NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

# Statement of Accounts

2019/20

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY**
**STATEMENT OF ACCOUNTS 2019/20**

# NARRATIVE STATEMENT

## Introduction

This Narrative Statement introduces the Statement of Accounts 2019/20 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, how this relates to the delivery of services to our communities and the impact of Covid-19 on the service.

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 2019/20, which is published by CIPFA.

## Background

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

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

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

The Strategic Plan 2019-2022 sets out the key priorities for the Authority for the three years starting from 2019/20. Included in the Plan is the Year 1 Action Plan for 2019/20. Progress against the Plan can be found in the Annual Statement of Assurance which is presented to Fire Authority in September of each year.

The Medium Term Financial Strategy includes budgets for the next four years which support the delivery of services but within the context of financial sustainability. These plans are all available on our website www.notts-fire.gov.uk or by clicking on the links below.

- Strategic Plan 2019 - 2022

- Medium Term Financial Strategy, Treasury Management Strategy and Reserves Strategy

**Performance Data**

There has been a 14% decrease in the number of incidents in 2019/20, mostly due an increase in 2018/19 incidents during the hot summer. The number of attendances at false alarms has decreased due to a revised approach where appliances are only automatically dispatched to high risk premises.

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

| | Fires | Road Traffic Collisions | False Automated Fire Calls | Other Services | Total Incidents |
|---|---|---|---|---|---|
| **2019/20** | 3,088 | 559 | 3,979 | 2,032 | 9,658 |
| **2018/19** | 4,192 | 542 | 4,475 | 2,026 | 11,235 |
| **2017/18** | 3,301 | 506 | 4,369 | 2,402 | 10,578 |

One of our strategic aims is to provide an engaged and motivated workforce. Our people are at the heart of what we do, and ensuring their engagement and motivation strengthens the service that we provide to you. In 2019/20 we employed 821 people - 674 in operational roles and 147 in support roles. This has decreased since 2018/19 when 886 people were employed - 742 in operational roles and 144 in Support roles. The reduction in operational posts were due to changes in crewing models at Retford and Ashfield fire stations and the relocation of Control to Derbyshire Firecovid and Rescue Service.

Work continues on strengthening the sustainability of our on-call workforce. Over a third of our operational staff are on-call firefighters working in primary employment and devoting time to keeping our communities safe. It is our aim to improve the availability of our on-call appliances to an average of 85% with no station falling below 70% In 2019/20 the average availability of on-call appliances was 85.85%.

In addition to responding within the County and City, the Fire and Rescue Service has an obligation to support other Services in times of need such as flooding assistance. The service sent a significant number of resources to assist Derbyshire Fire and Rescue Service during the Toddbrook Reservoir incident and also provided flooding assistance across the border in Lincolnshire. Some of the additional costs related to this work were recovered under the Central Government's Bellwin Scheme.

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

| | Number of Fire Safety Inspections | Number of Primary Fires in Non-Domestic Properties |
|---|---|---|
| **2019/20** | 1,045 | 243 |
| **2018/19** | 1,076 | 254 |
| **2017/18** | 853 | 286 |

We explained in our Strategic plan how we are going to make our communities safer through our prevention activities. We are working closely with our colleagues in other agencies to support early internvention for those who are most vulnerable in Nottinghamshire. This work has continued during the Covid-19 outbreak with officers wearing Personal Protective Equipment (PPE) where home visit have been considered necessary.

The service's HMICFRS inspection highlighted that the service undertook comparatively low number of Safe and Well visits. The service has worked hard to increase the number of these visits , which offer information on several factors which, in addition to fire advice, include smoking cessation, alcohol addiction, preventing falls ank keeping warm in winter. Where necessary, referals are made to our partner organisations.

The creation of Evaluation and assurance frameworks mean that we are monitoring the effectiveness of our interventions and therefore able to refine the work we do as we aim to make every contact count.

Our intelligence-led CHARLIE profile (which stands for Care and support, Hoarding, Alcohol, Reduced mobility, Lives alone, Inappropriate smoking and Elderly) identifies the main contributory factors that increase a person's risk from a fire in the home. We use this profile to raise awareness with partners and local organisations to improve the way that we are notified of people who may be at risk within our communities and in order to generate targeted Safe and Well visits.

In 2019/20 we increased the number of Safe and Well vists by 84%. We conducted 7,752 visits, compared to 4,219 in 2018-19. 53% of our visits were delivered to people over 65 and 33% were delivered to people who considered themselves to have a disability.

Whilst Covid-19 had little impact on the number of 2019/20 visits undertaken, since lockdown began in March visits have only taken place for the most vulnerable. The service has received additional Covid-19 grant from Central Government and some of this is being used to reduce the backlog of visits and get back on track with the programme.

We increased the number of specialist smoke detectors for people with hearing impairments to 1,157 compared to 511 in 2018/19.

The prevention team also undertook 524 Community Safety initiatives and school visits, 65 road safety events and 14 water safety initiatives. Unfortunately this work has largely ceased during the Covid-19 pandemic, but we hope to commence it again as soon as practically possible.

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

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

| | **Number of Complaints in Year** | **Number of Customer Satisfaction Letters** |
|---|---|---|
| **2019/20** | 34 | 50 |
| **2018/19** | 31 | 57 |
| **2017/18** | 29 | 41 |

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

## Risk Management

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

- that Covid-19 will impact on internal factors which will affect the delivery of core business and development activities;
- The use of vehicles on Authority business;
- The service is unable to receive and act on emergency calls in contravention of statutory duty;
- The introduction of the Emergency Services Network. This reflects the requirement to successfully introduce the government's communications solution and to work collaboratively.
- Ensuring that employees safe systems of work are in place to protect employees and / or non-employees.

## Value for Money

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

At its meeting on 28 February 2020 the Fire Authority approved a balanced budget after several years of requiring the use of general fund reserves. This has been achieved through making savings, for example through the revision of crewing arrangements at Ashfield and Retford fire stations and implementing a joint control function with Derbyshire Fire and Rescue Service.

A number of other collaborative opportunities have also been taken advantage of such as the joint use of Hucknall, Highfields and West Bridgeford fire stations with East Midlands Ambulance Service staff and Nottinghamshire Police.

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

## The Core Statements

### Comprehensive Income and Expenditure Statement

This statement brings together all of the items of income and expenditure which constitute the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the net cost to be funded from council tax. The reader may wish to refer to the Movement in Reserves Statement to find out the net increase or decrease to the General Fund Balance, which is effectively the underspend or overspend against the amount of income received by the Authority. During 2019/20 the service worked hard to reduce the call on reserves, creating an underspend position at the end of the year of £0.616m. As a consequence, £0.587m was used out of General Reserves against a budget of £1.240m.

### Expenditure and Funding Analysis

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

### Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31st March. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority and thus the Balance Sheet is "in balance". The reader will notice that the total on the Balance Sheet is a negative figure of £508,535m, 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 (£557,793m) 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 £49,258m.

### 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 £4.989m in General Reserves as well as £4.761m in Earmarked Reserves as at 31st March 2020.

This puts the service in a strong financial position going forward. At its meeting on 20 December 2019, Fire Authority set a minimum level of general fund reserves of £3.9m. The service is not expected to require general fund reserves to meet expenditure in 2020/21.

**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 a decrease in cash of £748k. This is largely due to a high level of cash being held at the beginning of the year due to treasury management activity.

**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 £9.732m.

**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: £587k was required from General Fund to finance expenditure during 2019/20 against a planned use of £1.240m. This represents a £616k underspend against the budget. This was in line with the Medium Term Financial Strategy. The main reasons for the variance given in the section below "Significant Variances".

Cost of Services: this was £54,127m 2019/20 (£74,775m for 2018/19) and is shown in the Comprehensive Income and Expenditure Statement. This represents a 30% decrease. This has been caused by a one off £28m increase the pension actuarial valuation in 2018/19 resulting from the estimated additional pension cost resulting from an employment tribunal case were the transitional arrangements to the 2015 firefighters pension scheme were found to be discriminatory.

Total Net Liabilities: this was £508,535m for 2019/20 (£518.180m 2018/19)and is shown on the Balance Sheet. The main reason for the movement between the 2 years was a £11m decrease in the pension liability.

Total Usable Reserves: this was £10.097m for 2019/20 (£10.686m 2018/19) and is shown on the Balance Sheet. The reduction reflects the use of both General Fund (£587m) and Earmarked Reserves (£2k) to support revenue expenditure during the year.

Debtors: Debtors were £5.948m for 2019/20 (£6.134m 2018/19), a decrease from 2018/19 as shown on the Balance Sheet.

Long term and Short term Creditors: this was 3.874m for 2019/20 (£3.128m 2018/19) and is shown on the Balance Sheet.

## Summary of the Year

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

Revenue Income and Expenditure

The 2019/20 revenue budget for of £42.696m was approved by the Fire Authority in February 2019. This was on the basis that a £1.2m deficit in the budget would be supported by a transfer from general reserves to support the budget. This was in line with the Medium Term Financial Strategy which sets out as a principle that financial planning will take account of the possible use of reserves to minimise the effect of reductions in funding as a means of transition. During the year, a further £362k of planned expenditure has been incurred, funded from Earmarked Reserves and £360k of unspent grant were put into reserves including £177k of Covid-19 grant received in March 2019. Total Expenditure for the year is £42.080m, requiring £0.587m of funding from General Reserves. This represents an underspend of £0.616m (1.4%) .

A summary of expenditure is shown below.

| | **Budget 2019/20 £000** | **Actual 2019/20 £000** | **Variance 2019/20 £000** |
|---|---|---|---|
| Employees | 35,647 | 35,122 | (525) |
| Premises Related Expenditure | 2,474 | 2,802 | 328 |
| Transport Related Expenditure | 1,759 | 2,340 | 581 |
| Supplies and Services | 4,103 | 3,948 | (155) |
| Third Party Payments | 703 | 795 | 92 |
| Support Services | 191 | 184 | (7) |
| Capital Financing | 2,438 | 2,388 | (50) |
| Other Income (eg Grants) | (4,619) | (5,498) | (879) |
| **Net Expenditure** | **42,696** | **42,080** | **(616)** |
| | | | |
| Financed By: | | | |
| Contribution from Earmarked Reserves | 0 | (2) | (2) |
| Contribution from General Reserves | (1,240) | (587) | 653 |
| Revenue Support Grant | (5,335) | (5,371) | (36) |
| Non Domestic Rates | (10,828) | (10,828) | 0 |
| Precept from Constituent Authorities | (25,293) | (25,293) | 0 |
| | | | |
| **Net** | **0** | **0** | **0** |

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 £0.616m, which is relatively small at 1.4% of the overall budget, although within this are a few significant over and underspends.

**Employee Costs -** The underspend on employee costs is caused by several smaller underspends. These include £213k in support staff pay due to vacant posts and £124k in on-call pay due to fewer than planned recruitment courses and consequential reduction in training costs.

**Premises Costs-** The overspend on premises is due to additional building repair and maintenance (£88k), utilities (£63k) and business rates (£42k).

**Transport Related Expenditure** - This budget is overspent by £580k. £210k relates to two vehicles which were damaged and repair costs are included in the expenditure pending the settlement of insurance claims. There is also an element of unplanned maintenance and high demand for planned maintenance.

**Income -** Additional income of £159k was received to offset costs from incidents such as the Toddbrook and the Wainfleet incidents. In addition, £147k was recovered from the police for works carried out at Highfields and West Bridgford stations. A further £191k was received in March from Central Government to cover the additional costs incurred from Covid-19. The unspent element of this at the end of March (£177k) was transferred to earmarked reserves to cover expenditure in 2020/21.

More details regarding expenditure during the year is available in the Capital and Revenue Outturn report reported to Policy an Strategy Committee on 24 July 2020.

**Capital Expenditure**

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

| **Expenditure** | **Capital Programme 2019/20 £000** | **Actual 2019/20 £000** | **Variance from Budget 2019/20 £000** |
|---|---|---|---|
| Vehicles | 538 | 228 | (310) |
| Operational Equipment | 1,335 | 839 | (496) |
| Property | 3,895 | 594 | (3,301) |
| Information, Computer and Technology (ICT) | 831 | 197 | (634) |
| **Total** | **6,599** | **1,858** | **(4,741)** |
| **Funded by:** | | | |
| Borrowing | 6,599 | 1,821 | (4,778) |
| Grant funding | 0 | 0 | 0 |
| Capital Receipts | 0 | 15 | 15 |
| Earmarked reserve | 0 | 22 | 22 |
| **Total** | **6,599** | **1,858** | **(4,741)** |

The 2019/20 capital programme includes the completion of the project to move Hucknall on-call fire crews to a new shared site for Ambulance, Fire and Police.

The Joint Headquarters project has commenced, with planning permission being approved and initial site work commencing. The project will see the service sharing headquarters with Nottinghamshire Police.

There has been a significant amount of slippage, largely due to the replacement of Worksop Fire station being delayed due to issues with site availability (£2.6m). There were also delays in the delivery of Personal Protective Equipment due to expected delivery dates being delayed from March into April due to Covid-19.

Treasury Management Activity

During the year, £4.8m of capital expenditure was funded from borrowing. The Authority borrowed £3m long term loans from the Public Work Loans Board ( PWLB) and repaid debt of £4.088m. The Authority's level of long term borrowing at the year end was £28,540m. This compares to long term assets on the Balance Sheet valued at £65,588m. The capital financing requirement as at 31 March 2020 is £26,017m, which demonstrates that the current level of net borrowing is prudent.

There was no temporary borrowing outstanding at year end to cover cashflow shortfalls, so total borrowing was £28,540m as at 31 March 2020. This remains within the Operational Boundary set by Fire Authority of £30.600m.

Reserves

Earmarked reserves are held either for unspent grant or set aside to fund specific areas of expenditure, usually of a one off nature. During 2019/20 a review of earmarked reserves was undertaken as, for various reasons, some of these reserves had not been utilised. The review identified £1.4m which was re-allocated to a new Transformation and Collaboration Reserve to help fund areas of work included the Transformation and Efficiency Strategy, which identifies areas for improvement in the coming years, largely as a response to the HMICFRS inspection. The Reserves Strategy and Transformation and Efficiency Strategy were approved in February 2020. The earmarked reserves held by the Authority are shown in note 11. Earmarked reserves totalled £4.7m at 31 March 2020.

