,000	0	0	6	0	6	0	173,458	0
£100,001 - £150,000	1	0	0	0	1	0	121,245	0
Total	**1**	**0**	**9**	**1**	**10**	**1**	**331,377**	**12,698**

32 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.

	2016/17 £000	2015/16 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	31	31
Fees payable in respect of statutory inspections	0	0
Fees payable in respect of other services provided by the appointed auditor	0	5
Audit Commission Rebate	0	0
Total	**31**	**36**

33 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.

	2016/17 £000	2015/16 £000
Credited to Services		
Firelink grant (part of the Fire Revenue grant DCLG)	(323)	(270)
New Dimension grant (part of the Fire Revenue grant DCLG)	(122)	(122)
New Risks grant	(20)	(20)
Emergency Services Mobile Communications grant	(1,070)	(19)
Sponsorship of events and awards	0	(1)
Miscellaneous Community Safety donations	(13)	0
Total	**(1,548)**	**(432)**

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

Current Liabilities

	31 March 2017 £000	31 March 2016 £000
Grants Receipts in Advance (Revenue Grants)		
Local Resilience Forum	(11)	(11)
Multi Agency Coordination Centre	(14)	(14)
Regional Recruitment Portal	(1)	(1)
Total	**(26)**	**(26)**

34 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 33 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 30.

Officers

Some senior employees have significant influence over the Authority’s activities. Details of senior officers’ remuneration are shown in Note 31.

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.

	Nottinghamshire County Council		Nottingham City Council	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Expenditure during year	513	648	638	1,280
Income during year	3	3	2	19
Creditor at 31 March	3	176	23	1
Debtor at 31 March	0	0	0	0

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. In 2016/17 the value of such transactions was insignificant. 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.

Entities Controlled or Significantly Influenced by the Authority

The Authority is the sole shareholder of Nottinghamshire Fire & Rescue Service (Trading) Limited, with 1 officer and 3 members forming the Board of Directors. The Authority recovers costs incurred in the provision of certain goods and services to the Company including finance, payroll, human resources, insurance and transport. The Company is the Authority's provider of fire extinguisher maintenance services.

The Authority provided a loan of £55k to the Company on the commencement of trading on 1 September 2010. The loan is a revolving credit facility allowing the Company to draw down up to a maximum of £100k and decrease to nil at any time and interest is charged at 15 basis points above the Bank of England bank rate, a rate negotiated at arm's length. During 2015/16 the outstanding balance of the loan was repaid in full. The Authority's transactions and balances with the Company are detailed below. Note 40 provides more details regarding the company's transactions for the year 2016/17.

	Nottinghamshire Fire & Rescue Service (Trading) Ltd	
	2016/17	2015/16
	£000	£000
Expenditure during year	10	40
Income during year	59	68
Creditor at 31 March	0	1
Debtor at 31 March	0	0
Outstanding loan to Trading Company	0	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.

35 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.

	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement	**25,758**	**22,160**
Capital Investment		
Property, Plant and Equipment - (Operational)	967	804
Property, Plant and Equipment - (Non Operational)	1,005	3,992
Intangible Assets (including under construction)	76	484
Sources of Finance		
Capital Receipts	(2,518)	(30)
Government grant and other contributions	(1)	(440)
Sums set aside from revenue:		
Direct revenue contributions	0	(109)
Minimum / Voluntary Revenue Provision	(1,402)	(1,103)
Closing Capital Financing requirements	**23,885**	**25,758**
Explanation of Movements in Year		
Decrease in underlying need to borrow (unsupported by government financial assistance)	0	3,598
(Decrease) / Increase in Capital Financing Requirement	**(1,873)**	**3,598**

36 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 2015/16.

Authority as Lessor

Operating Leases

The Authority has entered into an operating lease arrangement with Nottinghamshire Police in respect of one of its properties, which is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1). Rent received in 2016/17 was £10k and in 2015/16 was £10k.

Future contracted receipts are:

	£000 s
Within 1 year	12
Within 2 to 5 years	60
Over 5 years	9 *

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

37 TERMINATION BENEFITS

The Authority terminated the contract of one employee in 2016/17 incurring redundancy and other termination costs of £16k in 2016/17 (£337k in 2015/16).

Pension strain costs arising from early retirements without actuarial reduction of pension are also classed as termination benefits. The Authority has paid £57k in pension strain recharge costs in 2016/17, however these payments relate to contracts terminated in 2015/16.

38 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 2017 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 statute (principally the Local Government Pension Scheme Regulations 2013), and it provides benefits based on career average revalued earnings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the three firefighters' schemes. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 103 to 108) and it is therefore not the Authority's income, however in IAS 19 terms it is a current contribution towards the Authority's liabilities for retirement benefits. The grant is therefore credited to other operating income in the Comprehensive Income and Expenditure Statement. The grant is not treated as an asset of the firefighters' pension schemes, but as a source of income to the schemes it does reduce the year end pension liability.