General Reserves of £4.989m were held at 31 March 2020, against a minimum level set in the Reserves Strategy of £3.9m. The use of general fund reserves is not expected to be required in 2020/21. The service has set a balanced budget for the year and Covid related expenditure should be contained within the grant received from Central Government for this purpose. Future years remain uncertain at this point in time as it is anticipated that Covid-19 will impact on council tax and business rate collection levels and the service will not know about future central government grant levels until the Autumn. This being said, the service is in a strong financial position and has sufficient reserve levels to enable it to plan for any reductions in funding in a measured way.

Pension Funds

Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability of £557,793 on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £535,286m.

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

An employment tribunal case was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. HM Treasury released a consultation document on the options to remedy the situation. The pension fund accounts include estimates of these costs.

Other Significant, Material and Unusual Items

**Covid-19**
The Authority has been impacted by the current Covid-19 outbreak in many ways. Towards the end of March 2020 the country went into lockdown. Emergency response activity have been maintained, with crews forming bubbles to prevent cross contamination between stations. Sickness levels have been very low and on-call availability has actually improved due to staff being furloughed from their primary employment.

The overall number of incidents has remained fairly steady. There was a small increase in fires in the summer due to the warm weather and increased number of garden fires due to lockdown. This was offset by a reduction in road traffic accidents due to the stay at home policy.

The service has attended some larger incidents but normal practices have continued and the service has been able to utilise its standard Personal Protective Equipment (PPE) to protect staff at incidents. Over border support has also been maintained.

Other face to face activity such as Safe and Well visits were constrained with only the most urgent visits being made and alternative methods of support being adopted, such as virtual or telephone advice.

At this time of crisis, the service moved to support its community in different ways. Support was provided to East Midland Ambulance Service (EMAS) in the form of providing additional blue light drivers. Firefighters assisted with the delivery of prescription medicine and emergency food parcels.

There were no issues with the levels of Personal Protective Equipment (PPE) held by the service as firefighters are issued with two sets of personalised PPE as part of their standard issue for incidents which involve hazardous substances. The turnaround for cleaning of PPE kit was a potential concern but there were sufficient levels of additional stock held to prevent this becoming an issue.

The service did have some initial problems in procuring sufficient hand sanitiser but this has now been resolved. The servicing of the service's vehicles was impacted in March and April, but this work is in the process of being caught up and did not cause any major issues.

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

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

The financial impact of the outbreak was very small in 2019/20 due to its timing. The service received an initial £191k grant to help with additional Covid-19 related costs. Only £14k of this was spent during the 2019/20 financial year with the remaining £177k being transferred to reserves to fund expenditure in 2020/21. A further £867k was received in April. It is anticipated that the grant will be sufficient to contain the additional costs of Covid-19 during 2020/21 and beyond. The grant is being utilised to help the recovery of services such as Safe and Well visits to vulnerable members of the community.

**HMICFRS Inspection**

During January and February 2019 the Service underwent an inspection by (HMICFRS). The inspection report was published in June 2019. The Inspection delivered an overall rating of Requires Improvement. Whilst some areas of performance were awarded a rating of Good (protecting the public through fire regulation and responding to national risks) 24 areas were judged to be requiring improvement. An improvement plan covering the 24 areas has been developed along with an action tracking process to manage and record progress. Eight areas of improvement have already been completed. The remaining actions are programmed to be completed in 2020/21.

The service's Strategic Plan contained a 10 point year one action plan for 2019/20 which included responding to the outcomes of the HMICFRS inspection. Progress is regularly monitored by the Strategic Leadership Team and reported to elected Members through the Committee structure. Of the 10 year one actions, 3 were carried forward to 2020/21 as their timescales for delivery were longer than 12 months. The other 7 have been completed and signed off.

**Collaboration**

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

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

The Hucknall on-call station moved to a new joint facility with EMAS and the Police during 2019/20. A new police training facility has opened at Highfields fire station and work is almost complete at West Bridgford to facilitate a joint fire station and police station. Access has also been granted to the police to use fire service fuel bunkers. The service is recharging the costs of these services to the police.

The joint control room at Derbyshire Fire and Rescue opened in July 2019. The joint facility will offer increased resilience and also deliver savings to the authority.

Nottinghamshire Fire Safety Limited

The Authority established an arm’s-length trading company, which began operating on 1 September 2010. The company was called “Nottinghamshire Fire and Rescue Service (Trading) Limited” .Its main activities are to sell fire extinguisher maintenance services and fire safety training to external customers. The financial position of the company is not material in terms of the overall financial position of the Authority so separate accounts are prepared for both the Authority and the trading company.
Further detail about the company's trading results and overall financial position is shown in notes 35 and 42. For 2019/20, Nottinghamshire Fire Safety CIC made a loss before tax of £12k (£4k in 2018/19). The trading company was sold in August 2020.

Plans for 2020/21

Elected Members of the Fire Authority approved a council tax increase of 1.95% for 2020/21 with a Band D council tax of £81.36 (£79.80 2019/20). The revenue budget for 2020/21 has been set at £45.2m (£45.0m 2019/20). For the first time in several years, a balanced budget has been set for 2020/21. The budget includes a £2.3m grant to cover the expected increased costs of the firefighter pension employer contribution following the changes to the discount rates applied to the scheme.

Funding for 2021/22 to 2023/24 will be determined as part of the Government's spending review which will not be announced until late 2020. The ongoing uncertainty of Covid-19 adds to the existing uncertainty around Brexit. It is expected that the ongoing impact of Covid-19 will have a negative impact on the collection of council tax and business rates for 2020/21 onwards. There may be significant changes to the budget following the spending review and the service will have to deal with these when more information becomes available. It is still not known how the pension grant mentioned above will be treated in the spending review and how the future financial impact of the McCloud age discrimination remedy will be dealt with moving forward.

This being said, the service is confident that it is in a strong position to react should it find itself needing to reduce expenditure in order to balance the budget in future years. The service is currently spending well within its 2020/21 approved budget and reserves are sufficient to allow a period of transition should changes in service delivery models be required. The service is about to embark on a Fire Cover Review which will identifiy any potential areas where efficiencies can be made should this be required moving forward.

The service will continue to plan for Brexit. Many of the risks and plans to mitigate these risks have already been identified and put in place. These will be monitored and reviewed going forward.

In 2021 we will carry out a comprehensive fire risk assessment of Nottinghamshire. This data will help us ensure that we are allocating our resources to meet the foreseeable risks within our communities. This will enable us to provide an efficient and effective response to help create safer communities. Any changes in risk will influence the strategic direction of the service and will impact on budget development in future years.

Becky Smeathers

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS
# STATEMENT OF ACCOUNTS 2019/20

## The Authority's Responsibilities

The Authority is required to:

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

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

iii) approve the Statement of Accounts.

## The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

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

iii) complied with the local authority Code.

The Treasurer has also:

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

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

The Treasurer to the Authority is Mrs Becky Smeathers.

This Statement of Accounts is that upon which the auditor should enter his opinion and certificate. It presents a true and fair view of the financial position of the Authority at 31 March 2020 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on 28th August 2020 by the Treasurer to the Authority. This is the date up to which events have been considered for recognition in the Statement of Accounts.

Becky Smeathers

Signed ______________________________

Becky Smeathers CPFA
(Treasurer)

Dated 26 February 2021

**STATEMENT OF APPROVAL OF THE STATEMENTS OF ACCOUNTS**
**STATEMENT OF ACCOUNTS 2019/20**

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the 26th February 2021.

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

Signed

(Chair of the Fire Authority)

Dated 2 March 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE STATEMENT OF ACCOUNTS 2019/20

# INTRODUCTION TO THE CORE STATEMENTS

## Movement in Reserves Statement - Page 24

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

## Comprehensive Income and Expenditure Statement - Page 27

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

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

## Balance Sheet - Page 27

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

## Cash Flow Statement - Page 29

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.

Expenditure and Funding Analysis - Page 26

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

## CORE ACCOUNTING STATEMENTS

## MOVEMENT IN RESERVES STATEMENT

| Movement in Reserves during 2018/19 | 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 2018 carried forward** | **6,953** | **5,156** | **0** | **347** | **12,456** | **(473,374)** | **(460,918)** |
| **Movement in reserves during 2018/19** | | | | | | | |
| Total Comprehensive Income and Expenditure | (35,883) | 0 | 0 | 0 | **(35,883)** | (21,379) | **(57,262)** |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | 34,114 | 0 | 0 | 0 | **34,114** | (34,114) | **0** |
| **Increase or Decrease in 18/19 beforeTransfers to Earmarked Reserves** | **(1,769)** | **0** | **0** | **0** | **(1,769)** | **(55,493)** | **(57,262)** |
| Transfers to/from Earmarked Reserves (Note 11) | 393 | (393) | 0 | 0 | **0** | 0 | **0** |
| **Increase/(Decrease) in 2018/19** | **(1,376)** | **(393)** | **0** | **0** | **(1,769)** | **(55,493)** | **(57,262)** |
| **Balance at 31 March 2019 carried forward** | **5,577** | **4,763** | **0** | **347** | **10,687** | **(528,867)** | **(518,180)** |

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

## EXPENDITURE AND FUNDING ANALYSIS

| 2018/19 Net Expenditure Chargeable to the General Fund | 2018/19 Adjustments between the Funding and Accounting Basis * | 2018/19 Net expenditure in the Comprehensive Income and Expenditure Statement | | 2019/20 Net Expenditure Chargeable to the General Fund | 2019/20 Adjustments between the Funding and Accounting Basis * | 2019/20 Net expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|---|
| **£000** | **£000** | **£000** | | **£000** | **£000** | **£000** |
| 22,739 | (4,596) | 27,335 | Firefighting and Rescue | 24,431 | (2,638) | 27,069 |
| 1,780 | (261) | 2,041 | Community Safety | 1,878 | (168) | 2,046 |
| 1,253 | (203) | 1,456 | Fire Protection | 1,420 | (139) | 1,559 |
| 301 | (113) | 414 | Resilience | (149) | (3) | (146) |
| | | | Corporate and Centralised Services: | | | |
| 3,608 | (845) | 4,453 | Estates and Procurement | 3,824 | (1,230) | 5,054 |
| 1,175 | (172) | 1,347 | Equipment | 3,009 | (922) | 3,931 |
| 3,681 | (625) | 4,306 | People and Organisational Development | 3,283 | (246) | 3,529 |
| 1,066 | (63) | 1,129 | Finance | 942 | (41) | 983 |
| 2,524 | (487) | 3,011 | ICT | 2,760 | (540) | 3,300 |
| 1,210 | (227) | 1,437 | Transport | 0 | 0 | 0 |
| 3,370 | (24,476) | 27,846 | Other | 3,267 | (3,535) | 6,802 |
| **42,707** | **(32,068)** | **74,775** | **Net Cost of Services** | **44,665** | **(9,462)** | **54,127** |
| (40,938) | (2,046) | (38,892) | Other Income and Expenditure | (44,076) | (3,978) | (40,098) |
| **1,769** | **(34,114)** | **35,883** | **(Surplus) or Deficit** | **589** | **(13,440)** | **14,029** |
| **(6,953)** | | | **Opening General Fund Balance** | **(5,577)** | | |
| **1,769** | | | **Less/Plus (Surplus) or Deficit on General Fund Balance in Year** | **589** | | |
| **(393)** | | | **Less/Plus Net Transfers to/(from) Earmarked Reserves** | **(2)** | | |
| **0** | | | **Re-allocation of General Fund to earmarked reserves** | **0** | | |
| **(5,577)** | | | **Closing General Fund Balance** | **(4,990)** | | |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/19 Gross Expenditure | 2018/19 Gross Income | 2018/19 Net Expenditure | | Notes | 2019/20 Gross Expenditure | 2019/20 Gross Income | 2019/20 Net Expenditure |
|---|---|---|---|---|---|---|---|
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 27,843 | (508) | 27,335 | **Firefighting and Rescue** | | 27,558 | (489) | 27,069 |
| 2,039 | 3 | 2,042 | **Community Safety** | | 2,091 | (45) | 2,046 |
| 1,462 | (5) | 1,457 | **Fire Protection** | | 1,564 | (5) | 1,559 |
| 775 | (362) | 413 | **Resilience** | | 209 | (355) | (146) |
| | | | **Corporate and Centralised Services:** | | | | |
| 4,659 | (206) | 4,453 | Estates and Procurement | | 5,370 | (316) | 5,054 |
| 1,347 | 0 | 1,347 | Equipment | | 4,212 | (281) | 3,931 |
| 4,328 | (22) | 4,306 | People and Organisational Development | | 3,552 | (23) | 3,529 |
| 1,240 | (111) | 1,129 | Finance | | 1,045 | (62) | 983 |
| 3,018 | (8) | 3,010 | ICT | | 3,304 | (4) | 3,300 |
| 1,494 | (57) | 1,437 | Transport | | 0 | 0 | 0 |
| 27,886 | (40) | 27,846 | Other | | 7,314 | (512) | 6,802 |
| **76,091** | **(1,316)** | **74,775** | **Cost of Services** | | **56,219** | **(2,092)** | **54,127** |
| 0 | (42) | (42) | Other Operating Expenditure | 12 | 54 | 0 | 54 |
| 13,944 | (81) | 13,863 | Financing and Investment Income and Expenditure | 13 | 14,390 | (114) | 14,276 |
| 0 | (52,713) | (52,713) | Taxation and Non-Specific Grant Income | 14 | 0 | (54,428) | (54,428) |
| **90,035** | **(54,152)** | **35,883** | **Surplus (-) or Deficit on Provision of Services** | | **70,663** | **(56,634)** | **14,029** |
| | | (4,908) | Surplus or deficit on revaluation of property, plant and equipment assets | | | | (1,676) |
| | | 0 | Impairment Losses on Non-Current Assets Charged to Revaluation Reserve | | | | 0 |
| | | 26,287 | Remeasurements on the net defined benefit pension liability | | | | (21,999) |
| | | **21,379** | **Other Comprehensive Income and Expenditure** | | | | **(23,675)** |
| | | **57,262** | **Total Comprehensive Income and Expenditure** | | | | **(9,646)** |

*In 2019/20 Transport and Equipment were merged into one section*

## BALANCE SHEET

| 31 March 2019 £000 | | Notes | 31 March 2020 £000 |
|---|---|---|---|
| | Property, Plant & Equipment | | |
| 56,995 | - Land and Buildings | 15 | 56,555 |
| 7,460 | - Vehicles, Plant and Equipment | 15 | 6,953 |
| 93 | - Assets Under Construction | 15 | 121 |
| 31 | Surplus Assets | 15 | 790 |
| 1,105 | Intangible Assets | 16 | 727 |
| 181 | Intangible Assets Under Construction | 16 | 124 |
| 0 | Long Term Debtors | 19 | 318 |
| **65,865** | **TOTAL LONG TERM ASSETS** | | **65,588** |
| | | | |
| 5,442 | Short Term Investments | 17 | 4,466 |
| 279 | Inventories | 18 | 293 |
| 6,134 | Short Term Debtors | 19 | 5,818 |
| 7,020 | Cash and Cash Equivalents | 20 | 6,272 |
| **18,875** | **TOTAL CURRENT ASSETS** | | **16,849** |
| | | | |
| (4,117) | Short Term Borrowings | 17 | (1,581) |
| (3,128) | Short Term Creditors | 22 | (3,744) |
| (1,285) | Short Term Provisions | 23 | (622) |
| (25) | Grants Receipts in Advance - Revenue | 34 | (82) |
| **(8,555)** | **TOTAL CURRENT LIABILITIES** | | **(6,029)** |
| | | | |
| (30) | Long Term Provisions | 23 | (10) |
| (25,512) | Long Term Borrowing | 17 | (26,958) |
| (83) | Long Term Creditors | 22 | (182) |
| (568,740) | Pensions Liability | 39 | (557,793) |
| **(594,365)** | **TOTAL LONG TERM LIABILITIES** | | **(584,943)** |
| | | | |
| **(518,180)** | **TOTAL NET ASSETS/(LIABILITIES)** | | **(508,535)** |
| | | | |
| | Usable Reserves | | |
| 5,576 | - General Fund Balance | 24 | 4,989 |
| 4,763 | - Earmarked Reserves | 24 | 4,761 |
| 0 | - Capital Receipts Reserve | 24 | 0 |
| 347 | - Capital Grants Unapplied | 24 | 347 |
| | Unusable Reserves | | |
| 18,711 | - Capital Adjustment Account | 25 | 16,687 |
| 21,339 | - Revaluation Reserve | 25 | 22,489 |
| (568,940) | - Pension Reserve | 25 | (557,793) |
| 0 | - Financial Instruments Adjustment Account | 25 | 0 |
| 232 | - Collection Fund Adjustment Account | 25 | 191 |
| (209) | - Accumulated Absences Adjustment Account | 25 | (206) |
| | | | |
| **(518,181)** | **TOTAL RESERVES** | | **(508,535)** |

## CASH FLOW STATEMENT

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| **35,883** | **Net (Surplus)/Deficit on the Provision of Services** | **14,029** |
| (35,890) | Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements | (15,196) |
| 116 | Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 15 |
| 109 | Net Cash Flows from Operating Activities (Note 26) | (1,152) |
| (665) | Investing Activities (Note 27) | 771 |
| (4,459) | Financing Activities (Note 28 | 1,130 |
| (5,015) | Net (Increase) or Decrease in Cash and Cash Equivalents | 749 |
| (2,005) | Cash and Cash Equivalents at the Beginning of the Reporting Period | (7,020) |
| **(7,020)** | **Cash and Cash Equivalents at the End of the Reporting Period (Note 20)** | **(6,271)** |

## INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS
## STATEMENT OF ACCOUNTS 2019/20

# NOTES TO THE CORE ACCOUNTING STATEMENTS

## 1. ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 (the Code) and the Service Reporting Code of Practice 2019/20 supported by International Financial Reporting Standards (IFRS).

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

### Going Concern

The concept of a going concern assumes that the functions of Nottinghamshire Fire and Rescue will continue in operational existence for the foreseeable future. The provisions in the Code (CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which Fire and Rescue services operate. These provisions confirm that, as Fire and Rescue services cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Fire and Rescue services carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a Fire authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. The Statement of Accounts drawn up under the Code therefore assume that a Fire authority will continue to operate for the foreseeable future.

As at the end of October 2020, the cost of COVID-19 stood at £643k, against which savings of £10k can be offset. The financial effect of the pandemic is monitored closely, and cost projections are supplied monthly to the Home Office. These net costs have been funded by the additional grant funding of £1.058m received from central government. It is anticipated the majority of this grant funding will remain in 2020/21 and will therefore support future years.

The additional costs have been incurred in supporting the community with medical deliveries, providing drivers for East Midlands Ambulance Service, additional ICT to enable remote working and additional PPE and cleaning supplies. The Fire and Rescue service has not incurred the significant costs of other public sector service, neither has it been affected by loss of income from trading or commercial activity. The majority of costs incurred, excluding PPE and cleaning, are expected to be one off and not create an ongoing burden on finances. Whilst costs of PPE and cleaning will continue to be incurred, there is no expectation that these will cause concerns with regard to ongoing financial viability.

The service recognises there is uncertainty over the longer term impact of Covid-19 resulting from a reduction in Council Tax and Business Rates funding. Councils are anticipating a potential deficit in the region of £560k on the Collection Fund due to reduced collection rates and a decrease to the tax

However, this will not affect the service's income in 2020/21. Under normal circumstances, any deficit arising on the Collection Fund would be declared during 2020/21 and funded in 2021/22. However, the Ministry of Housing, Communities and Local Government (MHCLG) has announced a phasing scheme that allows deficits arising in 2020/21 to be repaid over 3 years rather than 1, smoothing the impact across 2021/22, 2022/23 and 2023/24. Furthermore, the Government announced in the Comprehensive Spending Review in November that they will provide grant to cover 75% of the Collection Fund deficit.

Fire Authority approved its Medium Term Financial Strategy (MTFS) for 2021/22 to 2024/25 in November 2020. This explored a number of financial scenarios which demonstrate that the service has long term sustainability with sufficient reserves to manage any short term deficits. The budget will be updated as better estimates become available and the final budget position and council tax levels will be approved by Fire Authority in February 2021.

Current forecasting and activity indicate an underspend in 2020/21 which will be transferred to reserves at year end. This underspend will be used to strengthen reserves to cover any temporary deficit in 2021/22. Reserve balances are forecast to increase to £11.0m by March 2021.

Based upon the latest assumptions cash flow forecasts have been prepared out to the end of March 2022 which indicate the service will maintain a strong cash position.

Based on our assessment of the financial and liquidity position of Nottinghamshire Fire and Rescue Service following the Covid-19 outbreak, there are no material uncertainties or concerns on the basis of preparing the 2019/20 financial statements or on the ability to continue to operate as a going concern for a period of 12 months from the date of approval of these financial statements.

**Accruals of Expenditure and Income**

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

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

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

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

d) Fees and charges due from customers are recognised as income at the date the Fire Authority provides the relevant services. Debts outstanding at the year end are assessed for evidence of uncollectability based on past events and a charge is made to revenue where the total value of debts for which there is evidence of impairment exceeds a £5,000 de minimis threshold. The impairment is assessed using the Expected Credit Loss Model. This model uses a provision matrix and calculates a fixed provision rate based on the number of days that a receivable is past due, assessed on the basis of historical experience from the previous five years and adjusted (if necessary) to reflect current conditions and forecasts of future conditions.

Impairment loss allowances are not recognised for debts where the counterparty is central government or a local authority, as statutory provisions prevent default. This policy applies to debts from unpaid fees and charges – council tax debtors are subject to a different policy (see below).

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

**Allocation of Support Service Costs**

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

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

**Borrowing Costs**

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

**Cash and Cash Equivalents**

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

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

**Contingent Liabilities and Contingent Assets**

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

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

**Council Tax Income and Non Domestic Rates**

Council tax and non domestic rates are collected from taxpayers by billing authorities both for themselves and substantively as agents, collecting council tax and non domestic rates on behalf of

This authority is a precepting authority, and council tax and non domestic rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account on the Balance Sheet and shown within the Movement in Reserves Statement.
Billing authorities prepare a Collection Fund balance sheet for council tax and non domestic rates activities, which is disaggregated and shared between the billing authority and its precepting authorities. This Authority's Balance Sheet contains the following items:

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

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

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

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

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

**Employee Benefits**

**Benefits Payable During Employment**

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

**Termination Benefits**

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

## Post Employment Benefits

Participation in Pension Schemes

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

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

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

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

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

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

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

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

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

## Discretionary Benefits

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

## Events after the Reporting Period

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

## Exceptional Items

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

## Financial Instruments

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

**Financial Assets**
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:
- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

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

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

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

**Government Grants and Contributions (Revenue)**

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

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

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

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.

**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 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.

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

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

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

## Provisions

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

## Reserves

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

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

General Reserve

This reserve is the surplus or deficit of income over expenditure in the 2019/20 financial year, and the cumulative effect of such surpluses or deficits carried forward from previous years. See note 24.

Earmarked Reserve

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

**Capital Reserves**

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

The Revaluation Reserve

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

The Capital Adjustment Account

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

The Usable Capital Receipts Reserve

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

The Capital Grants Unapplied Reserve

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

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

**Pensions Reserve**

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

**Accumulated Absences Adjustment Account**

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

**Collection Fund Adjustment Account**

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

**Value Added Tax**

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

## 2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

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

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

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

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

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

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The Government will provided indicative settlement figures for future years as part of the funding settlement in late 2020. There remains the possibility that funding for local government organisations will be further reduced. Despite this there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Authority has a balanced budget for 2020/21 and is anticipating to contain spend ing within this budget. The Authority is in a strong financial position to allow it to properly plan for any reductions in budgets over the next three years should this be required.

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

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

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

The items in the Authority's Balance Sheet at 31 March 2020 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.<br>It is estimated that the annual depreciation charge for buildings would increase by £92k for every year that useful lives had to be reduced. |

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

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

## 5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

| 2018/19 | Description of Item | Income or Expense | 2019/20 |
|---|---|---|---|
| £000 | | | £000 |
| 3,532 | Depreciation and Amortisation of Non Current Assets | Expense | 4,024 |
| (116) | Capital Receipt | Income | (15) |
| (183) | Reversal of unused provision for firefighters' pay award | Income | 0 |

## 6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer to the Authority on 28 August 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 27 June 2019 the Supreme Court denied the Government's request for permission to appeal against the Court of Appeal's decision in the cases of McCloud and Sargeant, regarding age discrimination and transitional protection arrangements in the New Judges Pension Scheme and New Firefighters' Pension Scheme. In response to this judgement HM Treasury issued a consultation document in order to remove the unlawful descrimination identified by the Court of Appeal. Although these two cases related specifically to the judicial and firefighters' pension schemes, similar transitional arrangements were agreed in relation to the Local Government Pension Scheme (LGPS). The impact of the remedy has been estimated in the Accounts assuming that the arrangements outlined in the consultation document are adopted. There may be additional changes to liabilities arising on both the LGPS and the Firefighter pension schemes once the remedy is finalised.

As at 31 December 2019 China had alerted the World Health Organisation (WHO) of several cases of an unusual form of pneumonia occurring in Wuhan. Following this and a substantial increase in infections, on 11th March 2020 the WHO declared the severe acute respiratory syndrome coronavirus (Covid-19) a pandemic. The number of infections within the UK increased during March 2020 and by late March the Government had declared a shutdown which impacted almost all UK operations in an unprecedented manner.

The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy.

Pension Fund and asset valuations as at 31 March 2020 have been calculated in accordance with information available as at 28 August 2020. In 2019/20 and 2020/21, funding of £1.058m has been received by the Authority to meet the additional costs of Covid-19. At this point in time it is envisaged costs will fall within this envelope.

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

### Adjustments between Funding and Accounting Basis 2019/20

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

### Adjustments between Funding and Accounting Basis 2018/19

| Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amount 2018/19 | Adjustment for Capital purposes | Net change for the Pension | Other Differences | Total Adjustments |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Firefighting and Rescue** | 187 | (4,799) | 15 | (4,597) |
| **Community Safety** | (9) | (257) | 4 | (262) |
| **Fire Protection** | 0 | (200) | (2) | (202) |
| **Resilience** | 0 | (115) | 2 | (113) |
| **Corporate and Centralised Services** | | | | |
| **Estates & Procurement** | (784) | (62) | 2 | (844) |
| **Equipment** | (91) | (80) | (1) | (172) |
| **People and Organisation Development** | (115) | (491) | (19) | (625) |
| **Finance** | (6) | (56) | (1) | (63) |
| **Information Communication and Technology** | (358) | (132) | 3 | (487) |
| **Transport** | (227) | 0 | 0 | (227) |
| **Other Corporate and Centralised Services** | 61 | (24,539) | 1 | (24,477) |
| | **(1,342)** | **(30,731)** | **4** | **(32,069)** |
| **Other income and expenditure** | 43 | (2,107) | 19 | (2,045) |
| | **(1,299)** | **(32,838)** | **23** | **(34,114)** |

## 8. EXPENDITURE AND INCOME ANALYSIS BY NATURE

| 2018/19 Restated* £000 | | 2019/20 £000 |
|---|---|---|
| | **Expenditure** | |
| 77,841 | Employee Benefits Expenses | 55,289 |
| 398 | Other Employee Expenses | 366 |
| 2,530 | Premises Related Expenses | 2,802 |
| 1,965 | Transport Related Expenditure | 2,340 |
| 3,462 | Supplies and Services | 3,948 |
| 35 | Third Party Payments | 795 |
| 172 | Support Services | 185 |
| 2,840 | Depreciation, amortisation, impaiment and loss on disposal of non-current assets | 4,113 |
| 793 | Interest Payments | 825 |
| 90,036 | **Total Expenditure** | 70,663 |
| | **Income** | |
| (784) | Fees, charges and other service income | (1,070) |
| (81) | Interest and investment income | (114) |
| (35,033) | Income from council tax and non-domestic rates | (36,146) |
| (18,212) | Government grants | (19,304) |
| (42) | Income from profit on disposal of non-current assets | 0 |
| (54,152) | **Total Income** | (56,634) |
| 35,884 | **(Surplus)/Deficit on Provision of Services** | 14,029 |

* £33k of income relating to Apprenticeship Levy reclassified from Fees, charges and other service income to Government grants in 2018/19

## 9. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

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

| 2018/19 £'000 | | 2019/20 £'000 |
|---|---|---|
| (683) | Revenue from contracts with service recipients | (707) |
| | Impairment of receivables or contract assets | |
| **(683)** | **Total Included in Comprehensive Income and Expenditure Statement** | **(707)** |

Amounts included in the Balance Sheet for contracts with Service Recipients

| 2018/19 £'000 | | 2019/20 £'000 |
|---|---|---|
| (337) | Receivables which are included in debtors | 0 |