Past service costs of £252k and £501k relating to the 1992 FPS and the 2006 NFPS respectively are recognised under Corporate and Centralised Services in the Comprehensive Income and Expenditure Statement. The 1992 FPS past service costs relate to the refund of contributions to members who had continued to contribute to the pension scheme beyond the point at which they had accrued maximum pensionable service. More detail can be found in the notes to the Pension Fund Statements on page 104. The 2006 NFPS past service costs relate to the purchasing of back service credits by members of the Modified Scheme.

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

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

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

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

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

Transactions Relating to Post-employment Benefits

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

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:

	Local Government £'000		Firefighters' £'000	
	2016/17	**2015/16**	**2016/17**	**2015/16**
Comprehensive Income and Expenditure Statement				
Cost of Services				
Service cost comprising:				
- current service costs	1,267	1,389	6,424	7,683
- past service costs	0	392	753	4,528
Administration expenses	9	1	0	0
Financing and Investment Income and Expenditure				
Net interest expense	598	571	15,024	14,068
Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services	1,874	2,353	22,201	26,279
Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(4,610)	1,002	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	666	0	0	0
Actuarial (gains) and losses arising on changes in financial assumptions	10,824	(3,257)	93,871	(22,268)
Experience (gains) and losses	(1,057)	(7)	0	0
Other actuarial gains and losses	146	0	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	7,843	91	116,072	4,011

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	(1,874)	(2,353)	(22,201)	(26,279)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	896	1,117	13,076	13,051
Retirement benefits payable to pensioners			666	828

	Firefighters' Pension Scheme 1992 £'000		Firefighters' Pension Scheme 2006 £'000		Firefighters' Pension Scheme 2015 £'000		Firefighters' Compensation Scheme £'000	
	2016/17	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Comprehensive Income and Expenditure Statement								
Cost of Services								
Service cost comprising:								
current service cost	2,602	3,433	349	460	2,654	2,872	819	918
past service cost	252	1,819	501	2,709	0	0	0	0
Financing and Investment Income and Expenditure								
Net interest expense	13,208	12,569	882	750	193	63	741	686
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	16,062	17,821	1,732	3,919	2,847	2,935	1,560	1,604
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	0	0	0	0	0	0	0	0
Actuarial (gains) and losses arising on changes in financial assumptions	73,910	(18,439)	9,667	(2,328)	5,062	(436)	5,232	(1,065)
Experience (gains) and losses	0	0	0	0	0	0	0	0
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	89,972	(618)	11,399	1,591	7,909	2,499	6,792	539
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	(16,062)	(17,821)	(1,732)	(3,919)	(2,847)	(2,935)	(1,560)	(1,604)
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)	14,356	14,532	(62)	(398)	(1,218)	(1,083)		
Retirement benefits payable to pensioners							666	828

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 2016/17	**£ 000 2015/16**	**£ 000 2016/17**	**£ 000 2015/16**	**£ 000 2016/17**	**£ 000 2015/16**	**£ 000 2016/17**	**£ 000 2015/16**
Opening balance at 1 April	**(383,169)**	**(398,319)**	**(25,000)**	**(23,011)**	**(3,582)**	**0**	**(21,099)**	**(21,388)**
Current service cost	(2,602)	(3,433)	(349)	(460)	(2,654)	(2,872)	(819)	(918)
Past service cost	(252)	(1,819)	(501)	(2,709)	0	0	0	0
Interest cost	(13,208)	(12,569)	(882)	(750)	(193)	(63)	(741)	(686)
Contributions from scheme participants	(605)	(1,054)	(206)	(557)	(1,293)	(1,158)	0	0
Remeasurement gains and (losses):								
Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	(73,910)	18,439	(9,667)	2,328	(5,062)	436	(5,232)	1,065
Experience gains/losses on defined benefit obligation	0	0	0	0	0	0	0	0
Benefits paid net of transfers (in)/out	14,961	15,586	144	159	75	75	666	828
Closing balance at 31 March	**(458,785)**	**(383,169)**	**(36,461)**	**(25,000)**	**(12,709)**	**(3,582)**	**(27,225)**	**(21,099)**

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

	Funded Liabilities: Local Government Pension Scheme	
	£'000 2016/17	**£'000 2015/16**
Opening balance at 1 April	**(40,126)**	**(41,067)**
Current service cost	(1,267)	(1,389)
Interest cost	(1,512)	(1,387)
Contributions from scheme participants	(339)	(332)
Remeasurement gains and (losses):		
Actuarial gains/losses arising from changes in demographic assumptions	(666)	0
Actuarial gains/losses arising from changes in financial assumptions	(10,824)	3,257
Experience gains/losses on defined benefit obligation	1,057	7
Losses on curtailment	0	(392)
Benefits paid net of transfers (in)/out	1,002	1,155
Unfunded pension payments (LGPS only)	22	22
Closing balance at 31 March	**(52,653)**	**(40,126)**