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

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

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

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

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

## Usable Reserves

| 2018/19 General Fund Balance | 2018/19 Capital Receipts Reserve | 2018/19 Capital Grants Unapplied | | 2019/20 General Fund Balance | 2019/20 Capital Receipts Reserve | 2019/20 Capital Grants Unapplied |
|---|---|---|---|---|---|---|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| | | | **Adjustments to the Revenue Resources** | | | |
| | | | Amounts by which income and expenditure included in the Comprehensive Income and Expediture Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | |
| (32,838) | | | Pension costs (transferred to (or from) the Pensions Reserve) | (10,851) | | |
| 19 | | | Council tax and NDR (transfers to or from the Collection Fund Adjustment Account) | (41) | | |
| 4 | | | Holiday pay (transferred to the Accumulated Absences Reserve) | 3 | | |
| (2,914) | | 0 | Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (4,127) | | 0 |
| **(35,729)** | **0** | **0** | **Total Adjustments to Revenue Resources** | **(15,016)** | **0** | **0** |
| | | | **Adjustments between Revenue and Capital Resources** | | | |
| 116 | (116) | | Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 15 | (15) | |
| | | | Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | | | |
| 1436 | | | Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 1541 | | |
| 62 | | | Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 22 | 15 | |
| **1,614** | **(116)** | **0** | **Total Adjustments between Revenue and Capital Resources** | **1,578** | **0** | **0** |
| | | | **Adjustments to Capital Resources** | | | |
| | 116 | | Use of the Capital Receipts Reserve to finance capital | | 0 | |
| | | 0 | Application of capital grants to finance capital expenditure | | | 0 |
| | | | Cash payments in relation to deferred capital receipts | | | |
| **0** | **116** | **0** | **Total Adjustments to Capital Resources** | **0** | **0** | **0** |
| **(34,115)** | **0** | **0** | **Total Adjustments** | **(13,438)** | **0** | **0** |

## 11 TRANSFERS TO/FROM EARMARKED RESERVES

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

| Balance at 31 March 2018 | Transfers out 2018/19 | Movements 2018/19 | Transfers in 2018/19 | | Balance at 31 March 2019 | Transfers out 2019/20 | Movements 2019/20 | Transfers in 2019/20 | Balance at 31 March 2020 |
|---|---|---|---|---|---|---|---|---|---|
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 | £000 |
| **(1,360)** | 62 | (54) | 0 | **Information Communication and Technology** | (1,352) | 66 | 154 | 0 | (1,132) |
| **(514)** | 146 | 0 | (7) | **Prevention, Protection and Partnerships** | (375) | 94 | 31 | (2) | (252) |
| **(404)** | 45 | 0 | (177) | **Resilience** | (536) | 77 | 126 | (177) | (510) |
| **(1,114)** | 77 | 0 | 0 | **Capital** | (1,037) | 0 | 0 | 0 | (1,037) |
| **(480)** | 65 | 0 | 0 | **Operational** | (415) | 15 | 212 | 0 | (188) |
| **(95)** | 95 | 0 | 0 | **Estates** | 0 | 0 | 0 | 0 | 0 |
| **(849)** | 130 | 54 | (50) | **Transition** | (715) | 30 | 684 | 0 | (1) |
| **(308)** | 0 | 0 | 0 | **Pension** | (308) | 0 | 310 | 0 | 2 |
| **(31)** | 7 | 0 | 0 | **Other** | (24) | 0 | 24 | 0 | 0 |
| **0** | 0 | 0 | 0 | **Transforation and Collaboration** | 0 | 0 | (1,387) | 0 | (1,387) |
| **0** | 0 | 0 | 0 | **Regional Funds** | 0 | 80 | (154) | (181) | (255) |
| **(5,155)** | **627** | **0** | **(234)** | **SubTotal** | **(4,762)** | **362** | **0** | **(360)** | **(4,760)** |

## 12 OTHER OPERATING EXPENDITURE

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| (42) | Gains/(Losses) on the disposal of non-current assets | 54 |
| **(42)** | **Total** | **54** |

## 13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| 793 | Interest payable and similar charges | 825 |
| 0 | Interest paid in relation to Finance Leases | 0 |
| 13,151 | Net interest on defined pension liability | 13,565 |
| (81) | Interest receivable and similar income | (114) |
| **13,863** | **Total** | **14,276** |

## 14 TAXATION AND NON-SPECIFIC GRANT INCOME

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| 24,366 | Council tax income and surplus on collection | 25,357 |
| 3,667 | Non domestic rates | 3,629 |
| 11,044 | Pension top up grant | 9,682 |
| 6,125 | Non ringfenced government grants | 5,372 |
| 0 | Capital grants and contributions | 0 |
| 7,000 | Non domestic rates tax top-up grant | 7,160 |
| 503 | Business Rates Tax Loss Reimbursement Grant | 690 |
| 8 | Transparency grant | 8 |
| 0 | Covid-19 Funding | 191 |
| 0 | Fire Pension Grant | 2,340 |
| **52,713** | **Total** | **54,429** |

## 15 PROPERTY PLANT AND EQUIPMENT

| Movements in 2019/20 | 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 2019** | 58,704 | 22,483 | 1,155 | 93 | **82,435** |
| Adjustments to bring fixed asset register and statutory accounts into alignment | 0 | 0 | 0 | 0 | **0** |
| Additions | 583 | 1,112 | 0 | 121 | **1,816** |
| Donations | 0 | 0 | 0 | 0 | **0** |
| Revaluation Increases/(decreases) recognised in the Revaluation Reserve | (1,228) | 0 | 52 | 0 | **(1,176)** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (35) | 0 | 0 | 0 | **(35)** |
| Derecognition - Disposals | 0 | (2,858) | (1,048) | (69) | **(3,975)** |
| Derecognition - Other | 0 | (306) | 0 | 0 | **(306)** |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Assets Under Construction | (380) | 82 | 380 | (24) | **58** |
| Correction of classification | (250) | 0 | 250 | 0 | **0** |
| **At 31 March 2020** | **57,394** | **20,513** | **790** | **121** | **78,817** |
| **Accumulated Depreciation & Impairment** | | | | | |
| **At April 2019** | (1,713) | (15,023) | (1,125) | 0 | **(17,861)** |
| Adjustments to bring fixed asset register and statutory accounts into alignment | 0 | 0 | 0 | 0 | **0** |
| Depreciation & Impairment Charges | (1,899) | (1,701) | (6) | 0 | **(3,606)** |
| Depreciation written out to the Revaluation Reserve | 2,769 | 0 | 83 | 0 | 2,852 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | **0** |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | **0** |
| Derecognition- Disposals | 0 | 2,858 | 1,048 | 0 | **3,906** |
| Derecognition- Other | 0 | 306 | | 0 | **306** |
| Other movements in Depreciation & Impairment | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2020** | **(843)** | **(13,560)** | | **0** | **(14,402)** |
| **Net Book Value** | | | | | |
| **at 31st March 2020** | **56,551** | **6,953** | **790** | **121** | **64,415** |
| **at 31st March 2019** | **56,991** | **7,460** | **31** | **95** | **64,577** |

| Comparative Movements in 2018/19: | 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 2018** | 52,763 | 22,945 | 1,155 | 2,453 | **79,316** |
| Adjustments to bring fixed asset register and statutory accounts into alignment | (76) | (604) | | | **(680)** |
| Additions | 32 | 323 | 0 | 538 | **893** |
| Donations | 0 | 0 | 0 | 0 | **0** |
| Revaluation Increases/(decreases) recognised in the Revaluation Reserve | 3,318 | 0 | 0 | (50) | **3,268** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 331 | 0 | 0 | 0 | **331** |
| Derecognition - Disposals | (164) | 0 | 0 | 0 | **(164)** |
| Derecognition - Other | 0 | (577) | 0 | 0 | **(577)** |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Assets Under Construction | 2,500 | 0 | 0 | (2,500) | **0** |
| Correction of classification | 0 | 396 | 0 | (346) | **50** |
| **At 31 March 2019** | **58,704** | **22,483** | **1,155** | **95** | **82,437** |
| **Accumulated Depreciation & Impairment** | | | | | |
| **At April 2018** | (2,278) | (14,516) | (1,118) | 0 | **(17,912)** |
| Adjustments to bring fixed asset register and statutory accounts into alignment | 152 | 619 | 0 | 0 | **771** |
| Depreciation & Impairment Charges | (1,399) | (1,700) | (6) | 0 | **(3,105)** |
| Depreciation written out to the Revaluation Reserve | 1,638 | 0 | 0 | 0 | **1,638** |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 88 | 0 | 0 | 0 | **88** |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | **0** |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | **0** |
| Derecognition- Disposals | 86 | 0 | 0 | 0 | **86** |
| Derecognition- Other | 0 | 574 | 0 | 0 | **574** |
| Other movements in Depreciation & Impairment | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2019** | **(1,713)** | **(15,023)** | **(1,124)** | **0** | **(17,860)** |
| **Net Book Value at 31st March 2019** | **56,991** | **7,460** | **31** | **95** | **64,577** |

**Capital Commitments**

At 31 March 2020 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £15k. Similar commitments at 31 March 2019 were £60k. The major commitments for 2019/20 are:

- Hucknall Fire Station £9k

**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 2020, covering 11 properties and was carried out by Richard Hemsworth MRICS. Valuations of and 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. In addition in 19/20 asset not valued on the rolling programme were reviewed using the BCIS tender price index provided by the valuation officer. All NFRS land has revalued by the valuation officer .

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

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

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

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

The valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuation of these properties are kept under frequent review.

| | Other Land & Buildings £000 | Vehicles, Plant, Equipment £000 | Assets under Constructrion £000 | Surplus Assets £000 | Total £000 |
|---|---|---|---|---|---|
| Carried at Historical cost | 0 | 6,953 | 121 | 0 | **7,074** |
| Valued at Fair Value as at: | | | | | |
| 31 March 2020 | 47,413 | 0 | 0 | 790 | **48,203** |
| 31 March 2019 | 8,073 | 0 | 0 | 0 | **8,073** |
| 31 March 2018 | 851 | 0 | 0 | 0 | **851** |
| 31 March 2017 | 218 | 0 | 0 | 0 | **218** |
| 31 March 2016 | 0 | 0 | 0 | 0 | **0** |
| **Total Cost or Valuation** | **56,555** | **6,953** | **121** | **790** | **64,419** |

## 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 2018/19 £000 | Software Under Construction 2018/19 £000 | | Software 2019/20 £000 | Software Under Construction 2019/20 £000 |
|---|---|---|---|---|
| | | **Balance at start of year:** | | |
| 2,894 | 50 | • Gross carrying amounts | 2,894 | 181 |
| (1,553) | 0 | • Accumulated amortisation | (1,790) | 0 |
| 1,341 | 50 | Net carrying amount at start of year | 1,104 | 181 |
| 173 | 0 | Adjustments to bring fixed asset register and statutory accounts into alignment | 0 | 0 |
| 0 | (50) | Assets Reclassified | 0 | (58) |
| 0 | 181 | Purchases | 40 | 1 |
| 0 | 0 | Disposals | (334) | 0 |
| (410) | 0 | Amortisation for the period | (418) | 0 |
| 0 | 0 | Other Changes - Disposal Amortisation | 334 | 0 |
| **1,104** | **181** | **Net carrying amount at end of year** | **726** | **124** |
| | | **Comprising:** | | |
| 2,894 | 181 | • Gross Carrying Amounts | 2,600 | 124 |
| (1,790) | 0 | • Accumulated amortisation | (1,874) | 0 |
| **1,104** | **181** | | **726** | **124** |

## 17 FINANCIAL INSTRUMENTS

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

| 31 March 2019 (Restated) | | | 31 March 2020 | |
|---|---|---|---|---|
| Non-current | Current | | Non-current | Current |
| £000 | £000 | | £000 | £000 |
| | | **Financial assets** | | |
| 0 | 5,442 | Investments measured at amortised cost | 0 | 4,466 |
| 0 | 7,020 | Cash & cash equivalents measured at amortised cost | 0 | 6,272 |
| 0 | 5,298 | Debtors measured at cost | 318 | 4,890 |
| 0 | 0 | Financial assets measured at fair value through profit or loss | 0 | 0 |
| 0 | 0 | Financial assets measured at fair value through other comprehensive income | 0 | 0 |
| **0** | **17,760** | **Total financial assets** | **318** | **15,628** |
| | | **Financial liabilities** | | |
| (25,512) | (4,117) | Loans measured at amortised cost | (26,958) | (1,581) |
| (83) | (2,639) | Creditors measured at cost | (182) | (3,365) |
| 0 | 0 | Financial liabilities measured at fair value | 0 | 0 |
| **(25,595)** | **(6,756)** | **Total financial liabilities** | **(27,140)** | **(4,946)** |

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

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

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

| 31 March 2019 restated* | | 31 March 2020 |
|---|---|---|
| **£000** | | **£000** |
| | **Debtors** | |
| 6,134 | Debtors - as shown on Balance Sheet | 5,818 |
| (836) | Less: Council Tax and NDR debtors | (928) |
| **5,298** | **Debtors Classified as Financial Instruments** | **4,890** |
| | **Creditors** | |
| (3,128) | Creditors - as shown on Balance Sheet | (3,744) |
| 514 | Less: Council Tax NDR prepayments / overpayments | 461 |
| (25) | Grant Receipts in Advance - as shown on Balance Sheet | (82) |
| **(2,639)** | **Creditors Classified as Financial Instruments** | **(3,365)** |

* correction of error in the 2018/19 Statement of Accounts

### Income, Expense, Gains and Losses

| 2018/19 Surplus or Deficit on the Provision of Services £000 | 2018/19 Other Comprehensive Income and Expenditure £000 | | 2019/20 Surplus or Deficit on the Provision of Services £000 | 2019/20 Other Comprehensive Income and Expenditure £000 |
|---|---|---|---|---|
| | | **Interest revenue:** | | |
| (81) | **0** | Financial assets measured at amortised cost | (114) | **0** |
| 0 | 0 | Financial assets measured at fair value through other comprehensive income | 0 | 0 |
| **(81)** | **0** | **Total interest revenue** | **(114)** | **0** |
| **793** | **0** | **Interest expense** | **825** | **0** |

### Fair Value of Financial Assets and Financial Liabilities

The fair value of financial instruments has been determined by calculating the net present value (NPV) of future cashflows. The discount rates used in the NPV calculations are equivalent to the current rates in relation to the same or similar instruments of the same remaining duration from comparable lenders on the date of the valuation. A more detailed explanation of the rates used is given below. Short-term 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 £25.9m 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 £37.7m. This fair value is £11.8m higher than that calculated using the PWLB new loans rates because the discount rate is lower and hence the premium payable would be higher.

There have been limited trades in the Lender Option Borrower Option (LOBO) market during the financial year ended 31 March 2020, so comparable market rates are not available. A proxy LOBO new loans rate has been derived by applying a margin of 150 basis points above the corresponding gilt rates. The fair value of the non-PWLB LOBO loan calculated using PWLB premature repayment rates as a market illustration is £11.5m. This fair value is £5.4m higher than that calculated using new loan rates (£6.1m) because the discount rate is lower and hence the premium payable would be higher.

| 31 March 2019 | | | 31 March 2020 | |
|---|---|---|---|---|
| **Carrying Amount** | **Fair Value** | | **Carrying Amount** | **Fair Value** |
| **£000** | **£000** | **Financial Liabilities at amortised cost** | **£000** | **£000** |
| (21,618) | (24,059) | **- PWLB Loans** | (24,530) | (25,924) |
| (8,011) | (10,321) | **- Other Loans** | (4,010) | (6,117) |

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 2020) arising from a commitment to pay interest to lenders above current market rates.

| 31 March 2019 | | | 31 March 2020 | |
|---|---|---|---|---|
| **Carrying Amount** | **Fair Value** | | **Carrying Amount** | **Fair Value** |
| **£000** | **£000** | | **£000** | **£000** |
| 5,442 | 5,442 | **Investments held at amortised cost** | 4,466 | 4,466 |
| 7,020 | 7,020 | **Cash and cash equivalents held at** | 6,272 | 6,272 |

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

The 2019/20 CIPFA Accounting Code of Practice ("the Code") requires authorities to maximise the use of relevant observable inputs and minimise the use of unobservable inputs when measuring fair value. To achieve this objective, authorities are required to follow a fair 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 2020 | | | |
|---|---|---|---|---|
| *Recurring fair value measurements using:* | **Quoted prices in active markets for identical assets (Level 1)** | **Other significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Financial liabilities** | | | | |
| Loans held at amortised cost | 0 | (32,041) | 0 | (32,041) |
| **Financial assets** | | | | |
| Investments, cash & cash equivalents held at amortised cost | 0 | 10,738 | 0 | 10,738 |
| **Total** | **0** | **(21,303)** | **0** | **(21,303)** |

| | 31 March 2019 Comparative Year | | | |
|---|---|---|---|---|
| *Recurring fair value measurements using:* | **Quoted prices in active markets for identical assets (Level 1)** | **Other significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Financial liabilities** | | | | |
| Loans held at amortised cost | 0 | (34,380) | 0 | (34,380) |
| **Financial assets** | | | | |
| Investments, cash & cash equivalents held at amortised cost | 0 | 12,462 | 0 | 12,462 |
| **Total** | **0** | **(21,918)** | **0** | **(21,918)** |

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<br>• estimated ranges of interest rates as 31 March 2020 of 0.00% to 0.90% for short term investments and cash equivalents, based on new lending rates for equivalent assets at that date<br>• the fair value of trade and other receivables is taken to be the invoiced or billed amount | • no early repayment is recognised<br>• estimated ranges of interest rates at 31 March 2020 of 1.90% to 2.59% for loans payable based on new lending rates for equivalent loans at that date |

## 18 INVENTORIES

| 31 March 2019 | | 31 March 2020 |
|---|---|---|
| **£000** | | **£000** |
| **319** | **Balance Outstanding at start of year** | **279** |
| 374 | Purchases | 445 |
| (414) | Recognised as an expense in year | (487) |
| 0 | Written off balances | 56 |
| **279** | **Balance outstanding at year end** | **293** |

## 19 DEBTORS

| 31 March 2019 | | 31 March 2020 |
|---|---|---|
| **£000** | | **£000** |
| 2,727 | NNDR and council tax | 2,957 |
| 240 | Trade Debtors | 359 |
| 3,769 | Other debtors | 3,737 |
| (1,420) | Provision for bad debts | (1,607) |
| 818 | Prepayments and Accrued Income | 372 |
| **6,134** | **Total Short Term Debtors** | **5,818** |
| 0 | Prepayments and Accrued Income | 318 |
| **0** | **Long Term Debtors** | **318** |
| **6,134** | **Total** | **6,136** |

## 20 CASH AND CASH EQUIVALENTS

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

| 31 March 2019 | | 31 March 2020 |
|---|---|---|
| **£000** | | **£000** |
| | **Cash held by the Authority** | |
| 196 | Bank Current Accounts | 29 |
| 6,824 | Short-term deposits with | 6,243 |
| **7,020** | **Total Cash and Cash Equivalents** | **6,272** |

## 21 ASSETS HELD FOR SALE

There were no Non Current Assets held for sale either as at 31st March 2019 or at 31st March 2020.

## 22 CREDITORS

| 31 March 2019 | | 31 March 2020 |
|---|---|---|
| **£000** | | **£000** |
| (800) | Trade Creditors | (1,538) |
| (675) | NNDR and Council Tax | (767) |
| (1,654) | Other Creditors | (1,439) |
| **(3,129)** | **Short Term Creditors** | **(3,744)** |
| | | |
| (83) | Other Creditors | (182) |
| **(83)** | **Long Term Creditors** | **(182)** |
| **(3,212)** | **Total** | **(3,926)** |

## 23 PROVISIONS

| | PROVISIONS | | | | | |
|---|---|---|---|---|---|---|
| | Long Term | Short Term | | | | Total |
| | Insurances | On-Call Duty System | Officers Car Leasing | Exit Packages | Non Domestic Rates Appeals | |
| | £000 | £000 | £001 | £000 | £000 | £000 |
| **Balance at 1 April 2019** | **(30)** | **(21)** | **(225)** | **(647)** | **(391)** | **(1,314)** |
| Additional provisions made in 2019/20 | (10) | 0 | 0 | 0 | 0 | **(10)** |
| Amounts used in 2019/20 | 0 | 0 | 0 | 647 | 16 | **663** |
| Unused amounts reversed in 2019/20 | 30 | 0 | 0 | 0 | 0 | **30** |
| **Balance at 31 March 2020** | **(10)** | **(21)** | **(225)** | **0** | **(375)** | **(631)** |

### Insurances
This provision allows for potential liabilities arising from existing claims against the authority. The provision required at 31 March 2019 was determined to be £10k.

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

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

### Exit Package
During 2018/19, decisions were made by the Authority to move the service's Control Room into a joint Control with Derbyshire Fire and Rescue, and also to draw to a close the service's Princes Trust Programme. A provision was used to cover termination costs during 2019/20.

### Non Domestic Rates Appeals
From 2013/14, a proportion of Non Domestic Rates collected by Nottinghamshire collecting authorities is retained locally, rather than paid directly to central government. Part of these retained rates are collected on behalf of NFRS, and so a portion of any related provisions must now be recognised by NFRS. This provision allows for possible losses arising from any successful appeals of business premises rateable values in 2019/20.

## 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 2019 | | 31 March 2020 |
|---|---|---|
| **£000** | | **£000** |
| 5,576 | General Fund | 4,989 |
| 4,763 | Earmarked Reserves | 4,761 |
| 0 | Capital Receipts Reserve | 0 |
| 347 | Capital Grants Unapplied | 347 |
| **10,686** | **Total Usable Reserves** | **10,097** |

### General Fund

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

| 2018/19 | | 2019/20 |
|---|---|---|
| **£000** | | **£000** |
| **6,953** | **Balance at 1 April** | **5,576** |
| (1,377) | Transfer (to)/from General Fund Reserve | (589) |
| 0 | Transfer from General Fund Reserve to Earmarked Reserves | 2 |
| **5,576** | **Balance at 31 March** | **4,989** |

### Earmarked Reserves

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

| 2018/19 | | 2019/20 |
|---|---|---|
| **£000** | | **£000** |
| **5,156** | **Balance at 1 April** | **4,763** |
| (627) | Application of Earmarked Reserves to finance expenditure | (362) |
| 234 | Transfer from General Fund Reserve | 360 |
| 0 | Write back reserves no longer required | 0 |
| **4,763** | **Balance at 31 March** | **4,761** |

## 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.

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| **0** | **Balance at 1 April** | **0** |
| 116 | Capital Receipts in Year | 15 |
| (116) | Capital Receipts applied in year to finance capital | (15) |
| **0** | **Balance at 31 March** | **0** |

## Capital Grants Unapplied

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

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| **347** | **Balance at 1 April** | **347** |
| 0 | Capital Grants received in Year | 0 |
| 0 | Capital Grants applied in year to finance capital | 0 |
| **347** | **Balance at 31 March** | **347** |

## 25 UNUSABLE RESERVES

| 31 March 2019 £000 | | 31 March 2020 £000 |
|---|---|---|
| 21,339 | Revaluation Reserve | 22,488 |
| 18,711 | Capital Adjustment Account | 16,686 |
| (568,940) | Pensions Reserve | (557,793) |
| 232 | Collection Fund Adjustment Account | 191 |
| (209) | Accumulated Absences Account | (206) |
| **(528,867)** | **Total Unusable Reserves** | **(518,634)** |

### 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.

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| **16,856** | **Balance at 1 April** | **21,339** |
| 5,008 | Upward revaluations of assets | 5,193 |
| (100) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (3,517) |
| 4,908 | | 1,676 |
| **21,764** | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | **23,015** |
| (425) | Difference between fair value depreciation and historical cost depreciation | (527) |
| 0 | Accumulated gains on assets disposed of | 0 |
| (425) | Amount written off to the Capital Adjustment Account | (527) |
| **21,339** | **Balance at 31 March** | **22,488** |

**Capital Adjustment Account**

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

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

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

| 2018/19 | | 2019/20 |
|---|---|---|
| £000 | | £000 |
| **19,583** | **Balance at 1 April** | **18,709** |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES) | |
| (3,022) | • Charges for depreciation and impairment of non-current assets | (3,605) |
| 419 | • Revaluation losses on Property, Plant and Equipment and reversal of previous impairments | (35) |
| (237) | • Amortisation of intangible assets | (418) |
| 0 | • Revenue expenditure funded from capital under statute | 0 |
| (74) | • Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (69) |
| **(2,914)** | | **(4,127)** |
| 425 | Adjusting amounts written out of the Revaluation Reserve | 527 |
| **(2,488)** | Net written out amount of the cost of non-current assets consumed in the year | **(3,600)** |
| | Capital financing applied in the year: | |
| 116 | • Use of Capital Receipts Reserve to finance new capital expenditure | 15 |
| 0 | • Capital grants and contributions credited to the CIES that have been applied to capital financing | 0 |
| 1,436 | • Statutory provision for the financing of capital investment charged against the General Fund balance | 1,541 |
| 0 | • Voluntary provision for the financing of capital investment charged against the General Fund balance | 0 |
| 0 | • Application of grants to capital financing from Capital Grants Unapplied Account | 0 |
| 62 | • Capital expenditure charged against the General Fund balance | 22 |
| 1,614 | | 1,578 |
| 0 | Movement in the Donated Assets Account credited to the CIES | |
| **18,709** | **Balance at 31 March** | **16,687** |

## 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

| 2018/19 | | 2019/20 |
|---|---|---|
| £000 | | £000 |
| **(509,815)** | **Balance at 1 April** | **(568,940)** |
| (26,287) | Remeasurements on the net defined benefit pension | 21,999 |
| (48,398) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (27,837) |
| 15,560 | Employers pensions contributions and direct payments to pensioners payable in the year | 16,985 |
| **(568,940)** | **Balance at 31 March** | **(557,793)** |

## 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.

| 2018/19 | | 2019/20 |
|---|---|---|
| £000 | | £000 |
| **213** | **Balance at 1 April** | **232** |
| 19 | 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 | (41) |
| **232** | **Balance at 31 March** | **191** |

## 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.

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| **(213)** | **Balance at 1 April** | **(209)** |
| 213 | Settlement or cancellation of accrual made at the end of the preceding year | 209 |
| (209) | Amounts accrued at the end of the current year | (206) |
| 4 | 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 | 3 |
| **(209)** | **Balance at 31 March** | **(206)** |

## 26 CASHFLOW STATEMENT - OPERATING ACTIVITIES

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| **35,883** | **Net (Surplus) or Deficit on the Provision of Services** | **14,029** |
| | **Adjust net surplus or deficit on the provision of services for non cash movements** | |
| (3,022) | Depreciation | (3,605) |
| 419 | Impairment and revaluations | (35) |
| (237) | Amortisation | (418) |
| (47) | (Increase)/Decrease in impairment for bad debts | (187) |
| (1,111) | (Increase)/Decrease in Creditors | (683) |
| 1,937 | Increase/(Decrease) in Debtors | 130 |
| (40) | Increase/(Decrease) in Inventories | 14 |
| (33,039) | Pension Liability | (11,052) |
| (717) | Contributions (to)/from Provisions | 684 |
| (74) | Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets) | (69) |
| 41 | Accrued Interest | 25 |
| **(35,890)** | | **(15,196)** |
| | **Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities** | |
| 0 | Capital Grants credited to surplus or deficit on the provision of services | 0 |
| 116 | Proceeds from the sale of property plant and equipment, investment property and intangible assets | 15 |
| **116** | | **15** |
| **109** | **Net Cash Flows from Operating Activities** | **(1,152)** |

## CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| (66) | Interest received | (79) |
| 474 | Interest paid | 1,171 |
| 0 | Dividends received | 0 |

## 27 CASHFLOW STATEMENT - INVESTING ACTIVITIES

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| 1,458 | Purchase of property, plant and equipment, investment property and intangible assets | 1,786 |
| 2,000 | Purchase of short-term and long-term investments | 3,000 |
| (123) | Proceeds from the sale of property, plant and equipment, investment property and intangible asset | (15) |
| (4,000) | Proceeds from short-term and long-term investments | (4,000) |
| 0 | Other receipts from investing activities | 0 |
| **(665)** | **Net cash flows from investing activities** | **771** |

## 28 CASHFLOW STATEMENT - FINANCING ACTIVITIES

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| (14,000) | Cash receipts of short and long-term borrowing | (3,000) |
| 9,541 | Repayments of short and long-term borrowing | 4,130 |
| **(4,459)** | **Net cash flows from financing activities** | **1,130** |