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

	Local Government Pension Scheme	
	2016/17 £'000	**2015/16 £'000**
Opening fair value of scheme assets	**23,954**	**23,869**
Interest income	914	816
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	4,610	(1,002)
Other actuarial gains/(losses)	(146)	0
Contributions from employer	896	1,117
Contributions from employees into the scheme	339	332
Benefits paid (including unfunded benefits)	(1,024)	(1,177)
Administration expenses	(9)	(1)
Closing fair value of scheme assets	**29,534**	**23,954**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets at 31 March 2017			**Fair value of scheme assets at 31 March 2016**		
	£'000	**% Quoted**	**% Unquoted**	**£'000**	**% Quoted**	**% Unquoted**
Equities:						
• UK investments	8,836	30%	<1%	7,764	32%	<1%
• Overseas investments	11,347	38%		8,459	35%	
• Private equity investments – unspecified origin	473		2%	455		2%
Equities subtotal	20,656	68%	2%	16,678	67%	2%
Gilts:						
• UK fixed interest gilts	903	3%		745	3%	
• Overseas fixed interest gilts	0	0%		0	0%	
• UK inflation-linked gilts	0	0%		0	0%	
Gilts subtotal	903	3%		745	3%	
Other Bonds:						
• UK corporate bonds	1,694	6%		1,567	7%	
• Overseas corporate bonds	88	<1%		71	<1%	
• Inflation-linked bonds	0	0%		0	0%	
Bonds subtotal	1,782	6%		1,638	7%	
Property	3,284		11%	3,026		13%
Cash	1,486		5%	971		4%
Inflation-linked pooled fund	737		3%	674		3%
Infrastructure	686		2%	222		1%
Total	**29,534**	**77%**	**23%**	**23,954**	**77%**	**23%**

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 2016 and 31 March 2015 respectively. In updating the the net liability figure as at 31 March 2017 both firms of actuaries have adopted a roll-forward approach. 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 2017 the actuaries have used rates of 2.8% and 2.5% respectively for the Local Government Pension Scheme and the Firefighters' schemes, compared with rates of 3.8% and 3.5% at 31 March 2015. This material decrease in discount rates has been the major contributing factor to the actuarial loss on financial assumptions of £104.7m, which represents a significant increase in liabilities. This actuarial loss on financial assumptions is recognised in the Comprehensive Income and Expenditure Statement in the other comprehensive income and expenditure section of the statement. Other remeasurements on the net defined pension liability are also included in the amount shown in other comprehensive income and expenditure, the details of which can be found in the breakdown of Transactions Relating to Post-Employment Benefits on page 91.

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

	Local Government Pension Scheme		**Firefighters Schemes 1992, 2006 and 2015**		**Firefighters Compensation Scheme**	
	2016/17	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):						
Men	22.5	22.1	28.4	28.2	25.8	25.6
Women	25.5	25.3	30.9	30.8	28.3	28.2
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):						
Men	24.7	24.4	30.8	30.7	28.1	28.0
Women	27.8	27.7	33.3	33.2	30.6	30.5
Rate of inflation (CPI)	2.7%	2.5%	2.3%	2.0%	2.3%	2.0%
Rate of increase in salaries	4.2%	4.3%	3.8%	3.5%	3.8%	3.5%
Rate of increase in pensions	2.7%	2.5%	2.3%	2.0%	2.3%	2.0%
Rate for discounting scheme**	2.8%	3.8%	2.5%	3.5%	2.5%	3.5%

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

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

Sensitivity analysis for the Firefighters' Schemes

	Firefighters' Pension Scheme 1992		**Firefighters' Pension Scheme 2006**	
	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000	Impact on the defined benefit liability £ 000	Impact on the projected service cost £ 000
Increase discount rate by 0.1% p.a.	-7,132	-104	-1,066	-25
Increase inflation by 0.1% p.a.	7,251	107	1,100	26
Increase pay growth by 0.1% p.a.	1,492	43	723	16
Increase life expectancy by 1 year	11,982	101	878	18

	Firefighters Pension Scheme 2015		**Firefighters Compensation Scheme**	
	Impact on the defined benefit liability £'000	Impact on the projected service cost £'000	Impact on the defined benefit liability £ 000	Impact on the projected service cost £ 000
Increase discount rate by 0.1% p.a.	-487	-250	-443	-29
Increase inflation by 0.1% p.a.	506	260	452	30
Increase pay growth by 0.1% p.a.	0	0	145	14
Increase life expectancy by 1 year	280	144	773	28

Sensitivity analysis for the LGPS

	£'000	**£'000**	**£'000**
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Impact on the defined benefit liability	51,544	52,653	53,786
Impact on the projected service cost	1,970	2,020	2,072
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%
Impact on the defined benefit liability	52,853	52,653	52,454
Impact on the projected service cost	2,020	2,020	2,020
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%
Impact on the defined benefit liability	53,586	52,653	51,741
Impact on the projected service cost	2,072	2,020	1,969
Adjustment to mortality age rating assumption:	+0.1%	0.0%	-0.1%
Impact on the defined benefit liability	54,562	52,653	50,812
Impact on the projected service cost	2,084	2,020	1,958

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 £558m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

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

- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2016/17 was £668k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2018 is £963k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £13.6m inclusive of government top-up grant.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme Members is 22 years. The weighted average durations of the defined benefit obligations of the 1992 FPS, 2006 NFPS, 2015 FPS and the Firefighters' Compensation Scheme are 15 years, 30 years, 39 years and 16 years respectively.

39 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2017, the Authority had the following contingent assets:

The Authority is involved in the prosecution of a business which is deemed to have breached fire safety regulations. If the prosecution is successful the court may direct that costs are repaid to the Authority. The amount involved is unlikely to be a material sum.

At 31 March 2017, the Authority had no contingent liabilities, however after this date (in May 2017), a former employee notified the Authority of their intent to make a claim against the Authority for constructive dismissal and disability discrimination. The Authority has not been formally notified of such a claim as at the date of authorisation of this Statement of Accounts. It is not possible at this early stage to quantify the amount of a penalty against the Authority if such a claim was to be successful.

40 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.

The annual treasury management strategy for 2016/17 was approved by the Authority on 26 February 2016. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £30.8m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £28.0m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.
- An upper limit of £2.0m was set for principal sums invested for longer than 364 days.

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

<u>Credit Risk</u>

Credit risk arises from deposits with financial institutions and from providing chargeable services to customers. The Authority has a list of approved banks and financial institutions to which it will lend surplus cash. The list is based on minimum independent credit ratings from Fitch, Moodys and Standards and Poor, 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 Capita 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. 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 2017 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.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on actual experience in terms of deposits and the percentage of debt which has been written off as unrecoverable over the last 5 years in terms of debtors. There were seven deposits as at 31 March 2017 showing on the Balance Sheet, comprised of five call accounts, one business premium account, and one fixed term deposit with local authority.

	Amount at 31 March 2017	**Estimated Maximum Exposure to Credit Risk 2017**	**Historical experience of default**	**Amount at 31 March 2016**	**Estimated Maximum Exposure to Credit Risk 2016**
	£000	**£000**	**%**	**£000**	**£000**
Deposits with Banks and Financial Institutions	9,490	0	0%	5,485	0
Customers	144	0	0.00%	19	0
	9,634	**0**	**0**	**5,504**	**0**

Of the £144k shown in the above table as due from customers, £138k was not yet due for payment as at 31 March 2017 and £6k was past its due date for payment. The past due amount is analysed by age as follows:

	31 March 2017	**31 March 2016**
	£000	**£000**
Less than one month overdue	0	4
1 to 2 months overdue	0	1
2 to 5 months overdue	0	0
More than 5 months overdue	6	12
	6	**17**

Liquidity Risk

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

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

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

Re-financing 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 borrowed £4m under a “Lender Option Borrower Option” instrument on 7 March 2008 and the assumption has been made that the loan will be repaid on the maturity date.

The maturity analysis of financial liabilities (principal sums only) is as follows:

	31 March 2017 £000	31 March 2016 £000
Less than 1 year	2,135	2,131
Between 1 and 2 years	2,583	2,079
Between 2 and 5 years	1,694	4,225
Between 5 and 10 years	3,006	3,058
Between 10 and 15 years	0	0
Over 15 years	13,900	8,900
	23,318	**20,393**

Market Risk

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

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

The Authority is exposed to risk in terms of interest rate movements on borrowings and investments. A rise in fixed interest rates would have the following effects:

- For borrowings at fixed interest rates, the fair value of the borrowing would fall (but this would not impact upon revenue balances)
- For investments at fixed interest rates, the fair value of the assets will fall (but this would not impact upon 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.

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 2016/17, 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 investment assets	1
Decrease in fair value of fixed rate borrowings	4,200

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

41 INTERESTS IN COMPANIES

Nottinghamshire Fire and Rescue Service (Trading) Limited.

Principal activities

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

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

The company is considered to be a related party to the Authority, and details of transactions between the two entities have been disclosed in Note 34. The Authority's maximum exposure to loss from its interest in the subsidiary is limited to the share capital sum of £1.

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

	2016/17 £000	2015/16 £000
Profit and Loss		
Turnover	423	380
Operating Profit	36	65
Profit on Ordinary Activities before Taxation	36	65
Profit on Ordinary Activities after Taxation	29	52
Balance Sheet		
Net Current Assets	222	203

The accounts of the company can be obtained from:

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

PENSION STATEMENTS

PENSION FUND ACCOUNT

2015/16 £000		2016/17 £000
	Contributions Receivable	
	Fire Authority:	
(3,102)	Contributions in relation to pensionable pay	(2,911)
(180)	Other (Ill Health Retirements)	(248)
(2,776)	Firefighters' contributions	(2,347)
(6,058)	**Total Contributions Receivable**	**(5,506)**
	Transfers in from other authorities	
(40)	Transfers in from other schemes	(34)
	Benefits Payable	
11,825	Pensions	12,123
3,957	Commutations and lump sum retirement benefits	3,343
145	Lump sum death benefits	0
120	Other	55
16,047	**Total Benefits Payable**	**15,521**
	Payments to and on account of Leavers	
217	Transfers out to other schemes	0
	Refunds of Contributions	
0	Contribution holiday refund payments	252
10,166	**Net Amount payable for the year before top-up grant from Central Government**	**10,233**
(9,370)	Top-up grant received from Central Government	(7,875)
(796)	**Balance of top-up grant for the year (receivable from)/payable to Central Government**	**(2,358)**

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 38.