## 29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

## 30 POOLED BUDGETS

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

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

| | Local Resilience Forum | Multi Agency Co-ordination Centre | Emergency Services Carol Concert | 2018/19 |
|---|---|---|---|---|
| | | | | £000 |
| **Opening Balance** | 10 | 14 | 1 | 25 |
| Income in Year | 1 | 0 | 0 | 1 |
| Expenditure in Year | 0 | 0 | 0 | 0 |
| **Balance carried forward** | 11 | 14 | 1 | 26 |
| | | | | **2019/20** |
| | | | | **£000** |
| **Opening Balance** | 11 | 14 | 1 | 26 |
| Income in Year | 57 | 0 | 0 | 57 |
| Expenditure in Year | 0 | 0 | 1 | 1 |
| **Balance carried forward** | 68 | 14 | 0 | 82 |

## 31 MEMBERS' ALLOWANCES

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

| 2018/19 | | 2019/20 |
|---|---|---|
| £000 | | £000 |
| 117 | Allowances | 116 |
| 2 | Expenses | 4 |
| **119** | **Total** | **120** |

## 32 OFFICERS' REMUNERATION

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

| | | Salary, Fees and Allowances | Expenses Allowances | Compensation for loss of employment | Total Remuneration excluding Pension Contributions | Pension Contribution | Total |
|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ |
| Chief Fire OfficerJohn Buckley | 2019/20 | 157,207 | 47 | 0 | 157,254 | 45,837 | 203,091 |
| | 2018/19 | 153,377 | 47 | 0 | 153,424 | 36,047 | 189,471 |
| Deputy Chief Fire Officer | 2019/20 | 124,191 | 47 | 0 | 124,238 | 35,653 | 159,891 |
| Deputy Chief Fire Officer started 25.02.19 | 2018/19 | 10,076 | 5 | 0 | 10,081 | 1,637 | 11,718 |
| Deputy Chief Fire Officer left 24.02.19 | 2018/19 | 114,455 | 42 | 0 | 114,497 | 16,367 | 130,864 |
| Assistant Chief Officer | 2019/20 | 109,369 | 47 | 0 | 109,416 | 15,798 | 125,214 |
| Assistant Chief Officer started 24.02.19 | 2018/19 | 9,961 | 4 | 0 | 9,965 | 1,277 | 11,242 |
| Assitant Chief Fire Officer left 24.02.19 | 2018/19 | 105,419 | 42 | 0 | 105,461 | 16,632 | 122,093 |
| Head of Finance | 2019/20 | 61,222 | 47 | | 61,269 | 9,061 | 70,330 |
| Head of Finance | 2018/19 | 56,662 | 47 | 0 | 56,709 | 9,709 | 66,418 |
| Total | **2019/20** | **451,989** | **188** | **0** | **452,177** | **106,349** | **558,526** |
| | **2018/19** | **449,950** | **187** | **0** | **450,137** | **81,669** | **531,806** |

Notes:

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

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

| 2018/19 Number of employees | Remuneration Band | 2019/20 Number of employees |
|---|---|---|
| 14 | £50,000-£54,999 | 20 |
| 30 | £55,000-£59,999 | 21 |
| 10 | £60,000-£64,999 | 19 |
| 2 | £65,000-£69,999 | 2 |
| 5 | £70,000-£74,999 | 3 |
| | £75,000-£79,999 | |
| 1 | £80,000-£84,999 | 1 |
| | £85,000-£89,999 | 1 |
| | £90,000-£94,999 | 1 |
| | £95,000-£99,999 | |
| 1 | £100,000-£104,999 | |
| | £105,000-£109,999 | 1 |
| 1 | £110,000-£114,999 | 1 |
| 1 | £115,000-£119,999 | |
| | £120,000-£124,999 | 1 |
| | £125,000-£129,999 | |
| | £130,000-£134,999 | |
| | £135,000-£139,999 | |
| | £140,000-£144,999 | |
| | £145,000-£149,999 | |
| 1 | £150,000-£154,999 | |
| | £155,000-£159,999 | 1 |
| | £160,000-£164,999 | |

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

| (a) Exit package cost band (including special payments) | (b) Number of compulsory redundancies | | (c) Number of other departures agreed | | (d) Total number of exit packages by cost band | | (e) Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| **£0-£20,000** | 2 | 0 | 5 | 1 | 7 | 1 | 127,957 | 5 |
| **£20,001 - £40,000** | 2 | 0 | 8 | 0 | 10 | 0 | 312,333 | 0 |
| **£40,001 - £60,000** | 0 | 0 | 1 | 0 | 1 | 0 | 41,977 | 0 |
| **Total** | **4** | **0** | **14** | **1** | **18** | **1** | **482,267** | **5** |

The total cost of redundancies during 2019/20 was £40k. £35k of this cost was to covered a shortfall in the provision made in 2018/19 for the Redundancies within the Control and Princes' Trust departments, so is not analysed in the table above.

## 33 EXTERNAL AUDIT COSTS

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

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| 24 | Fees payable with regard to external audit services carried out by the appointed auditor for the year | 24 |
| **24** | **Total** | **24** |

## 34 GRANT INCOME

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

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| | **Credited to Services** | |
| (387) | Firelink grant (part of the Fire Revenue grant DCLG) | (399) |
| (80) | New Dimension grant (part of the Fire Revenue grant DCLG) | (80) |
| (32) | New Risks grant | (49) |
| 0 | Emergency Services Mobile Communications grant | (394) |
| 0 | Sponsorship of events and awards | 0 |
| 0 | Miscellaneous Community Safety donations | 0 |
| (33) | Apprenticeship Levy | (98) |
| 0 | National Resilience Service and Maintenance grant | 0 |
| **(532)** | **Total** | **(1,020)** |

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 2019 £000 | | 31 March 2020 £000 |
|---|---|---|
| | **Grants Receipts in Advance (Revenue Grants)** | |
| (11) | Local Resilience Forum | (68) |
| (14) | Multi Agency Coordination Centre | (14) |
| (1) | Emergency Services Carol Concert | 0 |
| **(26)** | **Total** | **(82)** |

## 35 RELATED PARTIES

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

**Central Government**

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

**Members**

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

**Officers**

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

**Nottinghamshire County Council and Nottingham City Council**

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

| | Nottinghamshire County Council | | Nottingham City Council | | Nottingham Police & Crime Commisioner | |
|---|---|---|---|---|---|---|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Expenditure during year** | 458 | 473 | 525 | 95 | 12 | 27 |
| **Income during year** | 12 | 182 | 29 | 36 | 48 | 336 |
| **Creditor at 31 March** | 3 | 1 | 76 | 0 | 0 | 119 |
| **Debtor at 31 March** | 10 | 84 | 20 | 6 | 6 | 6 |

**Other Public Bodies**

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

| | Derbyshire Fire & Rescue Service | | Leicestershire Fire & Rescue Service | |
|---|---|---|---|---|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| | £000 | £000 | £000 | £000 |
| **Expenditure during year** | 221 | 1,564 | 147 | 273 |
| **Income during year** | 1 | 84 | 2 | 1 |
| **Creditor at 31 March** | 2 | 2 | 5 | 5 |
| **Debtor at 31 March** | 0 | 0 | 0 | 0 |

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

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

The Authority provided a loan of £55k to the Company on the commencement of trading on 1 September 2010. The loan is a revolving credit facility allowing the Company to draw down up to a maximum of £100k and decrease to nil at any time and interest is charged at 15 basis points above the Bank of England bank rate, a rate negotiated at arm's length. During 2015/16 the outstanding balance of the loan was repaid in full. The Authority's transactions and balances with the Company are detailed below. Note 42 provides more details regarding the company's transactions for the year 2019/20.

**Nottinghamshire Fire Safety Ltd**

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| 12 | **Expenditure during year** | 10 |
| 49 | **Income during year** | 47 |
| | | |
| 0 | **Creditor at 31 March** | 0 |
| 14 | **Debtor at 31 March** | 13 |
| | | |
| 0 | **Outstanding loan to** | 0 |

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

## 36 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| **26,278** | **Opening Capital Financing Requirement** | **25,738** |
| 0 | Capital receipt not applied in year | 0 |
| | *Capital Investment* | |
| 570 | Property, Plant and Equipment - (Operational and under Construction) | 583 |
| 323 | Property, Plant and Equipment - (Non Operational) | 1,233 |
| 181 | Intangible Assets (including under construction) | 41 |
| | *Sources of Finance* | |
| (116) | Capital Receipts | (15) |
| 0 | Government grant and other contributions | 0 |
| | Sums set aside from revenue: | |
| (62) | Direct revenue contributions | (22) |
| (1,436) | Minimum / Voluntary Revenue Provision | (1,541) |
| **25,738** | **Closing Capital Financing requirements** | **26,017** |
| | **Explanation of Movements in Year** | |
| 0 | Decrease in underlying need to borrow (unsupported by government financial assistance) | 0 |
| **(540)** | **(Decrease) / Increase in Capital Financing Requirement** | **279** |

## 37 LEASES

### Authority as Lessee

The Authority currently has no assets which would be defined as assets subject to operating lease arrangements. This was also the case in 2018/19.

### 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 2019/20 £4k and in 2018/19 was £15k.

**Future contracted receipts are:**

| | **£000's** |
|---|---|
| Within 1 year | 15 |
| Within 2 to 5 years | 24 * |
| Over 5 years | 0 |

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

## 38 TERMINATION BENEFITS

In 2019/20 the Authority has funded termination benefits totalling £88k from its revenue budget.

Termination benefits have been received by 21 individuals, 15 of whom were made redundant following the implemetation of a joint fire control function with Derbyshire Fire and Rescue Service, and 4 of whom were made redundant due to the closure of the Prince's Trust Programme. The majority of the termination benefit costs for the fire control merger and the closure of the Prince's Trust Programme were accounted for in 2018/19 through the creation of a £648k provision, as the decisions to terminate the employment contracts were made during the 2018/19 financial year. Of the £593k total termination benefit costs relating to the fire control merger, £552k was charged to the provision and £41k was charged to the revenue budget in 2019/20. Of the £135k total relating to the closure of the Prince's Trust Programme, £96k was charged to the provision and £41k was charged to the revenue budget in 2019/20.

## 39 DEFINED BENEFIT PENSION SCHEMES

**Participation in Pension Schemes**

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

As at 31 March 2020 the Authority participates in four post-employment schemes, all of which are defined benefit schemes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the three firefighters' schemes. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 106 to 107) 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 £207k relating to the 2006 NFPS are recognised under Corporate and Centralised Services in the Comprehensive Income and Expenditure Statement. These past service costs relate to the purchasing of back service credits by members of the Modified Scheme. Past service costs of £2,434k relating to the 1992 FPS are also recognised under Corporate and Centralised Services. These relate to GMP indexation.

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

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

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

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

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

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

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to as the "McCloud Judgment") ruled that the transitional protections afforded to older members when public service pension schemes were amended constituted unlawful age discrimination.

The final remedy to the ruling has yet to be determined in full, although the government has launched consultations on their proposals for implementing changes to the Firefighter Schemes and the LGPS. When assessing the potential implications of McCloud in the March 2019 IAS 19 exercise the actuaries calculated the additional liability that would have arisen had members who were not afforded protection continued to accrue benefits in the older final salary schemes. The approximate costs were included in the overall pension liability figure as at 31 March 2019 as a past service cost. In preparing the 31 March 2020 accounting figures, the actuaries have continued to reflect the potential costs arising from the McCloud Judgement on an approximate basis, following on from the exercise undertaken as at 31 March 2019. Once the final remedy is known, the actuaries will reassess the accounting position in full across the schemes to reflect the actual impact and costs.

**Transactions Relating to Post-employment Benefits**

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

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

| LGPS £'000 2018/19 | Firefighters' schemes £'000 2018/19 | | LGPS £'000 2019/20 | Firefighters' schemes £'000 2019/20 |
|---|---|---|---|---|
| | | **Comprehensive Income and Expenditure Statement** | | |
| | | *Cost of Services* | | |
| | | Service cost comprising: | | |
| 2,036 | 8,972 | - current service costs | 1,967 | 9,026 |
| 595 | 23,631 | - past service costs | 660 | 2,641 |
| 13 | 0 | Administration expenses | 14 | 0 |
| | | *Financing and Investment Income and Expenditure* | | |
| 569 | 12,582 | Net interest expense | 547 | 13,018 |
| 3,213 | 45,185 | *Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services* | 3,188 | 24,685 |
| | | *Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement* | | |
| | | Remeasurement of the net defined benefit liability comprising: | | |
| (1,890) | 0 | Return on plan assets (excluding the amount included in the net interest expense) | 3,101 | 0 |
| (3,245) | 0 | Actuarial (gains) and losses arising on changes in demographic assumptions | (1,038) | (9,604) |
| 3,062 | 28,360 | Actuarial (gains) and losses arising on changes in financial assumptions | (6,789) | (9,881) |
| 0 | 0 | Experience (gains) and losses | 1,799 | 0 |
| 0 | 0 | Other actuarial gains and losses | 413 | 0 |
| 1,140 | 73,545 | *Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement* | 674 | 5,200 |
| | | **Movement in Reserves Statement** | | |
| (3,213) | (45,185) | Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (3,188) | (24,685) |
| | | *Actual amount charged against the General Fund Balance for pensions in the year:* | | |
| 1,012 | 13,818 | Employers' contributions payable to the scheme | 1,354 | 14,862 |
| | 721 | Retirement benefits payable to pensioners | | 770 |

| | **Firefighters' Pension Scheme 1992 £'000** | | **Firefighters' Pension Scheme 2006 £'000** | | **Firefighters' Pension Scheme 2015 £'000** | | **Firefighters' Compensation Scheme £'000** | |
|---|---|---|---|---|---|---|---|---|
| | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** | **2019/20** | **2018/19** |
| **Comprehensive Income and Expenditure Statement** | | | | | | | | |
| *Cost of Services* | | | | | | | | |
| Service cost comprising: | | | | | | | | |
| current service cost | 4,266 | 1,981 | 2,834 | 290 | 1,099 | 4,803 | 827 | 1,898 |
| past service cost | 2,434 | 31,362 | 207 | 10,769 | 0 | (18,500) | 0 | 0 |
| *Financing and Investment Income and Expenditure* | | | | | | | | |
| Net interest expense | 10,836 | 10,437 | 1,188 | 855 | 194 | 515 | 800 | 775 |
| *Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services* | 17,536 | 43,780 | 4,229 | 11,914 | 1,293 | (13,182) | 1,627 | 2,673 |
| *Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement* | | | | | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | | | | | |
| Actuarial (gains) and losses arising on changes in demographic assumptions | (7,976) | 0 | (895) | | (127) | | (606) | |
| Actuarial (gains) and losses arising on changes in financial assumptions | (7,416) | 20,804 | (1,473) | 3,097 | (276) | 2,331 | (716) | 2,128 |
| *Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement* | 2,144 | 64,584 | 1,861 | 15,011 | 890 | (10,851) | 305 | 4,801 |
| **Movement in Reserves Statement** | | | | | | | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (17,536) | (43,780) | (4,229) | (11,914) | (1,293) | 13,182 | (1,627) | (2,673) |
| *Actual amount charged against the General Fund Balance for pensions in the year:* | | | | | | | | |
| Employers' contributions payable to the scheme (inclusive of government top-up grant) | 15,913 | 15,386 | (658) | (20) | (393) | (1,548) | | |
| Retirement benefits payable to pensioners | | | | | | | 770 | 721 |