2015/16 £000		2016/17 £000
	Current Assets	
17	Contributions from employer	0
26	Contributions from members	0
39	Transfer into Scheme Receivable	0
994	Prepaid Pensions	1,018
602	Pension top-up grant receivable from Central Government	2,358
1,678	**Total**	**3,376**
	Current Liabilities	
(234)	Unpaid pension benefits	(239)
(124)	Tax payable on behalf of members	(106)
(1,320)	Amount owing (to)/from General Fund	(3,031)
(1,678)	**Total**	**(3,376)**
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. Until April 2015 there were two separate pension schemes for firefighters: the 1992 Scheme and the 2006 Scheme. The Firefighters' Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. Although this modified version does not constitute a scheme on its own, it has different benefits to the main 2006 Scheme and is therefore often referred to separately as the "Modified Scheme". The Modified Scheme came into being on 1 April 2014. More details about this scheme and its impact on the Pension Fund can be found below.

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

All Firefighters' Pension Schemes are unfunded and consequently the fund holds no investment assets. Benefits are payable to pensioners in accordance with with the regulations. Beneifts 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 be the Authority is accordance with the regulations. The primary objective of the Pension Fund Statements is to demonstrate the balance of transactions taking place over the year in order to identify the amount of top-up grant payable from, or surplus payable to, the Home Office.

2. The Modified Scheme

Following the court’s decision in the employment tribunal case involving retained firefighters who made a claim for equal treatment with wholetime firefighters under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, the Government introduced a modified version of the 2006 Firefighters’ Pension Scheme. This scheme is available for those who had retained service for all or part of the period from 1 July 2000 to 5 April 2006 inclusive.

Individuals who have elected to join the Modified Scheme can choose to pay their historic contributions either by a lump sum or in instalments over a 10 year period. These contributions are being accounted for in the year that the cash is received as the individuals concerned do not accrue any additional pensionable service until the contributions are paid.

3. Accounting Policies for the Pension Fund

General Principles
The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Accruals
Activity is generally accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. However, there has been a change of policy relating to the accrual of employee and employer contributions. Accruals are shown as debtors and creditors in the Net Assets Statement. Further details of accruals and the change of accounting policy are given in note 5 below. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements. The one exception to this policy is the treatment of historic employee contributions paid into the Modified Scheme (see note 2 above for details).

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

4. The Liability to Pay Pensions

The Authority has a liability to pay future retirement benefits to current members of the Firefighters' Pension Schemes. The value of this liability has been assessed by an independent firm of actuaries and is shown in the Authority's Balance Sheet and explained further in note 38 to the core financial statements. The Pension Fund Account and Net Assets Statement do not take account of this liability.

5. Accruals Within the Pension Fund and Net Assets Statement

Prepaid Pensions
Retirement benefits payable under the 1992 Scheme are paid to members monthly in advance. The payments made in March 2016 relate to April 2016 and have been treated as prepayments.

Pension Top-Up Grant Payable/Receivable
The amount required to be paid by the Home Office in order to balance the Pension Fund to nil has been calculated and accrued for.

Contributions Payable
Activity related elements of retained firefighters' pay are paid one month in arrears, therefore employee and employer contributions relating to March are still outstanding at the end of the financial year. In 2015/16 these outstanding contributions were calculated and accrued for. However there has been a change of accounting policy in 2016/17, and as a result of this the outstanding contributions are no longer accrued for. Instead they are accounted for when the payroll is processed. This policy change has led to a £34k increase in the deficit in 2016/17. The impact thereafter will be minimal.

Unpaid Pension Benefits
Unpaid pension benefits have been accrued for. This includes £33k relating to the employee contributions holiday (see note 7 for further details).

Tax Payable on Behalf of Members
When a member elects to take a tax free lump sum that exceeds 25% of their pension pot, the excess amount is treated by Her Majesty's Revenue and Customs (HMRC) as an unauthorised payment and the member has to pay tax on that amount. When the lump sum is paid to the member, the Authority deducts the tax that is due and pays it over to HMRC on the member's behalf. Tax that has been deducted but not yet paid over to HMRC has been accrued for.

Tax relating to contributions refunded to members of the 1992 scheme as a result of the legislation regarding the employee contribution holiday has been accrued for (see note 7 for further details).

6. Financing of the Pension Fund

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority's main bank account. These amounts are shown as "Amounts owing from the General Fund". Top-up grant received in advance from central government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable by the Home Office to the Authority in respect of the 2016/17 financial year is £2,358k, and this is included in the Pension Net Assets Statement. The difference between the grant payable and the cash deficit of £3,031k as at 31 March 2017 is the total of the accruals included in the Pension Fund.

7. Significant issues affecting the Pension Fund Statements

Under the previous terms of the 1992 Firefighters' Pension Scheme, the maximum pensionable service that a member could accrue was 30 years, whilst the earliest point at which they could retire was at age 50. This meant that some scheme members who had joined the service before the age of 20 had to continue to pay employee contributions beyond the point of accruing maximum service but before they were able to retire. Legislation came into effect on 30 September 2016 which introduced an employee contributions holiday for 1992 scheme members who accrue the maximum 30 years' pensionable service prior to the age of 50. This applies from the point of accruing maximum pensionable service until the member's 50th birthday. The legislation has been applied retrospectively to 1 December 2006, and as a result 43 members are entitled to a refund of contributions totalling £252k. These refunds have been made net of tax, as the contributions would have initially have attracted income tax relief. HMRC has also confirmed that the refund payments constitute unauthorised payments and, as such, will generate an Unauthorised Payments Charge tax liability for the scheme member. The total tax payable to HMRC is approximately £100k. Net payments of £119k have been paid to members, and it is estimated that a further £33k is still to be paid.

8. Contingent liability

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

<u>Pension Transitional Protection Legal Challenge</u>
As part of central government pension reform across the public sector, the Firefighters' Pension Scheme (2015) was created which extended the normal pension age to 60 and changed from a "final salary" to a "defined benefit" scheme as part of a suite of initiatives to make fire pensions more financially sustainable. To support those closer to retirement and, therefore less able to alter their financial planning, firefighters within 10-14 years of their normal pension age were wholly or partially protected from transferring to the 2015 scheme.

In response, a legal challenge was raised nationally which argued that such transitional protection discriminates on the grounds of age, gender and race. In February 2017 the Employment Tribunal ruled that the introduction of the 2015 Scheme was not discriminatory. The Fire Brigades Union has since filed an appeal in relation to this decision. There will obviously be a financial impact on the Home Office and Fire Authorities if this appeal is successful, however the financial cost cannot be measured with sufficient reliability. Such cost would be a contingent liability on the pension fund, as opoosed to employers directly. At a future date, a valuation of fund liabilities including any judgement in resepct of this appealwould be assessed nationally, with deficits being addressed by increases in employer and employee contribution rates.

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

1.0 SCOPE OF RESPONSIBILITY

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

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

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

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

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

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

3.0 THE GOVERNANCE FRAMEWORK

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

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

3.3 For the most part of the financial year 2016/17 the previous Local Code of Corporate Governance was in place. The new Local Code was adopted by the Authority in February 2017. This Annual Governance Statement therefore describes governance arrangements in place throughout the year, incorporating both the previous and the new Local Code, and the annual review of governance has taken account of both frameworks.

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

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

3.5.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The latest IRMP covers the period 2014–2019 and the Authority consults with citizens and other stakeholders to formulate its business plans for each financial year within this plan.

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

Service Delivery

We will deliver a professional, effective and value-for-money emergency response service to all those who live, work and travel in the county of Nottinghamshire.

What this means

We will continue to use a risk-based approach to improve our service to individuals, communities and local businesses with an emphasis on creating safer communities, and reducing death and injuries. We will do this through our key themes: preparedness, response, prevention and protection.

Employees and Workforce

We will maintain, support and develop our workforce to ensure an environment in which we can deliver a professional and effective service to the people of Nottinghamshire.

What this means

We will ensure that our employees have the capacity and skills to meet our delivery objectives and provide a work place where our employees feel supported, valued and competent to undertake their roles.

Improvement and Governance

We will look to continuously improve upon previous achievements and assure our stakeholders that the organisation has an appropriate infrastructure for governance to support future success.

What this means

With increasing demand for services likely across the public sector, NFRS will be required to base its decisions upon robust intelligence and work alongside its partner/agency service providers in a more collaborative manner.

Engagements and Partnerships

We will look to develop and maintain effective strategic and community partnerships.

What this means

We will continue to work closely with our partners and community organisations in order to identify and keep safe those members of our communities who are most at risk.

Environment

We aim to reduce the Service's impact on the environment through a combination of measures including considering the environment when making decisions, investing in technology and delivering training and education initiatives.

What this means

We will continue to be committed to minimising our impact on the environment by integrating environmental considerations in all aspects of our work, by meeting legal standards, seeking competent advice and adopting best practice.

Inclusion and Equality

We will provide services tailored to meet the needs of our communities.

What this means

Nottinghamshire Fire and Rescue Service prides itself on its approach to inclusion and equality. We work on the principle that to treat people equally, we may need to treat them differently.

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

3.6.1 The Service operates a system of cascading business plans. The IRMP is the highest level and from this a series of departmental and functional business plans are produced. Progress against these plans is reported on regularly and Officers report on progress and outcomes to the relevant committees.

3.6.2 The Executive Delivery Team, which comprises Heads of Departments within the Service, monitors performance against business plans regularly and reports any issues to the Strategic Leadership Team for consideration.