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

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

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

Firefighters' Schemes:

| | **Unfunded Liabilities: Firefighters' Pension Scheme 1992** | | **Unfunded Liabilities: Firefighters' Pension Scheme 2006** | | **Unfunded Liabilities: Firefighters' Pension Scheme 2015** | | **Unfunded Liabilities: Firefighters' Compensation Scheme** | |
|---|---|---|---|---|---|---|---|---|
| | **£'000 2019/20** | **£'000 2018/19** | **£'000 2019/20** | **£'000 2018/19** | **£'000 2019/20** | **£'000 2018/19** | **£'000 2019/20** | **£'000 2018/19** |
| **Opening balance at 1 April** | **(457,311)** | **(408,113)** | **(47,760)** | **(32,729)** | **(7,330)** | **(16,633)** | **(33,317)** | **(29,237)** |
| Current service cost | (4,266) | (1,981) | (2,834) | (290) | (1,099) | (4,803) | (827) | (1,898) |
| Past service cost | (2,434) | (31,362) | (207) | (10,769) | 0 | 18,500 | 0 | 0 |
| Interest cost | (10,836) | (10,437) | (1,188) | (855) | (194) | (515) | (800) | (775) |
| Contributions from scheme participants | (1,081) | (587) | (906) | (140) | (326) | (1,605) | 0 | 0 |
| Remeasurement gains and (losses): | | | | | | | | |
| Actuarial gains/losses arising from changes in demographic assumptions | 7,976 | 0 | 895 | 0 | 127 | 0 | 606 | 0 |
| Actuarial gains/losses arising from changes in financial assumptions | 7,416 | (20,804) | 1,473 | (3,097) | 276 | (2,331) | 716 | (2,128) |
| Benefits paid net of transfers (in)/out | 16,994 | 15,973 | 248 | 120 | (67) | 57 | 770 | 721 |
| **Closing balance at 31 March** | **(443,542)** | **(457,311)** | **(50,279)** | **(47,760)** | **(8,613)** | **(7,330)** | **(32,852)** | **(33,317)** |

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

**Funded Liabilities: Local Government Pension Scheme**

| £'000 2018/19 | | £'000 2019/20 |
|---|---|---|
| **(53,572)** | **Opening balance at 1 April** | **(57,049)** |
| (2,036) | Current service cost | (1,967) |
| (595) | Past service cost | (624) |
| (1,362) | Interest cost | (1,357) |
| (360) | Contributions from scheme participants | (348) |
| | Remeasurement gains and (losses): | |
| 3,245 | Actuarial gains/losses arising from changes in demographic assumptions | 1,038 |
| (3,062) | Actuarial gains/losses arising from changes in financial assumptions | 6,789 |
| 0 | Experience gains/losses on defined benefit obligation | (1,799) |
| 671 | Benefits paid net of transfers (in)/out | 2,024 |
| 22 | Unfunded pension payments | 22 |
| **(57,049)** | **Closing balance at 31 March** | **(53,271)** |

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

**Local Government Pension Scheme**

| £'000 2018/19 | | £'000 2019/20 |
|---|---|---|
| **30,870** | **Opening fair value of scheme assets** | **34,027** |
| 793 | Interest income | 810 |
| | Remeasurement gain/(loss): | |
| 1,890 | The return on plan assets, excluding the amount included in the net interest expense | (3,101) |
| 0 | Other actuarial gains/(losses) | (413) |
| 820 | Contributions from employer | 1,131 |
| 360 | Contributions from employees into the scheme | 348 |
| (693) | Benefits paid (including unfunded benefits) | (2,024) |
| (13) | Administration expenses | (14) |
| **34,027** | **Closing fair value of scheme assets** | **30,764** |

**Local Government Pension Scheme assets comprised:**

| Fair value of scheme assets at 31 March 2019 | | | | Fair value of scheme assets at 31 March 2020 | | |
|---|---|---|---|---|---|---|
| **£'000** | **% Quoted** | **% Unquoted** | | **£'000** | **% Quoted** | **% Unquoted** |
| | | | Equities: | | | |
| 8,285 | 24% | <1% | • UK investments | 6,701 | 22% | 1% |
| 12,053 | 36% | | • Overseas investments | 10,097 | 33% | |
| 781 | | 2% | • Private equity investments – unspecified origin | 957 | | 3% |
| 21,119 | 60% | 2% | Equities subtotal | 17,755 | 55% | 3% |
| | | | Gilts: | | | |
| 1,108 | 3% | | • UK fixed interest gilts | 1,278 | 4% | |
| 1,108 | 3% | | Gilts subtotal | 1,278 | 4% | |
| | | | Other Bonds: | | | |
| 3,084 | 9% | | • UK corporate bonds | 1,075 | 4% | |
| 69 | <1% | | • Overseas corporate bonds | 1,752 | 6% | |
| 3,153 | 9% | | Bonds subtotal | 2,827 | 9% | |
| 4,605 | | 14% | Property | 4,587 | | 15% |
| 822 | | 2% | Cash / temporary investments | 1,254 | | 4% |
| 1,237 | | 4% | Inflation-linked pooled fund | 1,149 | | 4% |
| 1,638 | | 5% | Infrastructure | 1,914 | | 6% |
| 345 | | 1% | Unit trust | | | |
| **34,027** | **72%** | **28%** | **Total** | **30,764** | **68%** | **32%** |

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

**Basis for Estimating Assets and Liabilities**

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

The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' schemes were carried out at 31 March 2019 and 31 March 2018 respectively. Both firms of actuaries have adopted a roll-forward approach to updating the net liabilities as at 31 March 2020. 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 2020 Barnett Waddingham has used a discount rate of 2.35% for the Local Government Pension Scheme (compared with 2.4% at 31 March 2019), and Mercer Ltd has used a rate of 2.4% for the Firefighters' Schemes (unchanged from 2.4% at 31 March 2019).

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

| | Local Government Pension Scheme | | Firefighters' Schemes 1992, 2006 and 2015 | | Firefighters' Compensation Scheme | |
|---|---|---|---|---|---|---|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| *Mortality assumptions:* | | | | | | |
| *Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):* | | | | | | |
| Men | 21.8 | 21.6 | 26.2 | 26.4 | 23.6 | 23.8 |
| Women | 24.4 | 24.4 | 28.3 | 28.4 | 25.7 | 25.8 |
| *Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):* | | | | | | |
| Men | 23.2 | 23.3 | 28.5 | 28.3 | 25.8 | 25.7 |
| Women | 25.8 | 26.2 | 30.5 | 30.3 | 27.9 | 27.7 |
| Rate of inflation (CPI) | 1.85% | 2.40% | 2.10% | 2.20% | 2.10% | 2.20% |
| Rate of increase in salaries | 2.85% | 3.90% | 3.60% | 3.70% | 3.60% | 3.70% |
| Rate of increase in pensions | 1.85% | 2.40% | 2.20% | 2.30% | 2.20% | 2.30% |
| Rate of revaluation of CARE pensions (2015 Scheme only) | | | 3.35% | 3.50% | | |
| Rate for discounting scheme* | 2.35% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% |

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

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

**Sensitivity analysis for the Firefighters' Schemes**

| | Firefighters' Schemes (consolidated) | |
|---|---|---|
| | Impact on the defined benefit liability £'000 | Impact on the projected service cost £'000 |
| Increase discount rate by 0.1% p.a. | -9,694 | -209 |
| Increase inflation by 0.1% p.a. | 9,891 | 213 |
| Increase pay growth by 0.1% p.a. | 1,822 | 48 |
| Increase life expectancy by 1 year | 15,369 | 263 |

**Sensitivity analysis for the LGPS**

| | Impact of an increase of +0.1% £'000 | Impact of a decrease of -0.1% £'000 |
|---|---|---|
| *Adjustment to discount rate:* | | |
| Impact on the defined benefit liability | -1,168 | 1,197 |
| Impact on the projected service cost | -44 | 45 |
| *Adjustment to long term salary increase:* | | |
| Impact on the defined benefit liability | 139 | -137 |
| Impact on the projected service cost | 1 | -1 |
| *Adjustment to pension increases and deferred revaluation:* | | |
| Impact on the defined benefit liability | 1,063 | -1,038 |
| Impact on the projected service cost | 45 | -43 |
| *Adjustment to mortality age rating assumption:* | | |
| Impact on the defined benefit liability | 1,945 | -1,872 |
| Impact on the projected service cost | 53 | -51 |

**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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities.

- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid, and any shortfalls are currently met by the Home Office.
- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2018/19 was £731k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2021 is £934k. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £15.6m inclusive of government top-up grant.

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

## 40 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2020, the Authority had no contingent assets

At 31 March 2019, the Authority has two contingent liabilities relating to employment tribunals. One of the claims is for unfair dismissal and disability discrimination, the other is for sex discrimination and potential disability discrimination. It is not possible at this stage to quantify the amount of a penalty against the Authority if such a claim was to be successful.

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

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

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

### Overall procedures for managing risk

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

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

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

The annual treasury management strategy and prudential code indicators for 2019/20 were approved by the Authority on 15 February 2019. They are available on the Nottingham City Council website. The key issues within the treasury management strategy were:

- The Authorised Limit for 2019/20 was set at £33.7m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £30.6m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.
- An upper limit of £2.0m was set for principal sums invested for longer than 364 days.

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

**Credit Risk**

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

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

The Authority’s maximum exposure to credit risk in relation to its investments with banks and other local authorities cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments, and there was no evidence at 31 March 2020 that any of the Authority’s deposits might not be repaid.

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

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

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

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

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

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

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

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

The calculation for the 12-month expected credit losses was based on the historic default rate for A-rated investments which was produced by combining multi-year historic default rate data up to the end of December 2019 from the three main credit rating agencies. The credit losses were found to be immaterial and have therefore not been recognised.

The Authority has the following exposure to credit risk at 31 March 2020:

| | **Credit risk rating / Provision matrix category** | **Historical experience of default** | **Gross Carrying amount £'000s** |
|---|---|---|---|
| 12-month expected credit losses | AAA | 0.04% | 0 |
| | AA | 0.02% | 0 |
| | A | 0.05% | 10,737 |
| Simplified approach (lifetime credit losses for trade receivables) | Not due | 0.00% | 7 |
| | 1-30 days | 0.00% | 0 |
| | 31-60 days | 0.00% | 1 |
| | 61-90 days | 0.00% | 0 |
| | 91-120 days | 0.00% | 1 |
| | 121+ days | 0.00% | 0 |

**Liquidity Risk**

Liquidity Risk

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

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

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

Re-financing and Maturity Risk

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

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

investments placed for greater than one year in duration are the key parameters used to address this risk. The Finance team manages the risk within the approved parameters by:

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

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

| | Approved minimum limits | Approved maximum limits | Actual 31 March 2019 £000s | Actual 31 March 2020 £000s |
|---|---|---|---|---|
| **Less than 1 year** | 0% | 20% | 4,117 | 1,581 |
| **Between 1 and 5 years** | 0% | 30% | 1,612 | 3,058 |
| **Between 5 and 10 years** | 0% | 75% | 5,000 | 3,500 |
| **Over 10 years** | 0% | 100% | 2,000 | 2,000 |
| **Over 20 years** | 30% | 100% | 16,900 | 18,400 |
| **Total** | | | **29,629** | **28,539** |

**Market Risk**

Price risk

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

Foreign exchange risk

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

Interest rate risk

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

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

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

The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. In 2019/20 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

| | **£'000** |
|---|---|
| Decrease in fair value of fixed rate borrowings | 5,272 |

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

## 42 INTERESTS IN COMPANIES

**Nottinghamshire Fire Safety Limited.**

### Principal activities

Nottinghamshire Fire Safety Limited is a limited company and wholly owned by Nottinghamshire Fire and Rescue Service. The company was formed on 31st March 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 five elected members. The accounts of this subsidiary are not consolidated with the accounts of the Authority because the turnover of the company and the value of the Authority's investment in it 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 35. 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 Safety Limited

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| | **Profit and Loss** | |
| 393 | Turnover | 386 |
| 4 | Operating Profit/(Loss) | -12 |
| 4 | Profit/(Loss) on Ordinary Activities before Taxation | -12 |
| 3 | Profit/(Loss) on Ordinary Activities after Taxation | -11 |
| | **Balance Sheet** | |
| 256 | Total assets less current liabilities | 245 |

The accounts of the company can be obtained from:

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

# PENSION FUND ACCOUNT

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| | **Contributions Receivable** | |
| | Fire Authority: | |
| (2,774) | Contributions in relation to pensionable pay | (5,181) |
| (115) | Other (Ill Health Retirements) | (73) |
| (2,330) | Firefighters' contributions | (2,312) |
| **(5,219)** | **Total Contributions Receivable** | **(7,566)** |
| | **Transfers in from other authorities** | |
| (13) | Transfers in from other schemes | (56) |
| | **Benefits Payable** | |
| 12,891 | Pensions | 13,659 |
| 3,410 | Commutations and lump sum retirement benefits | 3,619 |
| 79 | Lump sum death benefits | 26 |
| 75 | Other | 21 |
| **16,455** | **Total Benefits Payable** | **17,325** |
| | **Refunds of Contributions** | |
| 4 | Contribution holiday refund payments | 0 |
| **11,227** | **Net Amount payable for the year before top-up grant from Central Government** | **9,703** |
| (8,689) | Top-up grant received from Central Government | (7,219) |
| **(2,538)** | **Balance of top-up grant for the year (receivable from)/payable to Central Government** | **(2,484)** |

## PENSION NET ASSETS STATEMENT

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

| 2018/19 £000 | | 2019/20 £000 |
|---|---|---|
| | **Current Assets** | |
| 1,041 | Prepaid Pensions | 1,052 |
| 2,538 | Pension top-up grant receivable from Central Government | 2,484 |
| **3,579** | **Total** | **3,536** |
| | **Current Liabilities** | |
| (221) | Unpaid pension benefits | (387) |
| (20) | Tax payable on behalf of members | (25) |
| (3,338) | Amount owing (to)/from General Fund | (3,124) |
| **(3,579)** | **Total** | **(3,536)** |
| **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. Individuals who have elected to join the Modified Scheme can choose to pay their historic contributions either by a lump sum or in instalments over a 10 year period. These contributions are being accounted for in the year that the cash is received as the individuals concerned do not accrue any additional pensionable service until the contributions are paid.