3.7 **The Internal Control Environment:**

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

3.7.2 Policy and Decision Making Process

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

3.7.3 Management Structure

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

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

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

3.7.4 Established Policies, Procedures & Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations. The information regarding policies and procedures is held on the intranet, and these are continually enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud, fraud response and confidential reporting. 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
- Anti-Fraud and Anti-Corruption Policy
- Whistleblowing Policy
- Complaints procedure
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Equality and Diversity schemes
- Workforce plan and establishment model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline processes, through to performance development reviews

3.7.5 Internal Audit Function

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

3.7.6 Risk Management Strategy

The Authority has a well-established and embedded risk management strategy. This is managed on two levels, firstly at the corporate/strategic level by The Finance and Resources Committee which receives 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 Authority’s Risk Manager on behalf of the Chief Fire Officer. In addition, the Service also maintains an approach to Risk via its business plan monitoring which is administered through its Corporate Support Department. This ensures the Service’s Risk Manager can support departmental heads in robustly assessing the risks to the achievement of the services objectives.

3.7.7 Best Value Duty

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

3.7.8 Financial Management

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

4.0 REVIEW OF EFFECTIVENESS

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.

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

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

4.3 The Authority and Its Committees

4.3.1 The Authority

The Authority has reviewed the vision and strategic service objectives as part of the budgeting process which was undertaken between October 2016 and February 2017. This process also had a measure of Member scrutiny with the Chair of the Finance and Resources Committee taking an active role.
At the annual general meeting in June the format and structure of its democratic decision process was reaffirmed and approval was given to the powers and make-up of the following committees:

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

In addition to the above there are also panels for appointments, Equalities and Personnel matters.

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

4.4 Management Review

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

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

4.4.3 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management and receive update reports every six months. Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management are considered strong. The Service also maintains a comprehensive approach to health and safety which is undertaken by the Service's Health and Safety advisor and monitored by the Health Safety and Welfare Committee.

4.4.4 The Authority employed 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 and all relevant laws and regulations have been 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.

•A Responsible Finance Officer has been appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Leadership Team ensures that the Authority approves a realistic and affordable financial plan for both revenue and capital expenditure which links to the IRMP. The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team managed by the Head of Finance maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.

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

4.4.6 A full review was most recently carried out in 2015 of the role of Chief Financial Officer and, always accepting that the key statutory responsibilities under Section 114 and Section 151 are held by the Treasurer, all of the principles set out in the CIPFA document *The Role of the Chief Financial Officer* are met.

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

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

4.4.9 The External Auditor approved an unqualified Statement of Accounts for 2015/16 and it is anticipated this will be repeated in 2016/17. A presentation by the Head of Finance on the final accounts by way of a detailed year-end report to the Authority helped to communicate the year-end position to Members in a clear and understandable format.

4.4.10 During the year CIPFA / Solace published a revised framework for delivering good governance in local government and the Authority adopted this framework as its new Local Code of Corporate Governance in February 2017, following approval of the Policy and Strategy Committee. A full review of current corporate governance arrangements against the new code was undertaken, and this identified that in most areas the Authority has good processes in place which are well embedded. A few improvements need to be made in order to achieve compliance with best practice as set out in the guidance accompanying the CIPFA / Solace framework and these areas will be worked on during 2017/18 and are listed in Section 5.

4.4.11 In addition to the over-arching review of corporate governance, a number of specific areas of governance were reviewed during the year. These included a review of the Authority's Consultation Framework, a new Internal Communications Strategy, a Protective Security Policy and an Environment and Sustainability Policy Statement.

4.4.12 Work started on a new performance management framework and this project will continue into 2017/18. The aim of this work is to improve the management of organisational performance and also to increase accountability to the community in respect of the way that services are delivered. An Information Governance Update was presented to the Policy and Strategy Committee in February 2017, where it was agreed that an annual report would be made to that Committee in future to brief Members on information governance issues arising from the Freedom of Information Act, the Data Protection Act and the Regulation of Investigatory Powers Act.

4.4.13 The drive to continuously improve internal governance has continued this year, with the Strategic Leadership Team conducting a review of the way it was working and agreeing on improvements for the future. The Service's decision-making framework was also mapped out with the aim of making the governance process more transparent to all employees. Communication of key Service priorities has continued with the introduction of quarterly Middle Manager Briefings designed to provide clear information to those attending, which should be cascaded to the wider Service through team meetings and other conversations with staff. A restructure of some departments within the Service was carried out in 2016/17 and three related functions, which used to be separate departments, have now been brought together within one team: Operational Assurance; Health, Safety and Environmental Risk Management; Business Risk Management. It is expected that this integration will result in more efficient and collaborative working.

4.4.14 In addition to the usual Internal and External Audit reviews, two other inspections were carried out in the year. The Emergency Planning College carried out an audit of Business Continuity Management arrangements, the findings of which have been fed into a Business Continuity Management implementation plan. The Office of Surveillance Commissioners conducted an inspection to check on the Authority's compliance with the Regulation of Investigatory Powers Act and the report was positive, recommending only a few small changes to our current RIPA policy and processes.

4.4.15 The Authority published its first Efficiency Plan this year, setting out targets for achieving savings over the period of the Medium Term Financial Strategy. This will be updated annually and be included within the annual Statement of Assurance in future.