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

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

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

## 2. Accounting Policies for the Pension Fund

<u>General Principles</u>
The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

<u>Accruals</u>
Activity is generally accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. However, employee and employer contributions are not accounted for on an accruals basis as the effect of doing so is not material. Accruals are shown as debtors and creditors in the Net Assets Statement. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements. The one exception to this policy is the treatment of historic employee contributions paid into the Modified Scheme (see note 1 above for details).

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

**3. The Liability to Pay Pensions**

The Authority has a liability to pay future retirement benefits to current members of the Firefighters' Pension Schemes. The value of this liability has been assessed by an independent firm of actuaries and is shown in the Authority's Balance Sheet and explained further in note 39 to the core financial statements. The Pension Fund Account and Net Assets Statement do not take account of this liability.

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

Prepaid Pensions
Retirement benefits payable under the 1992 Scheme are generally paid to members monthly in advance. The payments made in March 2020 relating to April 2020 and have been treated as prepayments.

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

Unpaid Pension Benefits
A number of pension lump sums relating to retirements in 2019/20 have been accrued for.

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

**5. Financing of the Pension Fund**

The Authority does not operate a separate bank account for Pension Fund transactions. Instead, all Pension Fund cash transactions go through the Authority's main bank account. These amounts are shown as "Amounts owing from the General Fund". Top-up grant received in advance from central government is based on an estimate - an overpayment of grant is recovered after the year end and an underpayment of grant is paid to the Authority after the year end. The amount of grant payable by the Home Office to the Authority in respect of the 2019/20 financial year is £2,512k, and this is included in the Pension Net Assets Statement. The difference between the grant payable and the cash deficit of £3,152k as at 31 March 2020 is the total of the accruals included in the Pension Fund.

**6. Contingent liability**

The Authority is required to disclose if there are possible obligations which may require payment or a transfer of economic value. No significant contingent liabilities have been identified at the Balance Sheet date.

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

### 1.0 SCOPE OF RESPONSIBILITY

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

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

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

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

### 2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

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

## 3.0 THE GOVERNANCE FRAMEWORK

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

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

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

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

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

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

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

- To provide high quality services;
- To ensure that our employees are engaged and motivated;
- To provide strong Governance and Financial Sustainability.

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

## 3.6 The Internal Control Environment

3.6.1 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.

### 3.6.2 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.

### 3.6.3 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 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.

### 3.6.4 Established Policies, Procedures & Regulations

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

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

3.6.5 **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.

3.6.6 **Risk Management Strategy**

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

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

3.6.7 **Business Continuity Management (BCM)**

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

3.6.8 **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.

3.6.9 **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.

The timetable for publishing and auditing the Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015. These have been amended for the 2019/20 Statement of Accounts to allow additional time to prepare the accounts in the light of Covid-19. The publishing date of the unaudited accounts has been extended from 31 May to 31 August and the approval by Fire Authority of the audited accounts from 31 July to 30 November 2020.

4.0 **REVIEW OF EFFECTIVENESS**

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

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

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

4.3 **The Authority and its Committees**

4.3.1 The Authority reviewed the vision and strategic service objectives as part of the development of the Strategic Plan and has annual action plans in place to help deliver these objectives. The budget process takes into consideration the strategic objectives, with all new projects being evaluated against them. The budgeting process also had a measure of Member scrutiny with the Chair of the Finance and Resources Committee taking an active role.

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

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

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

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

4.4 **Management Review**

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

**Performance Management**

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

4.4.3 Work is almost complete on a new performance management framework. New software has been purchased and has been populated, with some refinement work in the process of being completed. The aim of this work is to improve the management of organisational performance and to increase accountability to the community in respect of the way that services are delivered.

**Risk Management**

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

**Business Continuity**

4.4.5 Throughout 2019/20 business continuity plans were reviewed and developed covering both strategic requirements and departmental level actions that should be taken in the event of a business disruption. These were tested using table top exercises. Plans were completed early in 2020 which coincided with the significant disruptions caused by the Covid-19 pandemic. The pandemic allowed for real life testing of plans and of the management systems and processes in place and they ensured that the service continued to deliver critical activities to the communities of Nottinghamshire, in addition to ensuring staff welfare was maintained. The service was also able to support local agencies and partners by taking on additional activities during the pandemic.

4.4.6 The business continuity arrangements allowed the service to quickly react to changing information from the ground and from our key partners through Local Resilience Forums. Continual and effective communications with staff enabled decisions to quickly be turned into actions on the ground.

**Professional Staff**

4.4.7 The Authority employs appropriate professional staff:

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

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

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

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

**Budget Monitoring / Efficiency**

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

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

4.4.12 The Authority published its first Efficiency Plan (Sustainability Strategy) back in 2016/17 to cover the period up to 2019/20. The plan set out targets for achieving savings over the period. All the original objectives within the Plan have now been concluded. The key savings are identified below:

- A new Mixed Crewing (or day shift crewing) model has been introduced at Ashfield and Retford fire stations. This delivered savings in the region of £1.2m per year.

- Surplus capacity within the operational ridership resulting from changes implemented over preceding years enabled the reduction of 14 surplus posts with a saving of £600k per year.

- A joint Command and Control Centre has now been opened in Derbyshire, which led to the closure of the Nottinghamshire control room delivering savings in the region of £200k per year.

4.4.13 A new Transformation and Efficiency Strategy for 2020/21 and 2021/22 was approved by Fire Authority in February 2020 with the objective of further transforming the service and increasing efficiency and effectiveness.

## 4.5 Internal Audit

4.5.1 The Authority procures its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the UK Public Sector Internal Audit Standards. The internal audit plan for 2019/20, 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 include an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports are submitted to the Finance and Resources Committee acting in its role as Audit Committee. There has been a delay in the Committee reviewing the 2019/20 reports due to the Committee not meeting during the Covid-19 pandemic. All reports have, however, been circulated to members of the Committee and will be reviewed when meetings commence in January 2021.

4.5.2 The Annual Internal Audit Report, which has been circulated to Finance and Resources Committee and considered at its January meeting reported that of the 6 final and one draft reports, one offered substantial assurance, 4 offered reasonable assurance and 2 did not contain any opinion / policy review. It concluded that:

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

4.6 **External Review**

4.6.1 The External Auditors (currently Ernst & Young LLP) are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. This communication is in the form of a written report which will be presented to Fire Authority at its meeting in November 2020.

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 2020 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 EY approved an unqualified Statement of Accounts for 2018/19. There were several unadjusted differences. These were not adjusted for in the accounts as the cumulative effect of these was not considered to be material. The audit did highlight some reporting issues in the ledger which have now been resolved.

4.6.4 It is anticipated that EY will similarly be able to approve an unqualified Statement of Accounts for 2019/20. As part of their 2019/20 External Audit Plan 5 risks were identified. These related to:

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

4.6.5 Covid-19 also has had a significant impact on the authority's land and building valuations at 31 March 2020 and the Local Government Pension Scheme asset valuations.

4.6.6 EY were unable to audit the Accounts in accordance with the 2018/19 timetable as set out in the Accounts and Audit Regulations 2015 due to resourcing issues. It is anticipated that the revised deadline for the 2019/20 accounts (see 3.6.9) will provide sufficient time for the audit to be completed in line with the revised 2019/20 deadline.

4.6.7 EY were appointed for a 5 year term through a procurement exercise managed by the Public Sector Audit Appointments Ltd (PSAA). 2019/20 is the second year of the contract. EY have indicated that the charge for undertaking the audit on the 2019/20 Statement of Accounts is likely to significantly increase from that originally set out in the contract. This is due to increasing audit regulation, introduction of a new Code of Audit Practice, increased scrutiny relating to the McCloud pension age discrimination case and a general shortage of public sector qualified staff. The situation is common across the whole public sector and negotiations remain ongoing between the Authority, EY and PSAA.

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

4.7.1 In addition to the usual Internal and External Audit reviews, the Authority had its first inspection by HMICFRS which took place in January and February 2019. The inspection focused on Efficiency, Effectiveness and People and will provide a useful benchmarking opportunity against other Fire Authorities. The inspection delivered an overall rating of Requires Improvement. Whilst some areas of performance were awarded a rating of Good (protecting the public through fire regulation and responding to national risks), 24 areas were judged to be requiring improvement. An improvement plan covering the 24 areas has been developed along with an action tracking process to manage and record progress. An update report was submitted to Policy and Strategy Committee on 24 July 2020. Eight areas of improvement have already been completed. The remaining actions are programmed to be completed in 2020/21.

## 5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2020/21

5.1 The single most significant issue for governance in 2020/21 is the Covid-19 pandemic. This has impacted on many levels of governance throughout the service.

**Business Continuity**

5.2 The service has responded well on the ground with all critical activities being maintained and additional activities being undertaken to work alongside and to assist partner organisations. The services business continuity arrangements have been thoroughly tested (sections 4.4.5 to 4.4.6), and the continuation of key services demonstrates that the BCM arrangements held up to scrutiny. The service is now taking time to review and update these arrangements to ensure that any lessons learned are built into future BCM procedures. HMICFRS are undertaking an inspection on the fire sectors' response to Covid-19 which will feed into this learning process.

5.3 The outcome of a staff survey completed in June 2020 suggests that staff feel that the organisation responded well to the pandemic and has been a good place to work. Lessons learned will be fed into the BCM process to enable systems to be improved for the future.

5.4 **Fire Authority Governance Arrangements**
The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings (England and Wales Regulations 2020 came into force on 4 April 2020.

5.5 Under this legislation, the Annual General meeting was cancelled and the Policy and Strategy Committee, being the committee responsible for matters of urgency has met virtually on 1 May and 24 July 2020. Fire Authority met virtually on 11 September and will meet again on 27 November to enable the audited Statement of Accounts to be authorised. A normal meeting schedule is due to recommence from January 2021. Meetings may be held virtually or in person depending on the Covid-19 conditions at the time.

5.6 In May 2020, the Policy and Strategy committee approved some amendments to the 2020/21 Treasury Management Strategy and Prudential Indicators to build in additional cashflow resilience following the covid-19 outbreak. It is now not considered likely that the Authority will need to take advantage of these amendments.

5.7 The impact of Covid-19 on the economy is expected to have a significant impact on collection rates of Council Tax and Business rates as well as on the tax base. This is expected to place pressure on Council tax and business rate income in 2021/22 and beyond.

5.8 **Strategic Plan**
The National Framework contains the continued requirement for the authority to have an Integrated Risk Management Plan (IRMP), which is delivered through the Authority's Strategic Plan. The current Strategic Plan is due to end in March 2022. The service is about to embark on a fire cover risk review to assess risk across Nottinghamshire. This will feed into the future strategic plan of the Authority.

**2020/21 Budget**

5.9 The Authority approved a balanced budget for 2020/21 in February 2020. Early monitoring of expenditure against the budget indicates that the service is anticipating an underspend caused by the delay of a wholetime recruitment course into 2021/22.

5.10 The service has received grant of £1.058m towards the cost of Covid-19 and the government has recently announced a further tranche of funding although details are still to be finalised. As at the end of September 2020, expenditure for the year is expected to be in the region of £628k. Any unspent grant at the end of the year will be held in an earmarked reserve for use in 2021/22.

5.11 **Medium Term Financial Strategy / 2021/22 Budget**

Future year budgets will be guided by the Medium Term Financial Strategy which will be approved by Fire Authority on 27 November 2020. There are several financial uncertainties facing the service in the coming years, the main ones being:

- The government spending review;
- Impact of Covid-19 on the Council Tax and Business Rates collection;
- Cost of pensions;
- Responding to the outcome of HMICFRS inspections.

5.12 Given these uncertainties, the service is confident that it remains financially secure going forward. Reserves are in a strong position (totalling £9.75m as at 31 March 2020). They are expected to further increase during 2020/21 due to the current year underspend (see 5.9). The additional costs related to Covid-19 are expected to be contained within the amount of government grant received (section 5.10). Should further savings be required these will be determined following the forthcoming fire cover review where areas for potential efficiencies can be identified. However, at this stage it is anticipated that a balanced budget will be possible without the need for using reserves or requiring significant savings.

**Pensions**

5.13 There remains a significant amount of uncertainty regarding pensions. The change in the discount rate applied to future payments into the pension scheme has increased the service's employer liability by £2.57m. For 2019/20 and 2020/21 the Home Office has provided additional grant of £2.34m but the future of this additional funding will not be known until the spending review.

5.14 The McCloud remedy is also ongoing regarding the transition arrangements in the 2015 firefighter's pension scheme. These have been judged to be discriminatory on the grounds of age. Central Government have released consultation regarding the remedy in July 2020 with a closing date of October 2020. There are expected to be considerable additional costs related to the case and it is unclear at present how these costs will be met.

5.15 The Firefighters' Pension Scheme Administration has been provided by Leicestershire County Council for several years. Following their withdrawal from the provision of this service, the contract has been awarded to West Yorkshire Pension Fund following a full OJEU tendering process. The service is due to transfer over from 1 December 2020. The McCloud remedy will have a large impact on the pension administration service as its implementation is expected to be highly complex. This will need to be monitored under the new contract.

**Brexit**

5.16 The Service may also be affected by the UK's exit from the European Union in January 2021, but at this stage in the process the impacts are unclear. The risk associated with "Brexit" is on the Authority's strategic risk register and will continue to be monitored and managed as appropriate.

**Financial Management Code**

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

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

5.18 The Financial Management code is required to be adopted by the 2021/22 financial year. Most of the requirements of the code are already being met by the service and is expecting to adopt the code formally by this date.

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

**Conclusion**

On the basis of the review of the sources of accurance set out in the statement, we are statisfied that Nottinghamshire Fire and Rescue Authority has in place a statisfactory system of internal control which facilitates the effective excersie of its functions and which includes arrangements for the management of risk.

The Annual goverance statement is therfore recommended to the Authority for approval.

| | |
|---|---|
| Signed…………………………………… | Signed…………………………………… |
| Councillor Michael Payne | John Buckley |
| **CHAIR OF THE FIRE AUTHORITY** | **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.

**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.