4.4.16 In August 2016 the Authority did not meet the statutory requirement to send Pension Annual Benefits Statements to members of the Firefighter Pension Schemes by 31 August 2016. The Local Firefighter Pension Board was kept fully informed of the issues causing this breach of regulations and supported the decision to delay sending statements until the information contained within was deemed to be accurate. The breach was reported to The Pensions Regulator, the statements were sent by the end of October 2016 and the matter is now closed with no action taken against the Authority by the Regulator as plans were put in place to rectify the issue as quickly as possible. This issue was reported to the Policy and Strategy Committee during the year.

4.4.17 In December 2016 the Authority commissioned a review of governance arrangements for the arms'-length Trading Company, and the results of this review will be reported on in 2017/18.

4.5 Internal Audit

4.5.1 The Authority procured 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 2016/17, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Finance and Resources Committee during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee.

The Annual Internal Audit Report, which will be reported to the Finance and Resources Committee during 2017 concluded that:

“From the work carried out during the 2016/17 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.

4.6 External Review

4.6.1 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority’s financial statements with those charged with governance. This communication is in the form of a written report which was presented to Members in September 2016.

4.6.2 The principal purposes of the Auditors’ report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2016 and any material misstatements in the accounts
- To report on any key issues for governance
- To report on the Auditors’ Value for Money conclusion
- To give an “audit opinion” on the financial statements
- To report on the implementation of any recommendations in the previous year’s ISA 260 report
- To seek approval to the management representation letter, which confirms the Authority’s responsibilities and actions in relation to the financial statements

4.6.3 The ISA 260 report confirmed that the quality of the accounts was good, with no material adjustments required. One key risk was identified prior to the audit, in respect of the new firefighter pension scheme, but the audit work carried out in this area revealed no matters of significance. Three recommendations were made in the report and these are all being addressed as part of the final accounts process for 2016/17.

5.0 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2017/18

5.1 The Policing and Crime Act 2017 received Royal Assent at the end of January 2017 and will be enacted in full by April 2017. This Act has introduced the duty for emergency services to consider collaboration opportunities in all that they do and, although much collaborative work already takes place, this will drive further collaboration over the coming years. The Act also allows Police and Crime Commissioners to take over responsibility for fire and rescue where a local business case is made and this may lead to significant changes in governance in the future. Another feature of the new legislation is the creation of a new statutory inspectorate for fire and rescue, so it is likely that the Service will be inspected under the new arrangements in 2017.

5.2 A new Integrated Risk Management Plan will be developed and consulted upon during next year. The European General Data Protection Regulation (GDPR) will come into UK law May 2018. The service is following the Information Commissioner's summary of 12 preparation steps for GDPR, and monitoring this through the Protective Security Group. Work is already underway to move the Service's information technology infrastructure towards Public Sector Network (PSN) compliance and this work will continue in 2017/18 with improvements to the security of systems and data as a result.

5.3 The review of the Local Code of Corporate Governance identified some areas where further work will need to be done to ensure compliance with best practice. The main areas, which will be addressed during 2017/18, are:

- The creation of a Collaboration strategy / framework
- A Communications strategy which addresses external communications
- Review of the terms of reference for the Finance and Resources Committee against the "Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013)"

5.4 Continuing reductions in central government grant means that the Authority will need to make significant savings over the next two to three years at least, whilst continuing to maintain a service that meets public expectations. The Authority's prudent financial management, as set out in the Medium Term Financial Strategy, will allow it to phase in the impact of budget reductions in a manageable way. The Authority accepted the government's offer of a four year financial settlement covering the period up to 2020, however the announcement of a general election on 8th June 2017 means that the next parliamentary period will extend to 2022 and it is possible that a new government may commission a further spending review to cover the longer timescale. It is also a possibility that the four year settlement could be rescinded by a new government. The Authority is expecting austerity to be a continuing theme and future financial planning will take account of this.

5.5 The Service may also be affected by the UK's exit from the European Union, but at this early stage in the process the impacts are unclear. The risk associated with "Brexit" is on the Authority's strategic risk register and will continue to be monitored and managed as appropriate.

5.6 The results of the local elections in May 2017 will trigger a change to membership of the Fire Authority, with a number of new members joining the Authority at the Annual General Meeting in June 2017 as well as the election of a new Chair of the Fire Authority. Officers will need to work with the Fire Authority to ensure that the training and development needs of new members are met.

5.7 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

Signed……………………………………	Signed……………………………………
CHAIRMAN	John Buckley CHIEF FIRE OFFICER

GLOSSARY OF TERMS

Accruals

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

Budget

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

Capital Expenditure

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

Capital Receipts

Income derived from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Contingent Liability

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

Creditors

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

Debtors

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

Depreciation

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

Finance Leasing

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

Financial Instrument

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

Non-Current Assets

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

Impairment

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

Non-Distributed Costs

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

Operating Leasing

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

Provision

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

Reserve

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

Revenue Contribution to Capital Outlay

A fixed asset purchased directly from revenue contributions.

Revenue Expenditure and Income

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